

March 17, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

 Department of Revenue  
 Analysis of H.F. 150 (Jurgens) / S.F. 273 (Goggin)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>
	(000's)			
General Fund	(\$1,487,200)	(\$1,549,400)	(\$1,605,000)	(\$1,658,300)

Effective beginning in tax year 2021.

### **EXPLANATION OF THE BILL**

**Current Law:** A taxpayer may subtract a portion of social security income when calculating Minnesota taxable income. For 2020, the maximum subtraction is \$5,240 for married joint filers, \$2,620 for married separate filers, and \$4,090 for single and head of household filers.

The subtraction is reduced by 20% of provisional income over the following thresholds for 2020: \$79,480 for married joint filers, \$39,740 for married separate filers, and \$62,090 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:** An unlimited subtraction of social security and other retirement benefits income is allowed. Retirement benefit income includes the total taxable amount received as a distribution or withdrawal from a governmental or other pension, annuity, or retirement savings plan, including a qualified defined benefit plan, a defined contribution plan such as a 401(k) plan, a simplified employee pension (SEP) plan, a savings incentive match plan for employees (SIMPLE) plan, an individual retirement account (IRA), or other retirement plans.

### **REVENUE ANALYSIS DETAIL**

- In 2018, taxable social security income totaled about \$7.365 billion on 452,700 returns. Other taxable retirement income totaled \$20.603 billion on 696,800 returns.
- The House Income Tax Simulation Model (HITS 7.0) 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 February 2021. The model uses a stratified random sample of tax year 2018 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts were allocated to the following fiscal year.

**REVENUE ANALYSIS DETAIL (Cont.)**

**Number of Taxpayers:** About 649,900 returns would be affected in tax year 2021. The average reduction in tax would be \$2,290.

Minnesota Department of Revenue  
Tax Research Division  
[https://www.revenue.state.mn.us/  
revenue-analyses](https://www.revenue.state.mn.us/revenue-analyses)

hf0150(sf0273)\_1 Retirement Sub / aee