



**AARP Testimony on Social Security Tax Relief
House Tax Committee
March 9, 2023**

Madam Chair, members of the committee, my name is Bill Raker. I am a volunteer with AARP Minnesota. On behalf of nearly 620,000 members, we thank you for the opportunity to testify in support of House File 300. We also want to thank Representative Lislegard for bringing the bill forward.

AARP has long advocated for Social Security tax relief. While we have appreciated past legislative actions that provide a tax subtraction on these benefits, the fact remains that more and more retirees are paying taxes on their benefits.

Social Security is an earned benefit. Historically, Social Security was designed as an anti-poverty program and not necessarily a way to fund state government. This is an issue our members care deeply about and one that they have been vocal about. It is a benefit they have earned and paid for over a lifetime of work.

As you know, prior to 1984, these benefits were not taxable. And today, Minnesota is only one of 12 states that tax Social Security benefits. As you know, prior to 1984, these benefits were not taxable.

Of course, taxation of Social Security benefits at the federal and state levels are different in one critical regard: the federal taxes directly support the Trust Fund that pays for these benefits.

When AARP analyzed the growth in the numbers and amounts of federally taxable Social Security between 1997 through 2020 (the earliest and the latest years) available by income, we found that **while** the total number of MN returns grew by 29%, the number of Social Security returns increased over three times to 312%. Research indicates that the main culprit is **the failure of the federal formula to adjust for inflation.**

The problem becomes far more acute at times of high inflation. High inflation will push more recipients into paying taxes on their Social Security benefits. As a result, taxes will eat away the recent Soc Sec increase and leave them vulnerable to the cost-of-living increases from the record-high inflation.

Exempting these benefits from taxation will provide additional income security for older Minnesotans and go a long way in helping seniors who are feeling the pressure of rising health and long-term care costs and other expenses such as food, utility, and property tax increases.

Finally, I want to acknowledge the concerns around the budget impact of eliminating this tax. This has been our concern and is why we have called for a balanced approach in the past. But given the historic surplus, we believe Minnesota should eliminate this tax and align us with the other states.

In conclusion, we want to thank you for the opportunity to testify, and while we recognize the complexity of this issue and many people have differing opinions, we want to work with you on moving forward on this issue this year. Thank you.

