

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Retired Public Safety Officers Tax-Free Distributions for Premiums

March 23, 2007

Department of Revenue

Analysis of S.F. 31 (Metzen)/ H.F. 31 (Mullery), Tax Provisions Only

	Yes	No
DOR Administrative Costs/Savings		X

### Fund Impact

	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
		(000's)		
General Fund	(\$1,500)	(\$1,600)	(\$1,700)	(\$1,900)

Effective beginning with tax year 2007.

### EXPLANATION OF THE BILL

**Current Law:** For purposes of the individual income tax for tax years 2007 and after, Minnesota Statutes reference the Internal Revenue Code as amended through May 18, 2006.

**Proposed Law:** The bill would adopt one federal provision that was enacted after May 18, 2006, and is effective beginning with tax year 2007. Section 845 of the Public Law 109-280, the Pension Protection Act of 2006, provides for tax-free distributions up to \$3,000 annually from government pension plans for premiums for health and long-term care insurance for public safety officers. Under this provision, an eligible retired public safety officer can elect to have qualified health insurance premiums deducted from amounts distributed from an eligible retirement, annuity, or deferred compensation plan and paid directly to the insurer. Without this provision, distributions from these plans would generally be included in income, and health insurance premiums would be deductible only to the extent allowed as an itemized deduction for medical expenses, subject to a floor of 7.5% of adjusted gross income.

**Note:** As drafted, the bill refers to Section 485 of Public Law 109-28. It was assumed that the reference should be to Section 845 of Public Law 109-280.

### REVENUE ANALYSIS DETAIL

- The estimates are based on the estimates for the federal legislation prepared by the Joint Committee on Taxation dated July 28, 2006.
- The federal estimates were apportioned to Minnesota, and federal and state marginal tax rates were applied.
- The estimates were converted from federal fiscal years to state fiscal years.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

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