MINNESOTA · REVENUE

INDIVIDUAL INCOME TAX
Military Pension Subtraction

March 21, 2014

Estimates Revised for Updated Information

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 59 (Dettmer) / S.F. 32 (Gazelka)

	Fund Impact			
	F.Y. 2014	**F.Y. 2015**	**F.Y. 2016**	**F.Y. 2017**
	(000's)			
General Fund	$0	($24,700)	($25,900)	($27,200)

Assumed effective beginning with tax year 2014.

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 tax and pension income data filed with the Minnesota Department of Revenue, about 18,000 taxpayers received taxable military pension compensation in 2011. The amount of reduction in tax for each taxpayer with a tax liability was calculated by subtracting all taxable military pension income from Minnesota taxable income.
- 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 20,000 tax returns would be affected in 2014.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

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