

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Social Security Income Subtraction

January 27, 2015

Department of Revenue
Analysis of S.F. 124 (Senjem) / H.F. 309 (Davids)

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	<u>F.Y. 2016</u>	<u>F.Y. 2017</u>	<u>F.Y. 2018</u>	<u>F.Y. 2019</u>
			(000's)	
General Fund	(\$122,800)	(\$132,200)	(\$194,100)	(\$269,200)

Effective beginning with tax year 2015

EXPLANATION OF THE BILL

The bill would allow a subtraction from Minnesota taxable income and from Minnesota alternative minimum taxable income of the portion of social security income included in federal taxable income. The subtraction of the taxable portion of social security income would be phased in on the following schedule:

- 32% in tax years 2015 and 2016
- 43% in tax year 2017
- 55% in tax year 2018
- 67% in tax year 2019
- 77% in tax year 2020
- 89% in tax year 2021
- 100% in tax year 2022 and thereafter

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 6.3) 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 November 2014. The model uses a stratified random sample of tax year 2012 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 368,000 returns would be affected in tax year 2015. The average reduction in tax would be about \$333.

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx