

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Military Pension Subtraction

February 4, 2011

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 59 (Wiger) / H.F. 164 (Lillie)

	<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	(\$18,300)	(\$18,900)	(\$19,700)	(\$20,600)

Effective beginning with tax year 2011.

EXPLANATION OF THE BILL

The bill would allow a subtraction from Minnesota taxable income and alternative minimum taxable income of pension or other federal retirement pay received for service in the military.

REVENUE ANALYSIS DETAIL

- Based on data from 1099 forms and individual income tax returns filed with the Minnesota Department of Revenue, about 16,700 taxpayers received military pension compensation in 2008. The amount of tax reduction for each taxpayer was calculated. The total reduction in revenue if the bill provisions had been in effect in 2008 would have been about \$17.1 million.
- The annual growth rate depends on the increase in the number of retirees and on cost-of-living adjustments. Taking both of these factors into account, the increase is assumed to be 7% from 2008 to 2011, 3.5% for 2012, 4% for 2013, and 4.5% for 2014.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: About 17,000 taxpayers would be affected.

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

sf0059(hf0164)_1/gt