DEPARTMENT OF REVENUE

INDIVIDUAL INCOME TAX
Unlimited Social Security Subtraction

February 13, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 56 (Jurgens), As Proposed to be Amended (H0056A1)

	Fund Impact			
	F.Y. 2020	**F.Y. 2021**	**F.Y. 2022**	**F.Y. 2023**
		(000's)		
General Fund	($382,600)	($409,000)	($433,200)	($459,800)

Effective beginning with tax year 2019.

EXPLANATION OF THE BILL

Current Law: A taxpayer may subtract a portion of social security income when calculating Minnesota taxable income. For 2019, the maximum subtraction is $4,700 for married joint filers, $2,350 for married separate filers, and $3,660 for single and head of household filers.

The subtraction is reduced by 20% of provisional income over the following thresholds for 2019: $80,430 for married joint filers, $40,220 for married separate filers, and $62,880 for single and head of household filers. Provisional income is income used to calculate the federally taxable portion of social security benefits. The thresholds and maximum subtractions are adjusted annually for inflation.

Proposed Law: The entire amount of Social Security benefits received by a taxpayer during the tax year is allowed as a subtraction, to the extent included in federal taxable income.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 6.7) 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 November 2018. The model uses a stratified random sample of tax year 2016 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: About 357,600 returns would be affected in tax year 2019. The average reduction in tax would be $1,070.

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

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