

# MINNESOTA • REVENUE

## INDIVIDUAL INCOME TAX Active Guard Reserve Subtraction

March 26, 2014

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue  
Analysis of H. F. 1948 (Murphy, M.)

	<u>Fund Impact</u>			
	<u>F.Y. 2014</u>	<u>F.Y. 2015</u>	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>
General Fund	\$0	(\$3,000)	(\$2,100)	(\$2,200)

(000's)

Effective beginning with tax year 2014

### EXPLANATION OF THE BILL

**Current Law:** A subtraction from Minnesota taxable income of compensation received for active service under the Active Guard Reserve (AGR) program is available for those individuals serving in the AGR program as reserves.

**Proposed Law:** The bill would extend eligibility for the subtraction to AGR individuals who are in the National Guard.

### REVENUE ANALYSIS DETAIL

- Based on information provided by the Department of Military Affairs, there are 953 individuals who would qualify for the subtraction. Their average annual salary is about \$52,000. It is assumed that compensation would grow at a rate of 3.5% annually, and that the average tax rate is 4%.
- Because of withholding, tax year impacts were allocated 50/50 to fiscal years, beginning with tax year 2015. Tax year 2014 amounts were allocated entirely to fiscal year 2015.

**Number of Taxpayers:** About 953 taxpayers would be affected.

Source: Minnesota Department of Revenue  
Tax Research Division  
[www.revenue.state.mn.us/research\\_stats/Pages/Revenue-Analyses.aspx](http://www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx)