

March 17, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

 Department of Revenue  
 Analysis of H.F. 2090 (Lueck) / S.F. 2019 (Ruud)

	<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	(\$117,500)	(\$252,400)	(\$404,100)	(\$573,100)

Effective beginning with 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 2021, the maximum subtraction is \$5,290 for married joint filers, \$2,645 for married separate filers, and \$4,130 for single and head of household filers.

The subtraction is reduced by 20% of provisional income over the following thresholds for 2021: \$80,270 for married joint filers, \$40,135 for married separate filers, and \$62,710 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 allows a subtraction of an additional percentage of taxable social security income not already subtracted under current law. In tax year 2021, a taxpayer may subtract an additional 25% of their social security income. The percentage increases to 50% in 2022 and 75% in 2023. Beginning in tax year 2024, 100% of taxable social security benefits is allowed as a subtraction.

### **REVENUE ANALYSIS DETAIL**

- 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.
- The estimate is based on the revenue impact of the unlimited social security subtraction in each year multiplied by the percentage allowable in that tax year.
- Tax year impacts were allocated to the following fiscal year.
- About 392,900 returns would be affected in tax year 2021. The average reduction in tax would be \$299.

 Minnesota Department of Revenue  
 Tax Research Division  
[https://www.revenue.state.mn.us/  
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