

# HOUSE RESEARCH

## Bill Summary

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### Overview

Allows an income tax subtraction for military pension income, phased in over four years (tax years 2007 to 2010).

#### Section

- 1 Purpose statement.** States that the new tax benefit being created in section 0 is being provided in recognition of the benefits that veterans bring to Minnesota's economy, businesses, and communities, as well as in recognition of the personal and family financial sacrifices made by career military members. Establishes state policy welcoming veterans back to Minnesota via income tax incentives.
- 2 Income tax subtraction; military pension income.** Allows an income tax subtraction for military pension income, including survivor's benefit plan payments. The subtraction for military retirement pay would be phased in over the four taxable years, 2007 to 2010, on the following schedule:
  - 2007: 25 percent of pension income, maximum of \$7,500;
  - 2008: 50 percent of pension income, maximum of \$15,000;
  - 2009: 75 percent of pension income, maximum of \$22,500; and

**Section**

- 2010 and following years: 100 percent of pension income.

**3** **Alternative minimum taxable income.** Provides for military pension income allowed as a subtraction in section 0 to also be subtracted from alternative minimum taxable income. This is necessary to avoid shifting individuals who claim the subtraction in section 0 onto the alternative minimum tax.