

Subject Past military service credit income thresholds

Authors Huot

Analyst Sean Williams

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Overview

Military Service Credit Background

Minnesota offers a nonrefundable individual income tax credit for past military service. The credit amount is \$750 for qualifying individuals, subject to an income-based phaseout. Taxpayers who claim the credit are not eligible for the subtraction for military retirement pay and pensions.

Individuals currently serving in the military do not qualify for the credit. To qualify for the credit, a veteran must:

- have served in the military (including the National Guard and reserves) for at least 20 years;
- have a service-connected disability rated by the U.S. Department of Veterans Affairs as being 100 percent total and permanent; or
- be eligible for retirement pay or a pension from one of several federal retirement programs.

In tax year 2016, the most recent year for which return data is available, about 2,200 taxpayer returns claimed about \$1.5 million in credits, for an average credit of about \$695.

Under current law, the credit is phased out by ten percent of adjusted gross income (AGI) in excess of \$30,000. The credit is fully phased out at \$37,500 of AGI.

H.F. 2749

H.F. 2749 would increase the phaseout threshold for the credit to \$50,000 of AGI. Under the bill, the credit would be fully phased out at \$57,500 of AGI.