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S.F. No. 2805 – Phased-in subtraction of taxable Social Security benefits

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Under current law, a portion of Social Security benefits are excluded from federal adjusted gross income (FAGI) based on an individual’s “provisional income.” Minnesota incorporates this exclusion in its tax code. Provisional income equals:

FAGI (excluding Social Security benefits) + certain above the line deductions
+ nontaxable interest + 50% of Social Security benefits

Social Security benefits are excluded from federal and Minnesota tax according to three tiers of provisional income:

	Married Filers - Provisional Income	Single Filer - Provisional Income	% Excluded from Tax
	Up to \$32,000	Up to \$25,000	100%
1st Tier	\$32,000 to \$44,000	\$25,000 to \$34,000	50%
2nd Tier	\$44,000 or greater	\$34,000 or greater	15%

Minnesota provides a subtraction of a portion of taxable Social Security benefits, phased out by provisional income over specified amounts. The subtraction and the income thresholds are adjusted annually for inflation.

This bill provides a phased-in subtraction of taxable Social Security benefits for purposes of calculating Minnesota taxable income in addition to the subtraction under current law, effective in tax year 2022: 32% in TY 2022; 43% in TY 2023; 55% in TY 2024; 67% in TY 2025; 77% in TY 2026; 89% in TY 2027; and 100% in TY 2028.