

March 17, 2021

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 2091 (Dornink)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
			(000's)	
General Fund	(\$470,000)	(\$504,700)	(\$538,800)	(\$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 entire amount of taxable social security benefits received by a taxpayer during the tax year 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.
- 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 \$1,196.

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