

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 137
Version: As introduced

DATE: January 29, 2015

Authors: Dettmer and others

Subject: Military retirees and survivors; allowing an income tax subtraction and repealing the credit for past military service

Analyst: Nina Manzi (651) 296-5204 and Jeff Diebel (651) 296-5041

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: www.house.mn/hrd/.

Overview

Allows a new income subtraction for military retirees and survivors, equal to \$1,500 for each year of active service, up to a maximum subtraction of \$30,000. Repeals the nonrefundable credit for past military service; individuals eligible for the credit would be eligible for the new subtraction.

Section

- 1** **Income tax subtraction for military retirees.** Allows a new income tax subtraction for individuals who receive military retirement pay (both retirees and their survivors). The subtraction equals \$1,500 for each year or portion of a year of active service, up to a maximum of \$30,000. The subtraction is not limited to the amount of military retirement pay received. In the case of married spouses who file jointly, each spouse can claim this subtraction.
- 2** **Definitions.** Modifies the calculation for the alternative minimum tax (AMT) to prevent use of the credit contained in section 1 from shifting affected taxpayers onto the AMT.
- 3** **Repealer.** Repeals the nonrefundable credit for past military service. The credit is allowed for individuals with at least 20 years of service or who separated from the military with a service-connected disability and their survivors. The credit equals \$750 and is phased out for those with adjusted gross income from \$30,000 to \$37,500. Individuals currently eligible for the credit would be eligible for the subtraction in section 1.