

HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 958 **DATE:** March 7, 2001
Version: As Introduced
Authors: Johnson, R., and others
Subject: Expands the individual income tax elderly/disabled exclusion
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Overview

Increases the elderly/disabled exclusion, and allows it to be claimed over a broader income range. The exclusion allows filers receiving retirement and/or disability benefits a subtraction from Minnesota taxable income.

Section

- 1 **Elderly/disabled exclusion.** Increases the elderly/disabled exclusion base amount and the income at which the exclusion begins to phase out. The table compares the current law exclusion parameters with those proposed in H.F. 958, for a married couple and a single filer.

| | Current Law | H.F. 958 |
|---|-------------|----------|
| Married couple, both over 65 or disabled | | |
| Base amount | \$12,000 | \$14,000 |
| Income at which phaseout begins | \$18,000 | \$32,000 |
| Income at which phaseout ends | \$42,000 | \$60,000 |
| Single filer over 65 or disabled | | |
| Base amount | \$9,600 | \$10,000 |
| Income at which phaseout begins | \$14,500 | \$25,000 |
| Income at which phaseout ends | \$33,700 | \$45,000 |

Background. Minnesota's income tax allows an exclusion for filers who are over age 65 or disabled, commonly referred to as "the elderly exclusion." The exclusion is calculated by first subtracting nontaxable retirement and disability benefits from the base amount. The remaining exclusion is subject to an income-based phaseout, in which the exclusion is reduced by one-half of adjusted gross income over the phaseout threshold. The present law exclusion primarily benefits low-income retired and disabled taxpayers with relatively small amounts of nontaxable

benefits, such as social security.