

Testimony to the Minnesota House Tax Committee
in support of Social Security Tax Exemption (HF300)
Mark Felsheim
March 9, 2023

Members of the Committee, my name is Mark Felsheim and I am here today to ask you to eliminate Minnesota's income tax on social security benefits. I've never regretted paying taxes. I believe it's your obligation in a democracy. But this is a matter of staying true to the intent of social security, the intrinsic Minnesota values, economic fairness, and social justice.

The Social Security Act signed into law by President Franklin Roosevelt in 1935 was intended to provide a federal safety net for elderly, unemployed and disadvantaged Americans. It was to be paid from contributions paid by retirees over their lifetime. It was meant to provide a basic floor for retirees. I have diligently paid social security taxes for over 50 years and continue to pay them to earn this benefit.

Originally, all social securities payments were exempt from federal tax. In 1984, as part of a comprehensive, bipartisan compromise to keep social security solvent social security payments over a certain amount were subject to federal tax. My understanding is that this is about the time when Minnesota also began to tax social security income.

My wife and I moved here from Milwaukee over the summer to be closer to our adult children. While we love our new home in Eagan and love Minnesota, my wife and I are seriously considering moving the 25 miles or so East to be back in Wisconsin where they do not tax Social Security benefits. The savings would be significant.

I retired after more than 40 years as a professional educator at the high school and community college levels. I was anxious, however, to find a way to give back to the community. I am happy to report that I landed a position with Inver Grove's school district as a special education paraprofessional. It doesn't pay much, but with my Social Security and Wisconsin retirement fund, we hoped we wouldn't need much. Both my additional employment and Wisconsin retirement are taxed at the State level which seems reasonable as this is income beyond the minimal floor of social security.

As I'm sure most of the Members would agree, decisions like taxing social security benefits have both an economic and political impact. If we do move the ½ hour East, Minnesota would not only lose the tax from our social security benefits but also the taxes from my retirement and ¾ time work. In addition to the sales tax revenue that would now go to Wisconsin instead of Minnesota as we would be shopping more in Wisconsin. More importantly, however, is the message this tax sends to the seniors of Minnesota. As one of the few States that taxes social security benefits Minnesota seems to be telling seniors, "thanks for all your hard work over the years to build the State and your tax revenue over the years but you are no longer welcome here. I urge you to remain true to the purpose of the original legislation and Minnesota values of social justice and fairness and pass a bill repealing the tax on social security income so we don't have to move. Thank you.

