

**Subject** Social Security subtraction

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## Overview

H.F. 883 increases the Minnesota Social Security subtraction by \$300 for married couples filing joint returns, and by \$150 for other taxpayers.

Under current law, a portion of Social Security benefits are exempt from federal tax, and are not included in federal taxable income (FTI). Depending on the taxpayer's provisional income, the federal exemption is either 100 percent of benefits, 50 percent of benefits, or 15 percent of benefits.

The 2017 legislature enacted an additional Minnesota subtraction for a portion of a taxpayer's taxable Social Security benefits—this subtraction is only available for the portion of benefits that were included in FTI. The subtraction equals the amount of the taxpayer's taxable benefits, up to a maximum established in law. The table below shows the maximum subtraction under current law and under the bill.

<b>Filing Status</b>	<b>Current law maximum subtraction (TY 2019)</b>	<b>H.F. 883 maximum subtraction (TY 2019)</b>
Married filing jointly	\$4,700	\$5,000
Single	\$3,660	\$3,810
Married filing separately	\$2,350	\$2,500
Head of household	\$3,660	\$3,810

The subtraction is phased out based on a taxpayer's provisional income—in tax year 2019, the phaseout begins at \$80,430 for married couples filing joint returns and \$62,880 for single taxpayers. Provisional income is a measure of income equal to adjusted gross income, plus tax exempt interest and one-half of Social Security benefits.

H.F. 883 additionally rebases the phase-out thresholds for the subtraction to reflect the values for the tax year 2019 base. The bill does not make substantive changes to the phase-out thresholds.