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Overview

Current law provides an income tax credit for certain former military members, in recognition of their past career military service. The credit is structured in a manner designed to offset part or all of a qualifying veteran's tax liability in any given tax year. The credit equals \$750, but is reduced by ten percent of any adjusted gross income (from all sources, including military retirement pay) in excess of \$30,000, such that when income reaches \$37,500 the credit essentially zeroes out for an otherwise qualified veteran.

To be eligible for this credit, a veteran must have been separated from military service before the end of the year and have either:

- 1) served 20 years or longer in the military; or
- 2) have a service-connected disability rated by the US/VA as being 100% total and permanent.

This bill would broaden the eligibility criteria for the tax credit for past military service by including any veteran who has been determined *by the military* to be eligible for compensation from a pension or other retirement pay from the federal government for service in the military, as computed under certain specific sections of Title 10, U.S. Code.

Background: A member of the military becomes eligible to retire after serving honorably for a total of 20 or more years. If that active service has been full-time, then the military retiree is immediately eligible for military retirement pay. In contrast, a person who has credit for 20 or more years of honorable service in the National Guard or another Reserve unit becomes eligible

for military retirement pay at age 60, irrespective of when the person actually served in or retired from the military.

Military retirement pay is also paid to a small number of military retirees who were honorably discharged after serving less than 20 years in the military (i.e., 18 or 19 years) due to military downsizing (i.e., large-scale personnel cutbacks occurring in the mid-1990s).