

February 13, 2019

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	<b>X</b>	

Department of Revenue  
Analysis of H.F. 885 (Wazlawik)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2020</u></b>	<b><u>F.Y. 2021</u></b>	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>
	(000's)			
General Fund	(\$180,200)	(\$191,400)	(\$201,500)	(\$212,100)

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 bill removes the maximum subtraction and changes the way the subtraction is phased out. The subtraction is equal to all taxable social security benefits, reduced by 10% for each \$1,000 of federal adjusted gross income over the following thresholds: \$110,000 for married joint filers, \$55,000 for married separate filers, and \$80,000 for single and head of household filers. The thresholds are indexed for inflation beginning in tax year 2020.

**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 254,800 returns would be affected in tax year 2019. The average reduction in tax would be about \$707.

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)