

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Subtraction for Social Security Benefits

March 7, 2011

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 410 (Lohmer) As Proposed to be Amended (H0410A1)

	<u>Fund Impact</u>			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
		(000's)		
General Fund	(\$26,600)	(\$57,800)	(\$95,400)	(\$135,900)

Effective beginning with tax year 2011.

EXPLANATION OF THE BILL

The bill would allow a subtraction for taxable social security benefits from Minnesota taxable income and from Minnesota alternative minimum taxable income. The subtraction would be phased in, starting at 10% of benefits in tax year 2011 and, as proposed to be amended, increasing by an additional ten percentage points each year until 100% of benefits would be subtracted in tax year 2020 and subsequent years.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 5.9) was used to estimate the revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2011. The model uses a stratified random sample of tax year 2008 individual income tax returns compiled by the Minnesota Department of Revenue. The HITS model extrapolates these data for the applicable tax years according to the economic assumptions of Minnesota Management and Budget.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: About 296,000 tax returns would be affected in tax year 2011.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy