

February 18, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

 Department of Revenue
 Analysis of S.F. 3135 (Rest)

	Fund Impact			
	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>
		(000's)		
General Fund	\$0	(\$78,600)	(\$85,700)	(\$90,200)

Effective beginning tax year 2022.

EXPLANATION OF THE BILL

Current Law: A taxpayer may subtract a portion of social security income when calculating Minnesota taxable income. For 2022, the maximum subtraction is \$5,450 for married joint filers, \$2,725 for married separate filers, and \$4,260 for single and head of household filers.

The subtraction is reduced by 20% of provisional income over the following thresholds for 2022: \$82,770 for married joint filers, \$41,385 for married separate filers, and \$64,670 for single and head of household filers. Provisional income is income used to calculate the federally taxable portion of social security benefits. The thresholds and maximum subtractions are adjusted annually for inflation.

Proposed Law: The bill increases the maximum subtraction to \$11,000 for married joint filers, \$5,500 for married separate filers, and \$8,590 for single and head of household filers, adjusted annually for inflation beginning in tax year 2023. The phase-out rate is increased from 20% to 25% of provisional income.

REVENUE ANALYSIS DETAIL

- The House Income Tax Simulation (HITS 7.1) Model was used to estimate the tax year revenue impact. These simulations assume the same economic conditions used by Minnesota Management and Budget for the forecast published in November 2021. The model uses a stratified sample of 2019 individual income tax returns compiled by the Minnesota Department of Revenue.
- Tax year impacts are allocated for the following fiscal year.

Number of Taxpayers: About 298,200 tax returns would be affected in tax year 2022. The average decrease in tax would be \$264.

Minnesota Department of Revenue
 Tax Research Division
[https://www.revenue.state.mn.us/
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