

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 732

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**Version:** As Introduced

**Authors:** Haws and others

**Subject:** Income tax subtractions for military pay and military pensions

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### Overview

Creates a new Minnesota income tax subtraction for all military pay, effective for tax year 2007 and thereafter. (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 is 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 military pay would be fully implemented in its first year, taxable year 2007. The subtraction for military retirement pay would be phased in

**Section**

over the four taxable years, 2007 to 2010.

**Alternative minimum tax.** Provides that military pay, military retirement pay, and survivor benefit plan payments are excluded from Minnesota's alternative minimum tax, as well.

**3 Effective Date.** This bill is effective for tax year 2007 and thereafter.