

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Military Pension Subtraction

March 5, 2012

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of S.F. 2006 (Ortman)

	<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	(\$5,700)	(\$12,700)	(\$13,300)

Effective beginning with tax year 2012.

### EXPLANATION OF THE BILL

The bill would allow a subtraction from Minnesota taxable income and alternative minimum taxable income of a percentage of pension or other federal retirement pay received for service in the military. The percentage is 25% in tax year 2012 and 55% thereafter.

### REVENUE ANALYSIS DETAIL

- Based on tax and pension income data filed with the Minnesota Department of Revenue, about 17,000 taxpayers received taxable military pension compensation in 2009. The amount of reduction in tax for each taxpayer with a tax liability was calculated assuming both a 25% subtraction and a 55% subtraction.
- 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 annual growth rate is assumed to be 5%.
- Tax year impacts were allocated to the following fiscal year.

**Number of Taxpayers:** About 18,000 taxpayers would be affected in tax year 2012.

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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