State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **16**

01/05/2017 Authored by Johnson, S.,
The bill was read for the first time and referred to the Veterans Affairs Division
02/09/2017 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act

1.2 relating to taxation; individual income; modifying the credit for past military
1.3 service; amending Minnesota Statutes 2016, 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 2016, section 290.0677, subdivision 1a, is amended to read:

1.6 Subd. 1a. **Credit allowed; past military service.** (a) A qualified individual is allowed

1.7 a credit against the tax imposed under this chapter for past military service. The credit equals

1.8 $750. The credit allowed under this subdivision is reduced by ten percent of adjusted gross

1.9 income in excess of ~~$30,000~~ $50,000, but in no case is the credit less than zero.

1.10 (b) For a nonresident or a part-year resident, the credit under this subdivision must be

1.11 allocated based on the percentage calculated under section 290.06, subdivision 2c, paragraph

1.12 (e).

1.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December

1.14 31, 2016.

1.15 Sec. 2. Minnesota Statutes 2016, section 290.0677, subdivision 2, is amended to read:

1.16 Subd. 2. **Definitions.** (a) For purposes of this section, the following terms have the

1.17 meanings given.

1.18 (b) "Designated area" means a:

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

1.20 (2) qualified hazardous duty area, designated in Public Law; or

2.1 (3) location certified by the U. S. Department of Defense as eligible for combat zone

2.2 tax benefits due to the location's direct support of military operations.

2.3 (c) "Active military service" means active duty service in any of the United States armed

2.4 forces, the National Guard, or reserves.

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

2.6 (1) met one of the following criteria:

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

2.8 (ii) has a ~~service-connected disability rating of 100 percent for a total and permanent~~

2.9 ~~disability~~ compensable service-connected disability as adjudicated by the United States

2.10 Veterans Administration or by the retirement board of one of the several branches of the

2.11 armed forces; or

2.12 (iii) has been determined by the military to be eligible for compensation from a pension

2.13 or other retirement pay from the federal government for service in the military, as computed

2.14 under United States Code, title 10, sections 1401 to 1414, 1447 to 1455, or 12733; and

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

2.16 (e) "Adjusted gross income" has the meaning given in section 61 of the Internal Revenue

2.17 Code.

2.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December

2.19 31, 2016.

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

2.21 Subdivision 1. **Authority.** This section is intended to fulfill the requirement under

2.22 Minnesota Statutes, section 3.192, that a bill creating, renewing, or continuing a tax

2.23 expenditure provide a purpose for the tax expenditure and a standard or goal against which

2.24 its effectiveness may be measured.

2.25 Subd. 2. **Credit for past military service.** The provisions of section 1, extending the

2.26 credit for past military service to a higher income level and to all veterans with a compensable

2.27 service-connected disability, are intended to provide assistance and recognition to

2.28 lower-income and disabled Minnesota veterans. The standard against which the effectiveness

2.29 of the credit is to be measured is the number of veterans who claim the credit as a percentage

2.30 of all veterans who are eligible.