HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 300   **DATE:**   February 23, 2007

    Version: First Committee Engrossment

    Authors: Haws and Severson

    Subject: Income Tax; Veterans

    Analyst: Jim Cleary, 651-296-5053

Overview

This bill creates a new Minnesota income tax subtraction for all military pay, effective for tax year 2007 and thereafter. This subtraction will be phased in over tax years 2007 to 2010. (Many categories of military pay are already exempted from taxation by the State of Minnesota. This bill would broaden the application to all categories of military pay.)

The bill also creates a new income tax subtraction for military retirement pay, including survivor's benefit plan (SPB) pay; this subtraction also would be phased in over four years, beginning with taxable year 2007.

Section

1   **Purpose statement.** States that the new tax benefit being created in section 2 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   **Subtraction from federal taxable income.** Creates a new income tax subtraction to exempt from state income taxation all military pay and military retirement pay, including survivor benefit plan payments. The subtraction for both military pay and military retirement pay would be phased in over the four taxable years, 2007 to 2010.

Alternative minimum tax. Also provides that military pay, military retirement pay, and survivor benefit plan payments are excluded from Minnesota's alternative minimum tax, as well.
Effective Date. This bill is effective for tax year 2007 and thereafter.