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S.F. No. 2565 – Modifications to subtraction for National Guard and reserve compensation

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Under current law, compensation paid to members of the Minnesota National Guard or other reserve components of the U.S. military for state active service, including compensation for services performed under the Active Guard Reserve program, is subtracted for purposes of calculating Minnesota taxable income. “Active service” excludes federal service and federally funded state service and includes service or duty on behalf of the state in case of actual or threatened public disaster, war, riot, tumult, breach of the peace, resistance of process, or whenever called upon in aid of state civil authority.

This bill extends the subtraction to apply to compensation paid to Minnesota residents who are members of the National Guard of a neighboring state (defined as North Dakota, South Dakota, Iowa, or Wisconsin). Because the current law definition of “active service” refers only to service on behalf of the state of Minnesota, the bill modifies the definition of “active service” to include:

- service or duty on behalf of Minnesota or neighboring states in case of actual or threatened public disaster, war, riot, tumult, breach of the peace, resistance of process, or whenever called upon in aid of state civil authority;
- National Guard service or duty, including travel to or from that service or duty; or
- Service performed under order of the adjutant general.

Effective retroactively to tax year 2020.