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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **2505**

03/08/2016 Authored by Johnson, S.; Erhardt; Simonson; Newton and Bernardy
The bill was read for the first time and referred to the Veterans Affairs Division
03/16/2016 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxes; individual income; modifying the credit for past military
1.3 service; amending Minnesota Statutes 2014, section 290.0677, subdivisions 1a, 2.

1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.5 Section 1. Minnesota Statutes 2014, section 290.0677, subdivision 1a, is amended to
1.6 read:

1.7 Subd. 1a. **Credit allowed; past military service.** (a) A qualified individual is
1.8 allowed a credit against the tax imposed under this chapter for past military service. The
1.9 credit equals \$750. The credit allowed under this subdivision is reduced by ten percent
1.10 of adjusted gross income in excess of ~~\$30,000~~ \$50,000, but in no case is the credit less
1.11 than zero.

1.12 (b) For a nonresident or a part-year resident, the credit under this subdivision
1.13 must be allocated based on the percentage calculated under section 290.06, subdivision
1.14 2c, paragraph (e).

1.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
1.16 December 31, 2015.

1.17 Sec. 2. Minnesota Statutes 2014, section 290.0677, subdivision 2, is amended to read:

1.18 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have
1.19 the meanings given.

1.20 (b) "Designated area" means a:

1.21 (1) combat zone designated by Executive Order from the President of the United
1.22 States;

2.1 (2) qualified hazardous duty area, designated in Public Law; or
 2.2 (3) location certified by the U. S. Department of Defense as eligible for combat zone
 2.3 tax benefits due to the location's direct support of military operations.

2.4 (c) "Active military service" means active duty service in any of the United States
 2.5 armed forces, the National Guard, or reserves.

2.6 (d) "Qualified individual" means an individual who has:

2.7 (1) met one of the following criteria:

2.8 (i) has served at least 20 years in the military;

2.9 (ii) has a ~~service-connected disability rating of 100 percent for a total and permanent~~
 2.10 ~~disability~~ compensable service-connected disability as adjudicated by the United States
 2.11 Veterans Administration or by the retirement board of one of the several branches of
 2.12 the armed forces; or

2.13 (iii) has been determined by the military to be eligible for compensation from a
 2.14 pension or other retirement pay from the federal government for service in the military,
 2.15 as computed under United States Code, title 10, sections 1401 to 1414, 1447 to 1455,
 2.16 or 12733; and

2.17 (2) separated from military service before the end of the taxable year.

2.18 (e) "Adjusted gross income" has the meaning given in section 61 of the Internal
 2.19 Revenue Code.

2.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
 2.21 December 31, 2015.

2.22 **Sec. 3. PURPOSE STATEMENT; TAX EXPENDITURES.**

2.23 Subdivision 1. Authority. This section is intended to fulfill the requirement under
 2.24 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax
 2.25 expenditure provide a purpose for the tax expenditure and a standard or goal against
 2.26 which its effectiveness may be measured.

2.27 Subd. 2. Credit for past military service. The provisions of section 1, extending
 2.28 the credit for past military service to a higher income level and to all veterans with
 2.29 a compensable service-connected disability, are intended to provide assistance and
 2.30 recognition to lower-income and disabled Minnesota veterans. The standard against which
 2.31 the effectiveness of the credit is to be measured is the number of veterans who claim the
 2.32 credit as a percentage of all veterans who are eligible.