

April 2, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 2749 (Huot)

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
	(000's)			
Past Military Service Credit	(\$1,300)	(\$1,300)	(\$1,400)	(\$1,500)
Military Pension Subtraction	<u>\$300</u>	<u>\$300</u>	<u>\$400</u>	<u>\$400</u>
General Fund Total	(\$1,000)	(\$1,000)	(\$1,000)	(\$1,100)

Effective beginning tax year 2019.

EXPLANATION OF THE BILL

Current Law: A refundable credit against the individual income tax is allowed for an individual who is separated from military service and served in the military for at least twenty years, has a service-related disability rated as 100% total and permanent disability, or is eligible for a military pension. The credit is equal to \$750. The \$750 is reduced by 10% of adjusted gross income over \$30,000, so that no credit is available if adjusted gross income exceeds \$37,500.

Proposed Law: The bill increases the phase-out threshold from \$30,000 to \$50,000. The credit would be completely phased out at adjusted gross income of \$57,500.

REVENUE ANALYSIS DETAIL

- The estimate is based on information from income tax returns filed in Minnesota for tax year 2017.
- In tax year 2017 there were \$850,000 in credits on approximately 1,200 returns. About 700 of those would qualify for an increased credit under the bill. The average eligible credit would increase from about \$680 to \$740.
- About 1,300 returns currently taking the military pension subtraction would be eligible for the credit.
- The credit was assumed to grow at 5% annually.
- Tax year impact was allocated to the following fiscal year.

Number of Taxpayers: About 2,000 taxpayers would be impacted by the bill, including about 1,300 returns that would be newly eligible for the credit.