

## **S.F. No. 4 – Modification of subtraction for military retirement pay (as proposed to be amended by the A-1 amendment)**

**Author:** Senator Jason Rarick

**Prepared by:** Nora Pollock, Senate Counsel (nora.pollock@mnsenate.gov)

**Date:** February 4, 2025

---

Under federal law, federal employees generally may not receive both military pension payments and payments under the civil service retirement system (CSRS) or federal employee retirement system (FERS). To receive payments under CSRS/FERS plans, participants must waive military retirement pay. However, participants with military service may add years of military service to CSRS/FERS plans for purposes of calculating benefits. Minnesota allows a subtraction for military pension or other retirement pay received from service in the military, as well as a partial subtraction for federal public pension income in calculating Minnesota taxable income.

**Section 1. Military service; retirement pay.** Expand the subtraction for military retirement benefits to include an amount received under a CSRS or FERS plan, multiplied by the ratio of years of military service over years of service under a CSRS or FERS plan. The subtraction excludes amounts used to claim the subtraction for public pension income under current law.

Effective for taxable years beginning after December 31, 2024.

