

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Standard Deduction for 2012

March 2, 2012

Department of Revenue
Analysis of S. F. 1988 (Rest)

	Yes	No
DOR Administrative Costs/Savings		X

	<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	\$0	(\$62,200)	\$0	\$0

Effective beginning with tax year 2012.

EXPLANATION OF THE BILL

Minnesota has not adopted the federal law change which increased the standard deduction for married filers for tax years 2011 and 2012. Because the federal standard deduction was not adopted, an addition is required on the state return equal to the difference between the two amounts for 2012, as occurred on the tax year 2011 return. The difference between the state and federal standard deduction also affects the computation of the marriage credit and the calculation of the addition for itemized state income taxes. After 2012, federal law reverts to pre-2011 provisions, and the addition and other adjustments are not necessary.

The bill would conform Minnesota law to federal law for tax year 2012 by eliminating the addition for the difference between the state and federal standard deduction. The effect is to increase the standard deduction from \$9,900 to \$11,900 for married-joint returns and from \$4,950 to \$5,950 for married-separate filers. The other two adjustments - to the marriage credit and to the addition for itemized state income taxes - would also be eliminated.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 6.0) was used to estimate the revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2012. The model uses a stratified random sample of tax year 2009 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impact was allocated to the following fiscal year.

Number of Taxpayers: About 560,500 returns would have a tax decrease averaging \$113 per return. About 76,500 returns would have a tax increase at an average of \$12 per return.

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