

March 21, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 2788 (Lislegard) / S.F. 2838 (Bakk)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
	(000's)			
General Fund	\$0	(\$509,600)	(\$547,300)	(\$578,600)

Effective beginning tax year 2022.

EXPLANATION OF THE BILL

Current Law: A taxpayer may subtract a portion of social security income when calculating Minnesota taxable income. For 2022, the maximum subtraction is \$5,450 for married joint filers, \$2,725 for married separate filers, and \$4,260 for single and head of household filers.

The subtraction is reduced by 20% of provisional income over the following thresholds for 2022: \$82,770 for married joint filers, \$41,385 for married separate filers, and \$64,670 for single and head of household filers. Provisional income is income used to calculate the federally taxable portion of social security benefits. The thresholds and maximum subtractions are adjusted annually for inflation.

Proposed Law: Under the proposal, the entire amount of social security benefits received by a taxpayer during the tax year is allowed as a subtraction, to the extent included in federal taxable income.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS 7.1) Model was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in February 2022. The model uses a stratified sample of 2019 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts are allocated for the following fiscal year.

Number of Taxpayers: About 406,600 tax returns would be affected in tax year 2022. The average decrease in tax would be \$1,253.

Minnesota Department of Revenue
Tax Research Division
<https://www.revenue.state.mn.us/revenue-analyses>