

Minnesota’s Taxation of Social Security Income

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Minnesota offers a means-tested income tax subtraction for Social Security benefits. In tax year 2024, taxpayers with adjusted gross incomes below \$105,380 (married joint returns) or \$82,190 (single/head of household) do not pay state income tax on Social Security.

Minnesota’s tax treatment of Social Security benefits

Federal law exempts from taxation 15 percent to 100 percent of each taxpayer’s Title II Social Security benefits, also known as Old-age, Survivors, and Disability Insurance (OASDI) benefits.

Minnesota’s income tax incorporates the federal exemption and provides an income-tested state subtraction that exempts from state tax part or all of the taxpayer’s benefits that are subject to federal tax. For tax year 2024, the subtraction begins to phase out at \$105,380 of adjusted gross income (AGI) for married joint returns and \$82,190 of AGI for single and head of household returns. These thresholds increase each year based on inflation. The table below shows the structure of the phaseout.

Minnesota’s Tax Treatment of Social Security Benefits, Tax Year 2024

	Married taxpayers filing joint returns	Single or head of household taxpayers	Married taxpayers filing separate returns
Social Security fully tax exempt	\$105,380 or less	\$82,190 or less	\$52,960 or less
Some federally taxable benefits subject to state tax	\$105,381 to \$141,380	\$82,191 to \$118,190	\$52,960 to \$70,960
All federally taxable benefits subject to state tax	\$141,381 or greater	\$118,191 or greater	\$70,961 or greater

For most filers, a taxpayer’s subtraction is reduced by 10 percent for each \$4,000 of AGI (or fraction of \$4,000) above the phaseout. For example, a married taxpayer with \$110,000 of AGI would receive a subtraction for 80 percent of the taxpayer’s federally taxable Social Security benefits because the taxpayer’s AGI is two increments (or partial increments) of \$4,000 above \$105,380.

Minnesota’s “alternative subtraction”

Minnesota also allows taxpayers to use an “alternative subtraction” based on the way that the state’s Social Security subtraction was calculated prior to tax year 2023. House Research modeling implies that very few taxpayers will benefit from the alternative subtraction—in tax year 2024 about 200 returns will save a total of about \$5,000 in tax by claiming the alternative subtraction. The alternative subtraction will also shrink over time because the parameters are not adjusted for inflation.

Estimated Social Security Benefits Subject to State and Federal Tax Among Resident Taxpayers Filing Returns, Tax Year 2024

Federal adjusted gross income	Total Soc. Sec. benefits	Fed. taxable benefits	Minn. taxable benefits	% Taxable federally	% Taxable, Minnesota
Less than \$50,000	\$7,633,676,000	\$1,128,211,000	\$0	14.8%	0.0%
\$50,000 to \$75,000	2,817,197,000	1,724,085,000	3,978,000	61.2	0.1
\$75,000 to \$100,000	2,687,782,000	2,087,573,000	126,451,000	77.7	4.7
\$100,000 to \$150,000	3,584,393,000	3,012,534,000	1,601,986,000	84.0	44.7
\$150,000 to \$200,000	1,635,147,000	1,389,250,000	1,389,250,000	85.0	85.0
\$200,000 and greater	2,033,483,000	1,728,460,000	1,728,460,000	85.0	85.0
Total	\$20,391,679,000	\$11,070,114,000	\$4,850,125,000	54.3%	23.8%

Tax Year 2024 Estimates using the HITS Model version 7.4, November forecast assumptions. Compiled by House Research.

Estimates of Minnesota residents paying state tax on Social Security income

It is challenging to estimate the share of Minnesota residents receiving Social Security who pay state tax on their Social Security benefits. The Social Security Administration has estimated that 28 percent of households with a Social Security beneficiary do not file income tax returns,¹ meaning that modeling will overstate the share of households paying tax on Social Security. The table below estimates the number of households paying tax assuming 28 percent of households do not file returns.

Estimated Returns and Households Paying Tax on Social Security, 2024

Resident income tax returns w/Social Security	Estimated MN households w/benefits	Resident returns paying tax on Social Security	% resident returns with Social Security paying tax	% households w/Social Sec. paying tax
637,600	885,600	184,200	28.9%	20.8%

Tax Year 2024 Estimates using the HITS Model version 7.4, November forecast assumptions. Compiled by House Research.

Tax treatment of Social Security in other states

- **Thirty states with an income tax**, plus the District of Columbia, fully exempt Social Security benefits from the individual income tax: Alabama, Arizona, Arkansas, California, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Mississippi, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Virginia, West Virginia, and Wisconsin.
- **Twelve states** subject at least a portion of Social Security to state taxes. Most states in this group (Colorado, Connecticut, Kansas, Minnesota, Missouri, Nebraska, Rhode Island, and Vermont) allow the federal exclusion, but offer additional deductions or exemptions for taxpayers of certain ages or below certain income levels.



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¹ Patrick Purcell, "Income Taxes on Social Security Benefits," Social Security Administration Issue Paper 2015-02, December 2015; <https://www.ssa.gov/policy/docs/issuepapers/ip2015-02.pdf>.