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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3619

02/21/2022 Authored by Mueller and Davids
The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; individual income; providing a subtraction for public safety
1.3 pension benefits; amending Minnesota Statutes 2020, section 290.0132, by adding
1.4 a subdivision.

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

1.6 Section 1. Minnesota Statutes 2020, section 290.0132, is amended by adding a subdivision
1.7 to read:

1.8 Subd. 31. Public safety pension benefits. (a) The amount of a taxpayer's public safety
1.9 pension exclusion is a subtraction.

1.10 (b) The amount of a taxpayer's federal exclusion is determined as follows:

1.11 (1) for a taxpayer whose provisional income is less than or equal to the base amount,
1.12 the federal exclusion equals 100 percent of qualified benefits received during the taxable
1.13 year;

1.14 (2) for a taxpayer whose provisional income exceeds the base amount, but is less than
1.15 or equal to the adjusted base amount, the federal exclusion equals the lesser of:

1.16 (i) 50 percent of qualified benefits received during the taxable year; or

1.17 (ii) the amount by which the taxpayer's provisional income exceeds the base amount;
1.18 and

1.19 (3) for a taxpayer whose provisional income exceeds the adjusted base amount, the
1.20 federal exclusion equals the lesser of:

2.1 (i) 85 percent of the taxpayer's provisional income in excess of the adjusted base amount,
2.2 plus 50 percent of the difference between the base amount and the adjusted base amount;
2.3 or

2.4 (ii) 85 percent of qualified benefits received during the taxable year.

2.5 (c) The amount of a taxpayer's state exclusion equals the lesser of:

2.6 (1) the amount of qualified benefits in excess of the taxpayer's federal exclusion; or

2.7 (2) the maximum exclusion for a taxpayer determined under paragraph (d).

2.8 (d) The maximum state exclusion equals \$5,450 for a joint return, half that amount for
2.9 a married taxpayer filing a separate return, and \$4,260 for all other taxpayers. The maximum
2.10 subtraction is reduced by 20 percent of provisional income in excess of:

2.11 (1) \$82,770 for a joint return;

2.12 (2) half the amount in clause (1) for a married taxpayer filing a separate return; and

2.13 (3) \$64,670 for all other filers.

2.14 (e) For the purposes of this subdivision:

2.15 (1) "base amount" has the meaning given in section 86(c)(1) of the Internal Revenue
2.16 Code and "adjusted base amount" has the meaning given in section 86(c)(2) of the Internal
2.17 Revenue Code;

2.18 (2) "provisional income" has the meaning given in section 290.0132, subdivision 26,
2.19 paragraph (e);

2.20 (3) "public safety pension exclusion" means the sum of the federal exclusion calculated
2.21 under paragraph (b) and the state exclusion calculated under paragraphs (c) and (d); and

2.22 (4) "qualified benefits" means retirement annuity, disability benefits, survivor benefits,
2.23 or other benefits paid under section 352B.08, 352B.10, 352B.11, or sections 353.63 to
2.24 353.68.

2.25 (f) The commissioner must adjust the maximum exclusion and phaseout threshold
2.26 amounts in paragraph (d) as provided in section 270C.22. The statutory year is taxable year
2.27 2022. The maximum subtraction and threshold amounts as adjusted must be rounded to the
2.28 nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10
2.29 amount.

2.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
2.31 31, 2021.