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Subject: Modifying income tax credit for past military service

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Background: Since tax year 2009, Minnesota has provided an individual income tax credit to certain military retirees, for their past military service. The credit equals up to \$750 for qualifying individuals. It is nonrefundable and is subject to an income-based phase-out.

To qualify for the credit, a veteran must:

- (1) have served in the military (including the National Guard and reserves) for at least 20 years; or
- (2) have a service-connected disability rated by the U.S. Department of Veterans Affairs as being 100 percent total and permanent (100% T&P).

Individuals currently serving in the military do not qualify for the credit.

Current law provides that the credit phases-out at a rate of ten percent, beginning when adjusted gross income equals \$30,000, with no credit allowed for incomes of \$37,500 or higher.

Proposed Change: This bill would increase the income level at which the credit begins to phase-out from \$30,000 to \$50,000, with no credit allowed for incomes of \$57,500 or higher. It would also expand eligibility by extending the credit to all disabled veterans who have a compensable service-connected disability, as determined by the U.S. Veterans Administration or the retirement board of any of the branches of the armed forces.

The bill provides that the purpose of expanding the tax expenditure is to provide assistance and recognition to lower-income and disabled veterans.

Effective date: tax year 2017