

March 17, 2021

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

Department of Revenue  
Analysis of S.F. 1361 (Rest), As Proposed to be Amended (SCS1361A-1)

	<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	(\$40,900)	(\$43,100)	(\$45,500)	(\$47,900)

Effective beginning 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 increases the maximum subtraction to \$8,000 for married joint filers, \$4,000 for married separate filers, and \$6,250 for single and head of household filers in tax year 2021. The amounts would be indexed for inflation beginning in tax year 2022.

**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.
- Tax year impacts were allocated to the following fiscal year.

**Number of Taxpayers:**

- About 285,990 returns would be affected in tax year 2021. The average reduction in tax would be \$143.

Minnesota Department of Revenue  
Tax Research Division  
<https://www.revenue.state.mn.us/revenue-analyses>