

MINNESOTA • REVENUE

INDIVIDUAL INCOME TAX Social Security Income Subtraction

January 27, 2015

| | Yes | No |
|----------------------------------|-----|----|
| DOR Administrative Costs/Savings | X | |

Department of Revenue
Analysis of S.F. 256 (Limmer) / H.F. 300 (Lohmer)

| | Fund Impact | | | |
|--------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | <u>F.Y. 2016</u> | <u>F.Y. 2017</u> | <u>F.Y. 2018</u> | <u>F.Y. 2019</u> |
| General Fund | (\$38,700) | (\$83,100) | (\$136,200) | (\$197,200) |

Effective beginning with tax year 2015

EXPLANATION OF THE BILL

The bill would allow a subtraction from Minnesota taxable income and from Minnesota alternative minimum taxable income of the portion of social security income included in federal taxable income. The subtraction would be phased in, with 10% of taxable social security income subtracted in tax year 2015 and an additional 10% subtracted every year until 100% of social security income is subtracted. Note: It is understood that the additional *ten percent* each year should be an additional *ten percentage points* each year (10%, 20%, 30%, etc.).

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation Model (HITS 6.3) was used to estimate the revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in November 2014. The model uses a stratified random sample of tax year 2012 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts were allocated to the following fiscal year.

Number of Taxpayers: About 367,000 returns would be affected in tax year 2015. The average tax reduction would be about \$100.

Source: Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research_stats/Pages/Revenue-Analyses.aspx

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