

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Subtraction for National Guard and Reserves Compensation

February 27, 2002

Department of Revenue
Analysis of H.F. 2941(Blaine)/ S.F. 3411

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings	X	

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>FY2005</u>
		(000's)		
General Fund	\$	(\$6,700)	(\$6,700)	(\$6,700)

Effective beginning with tax year 2002.

EXPLANATION OF THE BILL

This bill would create a subtraction for the first \$5,000 in pay for service in the Minnesota National Guard, Armed Forces Reserves or active military duty service while a resident.

REVENUE ANALYSIS DETAIL

- The number of personnel eligible for this special treatment is estimated to be 28,000. It will be assumed that these taxpayers will take an average subtraction amount of \$4,000. At a six-percent marginal rate the cost is estimated to be \$6.7 million.
- Growth is assumed to be level.

NUMBER OF RETURNS: 28,000.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be administrative or operational costs to DOR in administration of this bill. The department would incur costs associated with updating forms and instructions, along with programming and processing/editing costs.

Source: Minnesota Department of Revenue
Tax Research Division
<http://www.taxes.state.mn.us/polic.html#analyses>

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