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S.F. No. 3337 – Subtraction for foreign service pension income (as proposed to be amended by the A-1 amendment)

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Minnesota allows a partial subtraction of taxable federal public pension benefits based on service for which no Social Security benefits were earned, as well as a partial subtraction of taxable Social Security benefits. Both subtractions are phased out for income. Foreign service pension recipients are not eligible for the public pension subtraction because they qualify for Social Security benefits for their service but are eligible for the Social Security benefit subtraction. Minnesota also allows a full subtraction of certain military service pension benefits for taxpayers who do not claim the credit for past military service.

Section 1. Foreign service pensions; retirement pay. Provides a subtraction for foreign service pension or retirement compensation. The subtraction is not phased out for income. Effective beginning in tax year 2024.

Section 2. Definitions [alternative minimum taxable income]. Includes the subtraction under section 1 in the calculation of AMT. Effective beginning in tax year 2024.