

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Military Pension Subtraction

February 16, 2007

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 33 (Wergin)/ H.F. 82 (Erickson)

	<u>Fund Impact</u>			
	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>	<u>F.Y. 2010</u>	<u>F.Y. 2011</u>
General Fund	(\$8,000)	(\$8,400)	(\$8,800)	(\$9,300)

Effective beginning with tax year 2007.

EXPLANATION OF THE BILL

The bill would allow a subtraction from federal taxable income for military pensions and retirement payments received by military veterans who are disabled or who are age 65 or older.

REVENUE ANALYSIS DETAIL

- According to information from the Department of Defense Statistical Report on the Military Retirement System for federal fiscal year 2005, there were in Minnesota the following numbers of veterans qualifying under this bill:
 - 168 disabled officers with an average annual pension of \$21,286;
 - 591 disabled enlisted personnel with an average annual pension of \$7,736;
 - 2,570 non-disabled officers age 65 or older, with an average annual pension of \$21,353; and
 - 4,352 non-disabled enlisted personnel age 65 or older with an average annual pension of \$12,940.
- Also there were 134 retired Coast Guard with an average pension of \$14,507.
- The total number of qualifying veterans was 7,815, receiving a total of \$121.3 million.
- It is assumed there is little overlap with the low income elderly subtraction.
- The average marginal rate was assumed to be 6%.
- Annual growth was estimated at 5%.
- Tax year impact was allocated to the following fiscal year.

Number of Taxpayers: Approximately 7,800 taxpayers would be affected.

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

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