

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 61  
**Version:** As Introduced

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**Subject:** Veterans; Reducing the rate of the income-based reduction of the Income Tax Credit for Past Military Service

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### OVERVIEW

This bill would change the manner in which former career service-members and fully disabled service-connected veterans would calculate their Minnesota income tax credit for past military service. Technically, the bill would slow the rate at which this credit is subject to an income-based reduction (from 10% to 5% of the person's adjusted gross income in excess of \$30,000). The effect would be that more eligible individuals would receive the credit or would receive a bigger portion of the credit.

Under current law, Minnesota provides *an income tax credit for past military service*, in the form of a nonrefundable tax credit to any qualified military retiree who:

- (1) has either:
  - (i) served at least 20 years in the military; or
  - (ii) been rated by the US/VA as having a *100% total and permanent* service-connected disability;  
and
- (2) has separated from military service before the end of the taxable year.

The credit equals \$750, but may not exceed the amount of the person's income tax liability for the given taxable year. However, the credit is reduced *by 10 percent* of the person's adjusted gross income in excess of \$30,000. Thus, under current law, the credit for past military service is effectively zeroed-out for any former service-member whose adjusted gross income from all sources, including military retirement pay, is \$37,500 or more.

**Under this bill**, the rate of reduction of the tax credit for past military service would be reduced to 5 percent (from the current 10 percent) of any amount of the person's adjusted gross income in excess of \$30,000. *With this change in the rate of the income-based reduction*, a qualified individual's *income tax credit for past military service* would not be zeroed-out until the person's adjusted gross income from all sources, including military retirement pay, is \$45,000 or more.