

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Military Pay

February 21, 2007

Department of Revenue  
Analysis of S.F. 454 (Murphy) / H.F. 551 (Wollschlager)

	Yes	No
DOR Administrative Costs/Savings		X

	<b>Fund Impact</b>			
	<b>F.Y. 2008</b>	<b>F.Y. 2009</b>	<b>F.Y. 2010</b>	<b>F.Y. 2011</b>
		(000's)		
General Fund	(\$400)	(\$125)	(\$130)	(\$140)

Effective retroactively, beginning with tax year 2005.

### EXPLANATION OF THE BILL

**Current Law:** A subtraction from federal taxable income is allowed for the amount of compensation paid to Minnesota residents who are members of the armed forces of the United States or United Nations for active service performed outside Minnesota. Minnesota members of the Reserves who, under Title 10 of the federal code, are in active service outside Minnesota for training purposes are allowed the subtraction. The subtraction is not allowed for members of the National Guard who, under Title 32 of the federal code, are outside Minnesota for training or other duty other than federal active service.

**Proposed Law:** The bill would allow the subtraction for National Guard personnel who are in active service outside Minnesota under Title 32.

### REVENUE ANALYSIS DETAIL

- According to the Department of Military Affairs, the annual pay for out-of-state training for Guard personnel is \$2 million.
- Because the bill is retroactive, the estimate for fiscal year 2008 includes out-of-state training for tax years 2005, 2006, and 2007. The total amount for that year is increased slightly to account for Army and Air Guard who took part in border patrol operations in New Mexico and to account for those who served in Louisiana in the aftermath of Hurricane Katrina.
- A growth rate of 5% per year is assumed.
- An average marginal tax rate of 6% is assumed.

**Number of Taxpayers:** About 2000 taxpayers may be affected.

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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