

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Military Pay Subtraction

March 10, 2011

	Yes	No
DOR Administrative Costs/Savings	x	

Department of Revenue
Analysis of S.F. 392 (Sieben) / H.F. 727 (Kath)

	Fund Impact			
	<u>F.Y. 2012</u>	<u>F.Y. 2013</u>	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>
			(000's)	
General Fund	(\$3,900)	(\$2,700)	(\$2,800)	(\$2,900)

Effective beginning with tax year 2011.

EXPLANATION OF THE BILL

Current law allows a subtraction from Minnesota taxable income for most military pay that is subject to federal income tax. The bill would extend the subtraction to include compensation for services performed under the Active Guard Reserve (AGR) program, except for AGR employees of the Department of Military Affairs.

REVENUE ANALYSIS DETAIL

- Based on data obtained from the Department of Military Affairs, in 2008 there were just over 1,000 Minnesota residents paid through the AGR program, with average total compensation of about \$57,800. It is assumed that compensation would grow at a rate of 3.5% per year, and that the average tax rate is 4%.
- All of tax year 2011 changes were allocated to fiscal year 2012. Other tax years were allocated 50/50 to fiscal years.

Number of Taxpayers: About 1,000 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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