

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 37

DATE: March 12, 2007

Version: As introduced

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Subject: Income tax subtraction for out of state training pay of National Guard

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This bill clarifies that the 2005 enactment that exempts from state taxation a filer's earnings for out-of-state military service applies to National Guard personnel in the same manner that it is currently being applied to other Military Reservists.

Federal law defines the term *active duty* for military Reservists other than the National Guard in Title 10 of United States Code, but for National Guard personnel in Title 32 of federal code (in nearly identical language). This bill clarifies that both of these federal definitions apply to the subtraction for active duty pay for service outside Minnesota and, thus, that National Guard members, like Reservists, qualify for this Minnesota tax deduction on all out-of-state military earnings.

The bill is effective retroactively, for tax year 2005 and thereafter.

Background. Under current law, Minnesota's income tax allows the subtraction of all compensation for military active duty performed outside Minnesota, including all out-of-state service performed by reservists, but not for National Guard out-of-state service performed under Title 32. This bill would allow a subtraction for service performed outside Minnesota under Title 32 by the National Guard, which includes:

- basic training at out-of-state military facilities
- special training and annual training at out-of-state military facilities

- Mexican border patrol duty