

February 3, 2025

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue  
Analysis of S.F. 668 (Kupiec)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2026</u></b>	<b><u>F.Y. 2027</u></b>	<b><u>F.Y. 2028</u></b>	<b><u>F.Y. 2029</u></b>
	(000's)			
General Fund	(\$80)	(\$80)	(\$80)	(\$80)

Effective beginning tax year 2025.

## EXPLANATION OF THE BILL

**Current Law:** A subtraction from federal adjusted gross income is allowed to members of the Minnesota National Guard or other reserve components of the United States military for training, drill, and summer camp pay. The subtraction is also allowed for active service performed in Minnesota, including natural disaster emergency response, missing person searches, and airport security duty. Compensation received for service by another state's National Guard is not eligible for the subtraction.

**Proposed Law:** The bill allows the subtraction for Minnesota residents serving in the National Guard of a neighboring state. Neighboring states include Wisconsin, Iowa, North Dakota, and South Dakota.

## REVENUE ANALYSIS DETAIL

- Based on Department of Defense's report titled "2023 Demographics Profile of the Military Community", there were about 25,400 national guard members from the neighboring states. Also, the number of national guard members have been decreasing.
- The percentage of members who are residents of Minnesota is unknown. This estimate assumes that 0.57% are Minnesota residents, based on Census data on state-to-state migration over the period 2011-2023.
- It is estimated that about 147 Minnesota residents are in neighboring states' National Guards.
- Based on samples of individual income tax returns for tax years 2015-2022, and M-1 processing report for tax year 2023, about 8,500 Minnesota residents claim the current subtraction for National Guards each year, or about 61% of the total members.
- It is estimated that an additional 90 residents would claim the subtraction.
- The average subtraction is \$14,500.
- A marginal rate of 6.3% is calculated based on taxpayers claiming current subtraction.
- Tax year impacts are allocated to the next fiscal year.
- No growth is assumed over the forecast window.

**REVENUE ANALYSIS DETAIL (Cont.)**

**Number of Taxpayers:** About 90 taxpayers would benefit from the proposal each tax year.

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

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