

HOUSE RESEARCH

Bill Summary

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Overview

This bill provides a state income tax subtraction for members of the National Guard and Reserves for earnings while working in their more typical reservist roles, as follows:

- Allows a subtraction for *federally funded state active service*, such as for typical weekend and summer "drilling," as well as when providing airport security duty following 9/11.
- Allows a subtraction for the first \$1,500 of earnings from *state active service*, such as when responding to floods, tornadoes and other natural disasters.

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1 Subtractions from taxable income. Allows subtractions for federally funded state active service and the first \$1,500 of state active service.

Clause 12. Allows a subtraction for income earned under *federally funded state active service* (but excluding the income earned by certain Guard and Reserve members working as full-time employees of the Department of Military Affairs in a status known as "Active Guard & Reserve (AGR).")

Federally funded state active service includes, for example, the long-term airport

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security duty provided by many National Guard and Reserve members following 9/11. It also includes most of the normal training duty of Guard and Reserve members, including: weekend drill pay, summer training, periodic special training, basic training and advanced individual training. Generally, a Guard or Reserve member participates in such training for about 39 days or more per year.

Clause 13. Allows a subtraction for the first \$1,500 of income earned under *state active service* (but excluding income for service by certain civilian employees working in administrative, clerical, maintenance, and caretaker positions for the Department of Military Affairs.)

State active service typically involves short-term duty in response to natural disasters like floods and tornadoes.

Effective Date. For tax year 2005 and thereafter.

Types of Service for Military Personnel

Types of active service for military personnel

"Active service" is defined similarly under both federal law and Minnesota Statutes section 190.05. Active service includes the following three types of service:

- **"Federal active service":** Service under U.S.C. Title 10, excluding the other two types of active service; this is what one usually thinks of as regular active military duty (e.g., service in the United States, Iraq, the Balkans, or elsewhere)
- **"Federally funded state active service":** Service under U.S.C. Title 32, typically for training purposes (e.g., reservist weekend drills and annual training (summer camp), but also airport security duty within Minnesota following 9/11, etc.) Title 32 also includes certain full-time voluntary employment in the Guard or Reserves (called AGR).
- **"State active service":** Activation by the governor (e.g., for flood and tornado emergencies, lost-person searches, riot control, etc.); entirely at state cost

Types of reserve military service

As with any person enlisting in active military service, a person enlisting in the National Guard or other Reserves signs an eight-year contract.

- **"Selective reserve status":** During the first six years of a person's enlistment, the Guard or Reserve member serves mostly in this status (except while in "active service" under Title 32 for basic training, summer training, and special training, or under Title 10 for duty in Iraq, the Balkans, etc.). Soldiers sometimes refer to this status as "drill status" or "active reserve status."
- **"Individual ready reserve status" (IRR):** During the final two years of

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the person's eight-year contract, the Guard or Reserve member typically stops training altogether, and returns to civilian life entirely. However, the person is actually in the IRR and, thus, may be placed on "stop loss" or ordered back into active service; if that happens, the person may be held well beyond the eight-year agreement of the enlistment contract.

- **"Active guard and reserve status" (AGR):** Full-time employment under Title 32 in the National Guard or Reserves, as a career job (but technically while still in the Guard or Reserves - e.g., an accountant). Most members of the Guard and Reserve never serve in AGR status.