

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 3906

(SENATE AUTHORS: REST)

DATE
03/10/2022

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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

- 1.1 A bill for an act
- 1.2 relating to taxation; individual income; increasing the maximum subtraction for
- 1.3 Social Security benefits, allowing a subtraction for certain pension benefits;
- 1.4 amending Minnesota Statutes 2020, section 290.0132, subdivision 26.
- 1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.6 Section 1. Minnesota Statutes 2020, section 290.0132, subdivision 26, is amended to read:
- 1.7 Subd. 26. **Social Security Retirement benefits**. (a) A portion of ~~taxable Social Security~~
- 1.8 qualified retirement benefits is allowed as a subtraction. The subtraction equals the lesser
- 1.9 of ~~taxable Social Security~~ qualified retirement benefits or a maximum subtraction subject
- 1.10 to the limits under paragraphs (b), (c), and (d).
- 1.11 (b) For married taxpayers filing a joint return and surviving spouses, the maximum
- 1.12 subtraction equals ~~\$5,150~~ \$7,000. The maximum subtraction is reduced by 20 percent of
- 1.13 provisional income over ~~\$78,180~~ \$81,630. In no case is the subtraction less than zero.
- 1.14 (c) For single or head-of-household taxpayers, the maximum subtraction equals ~~\$4,020~~
- 1.15 \$5,460. The maximum subtraction is reduced by 20 percent of provisional income over
- 1.16 ~~\$61,080~~ \$63,770. In no case is the subtraction less than zero.
- 1.17 (d) For married taxpayers filing separate returns, the maximum subtraction equals
- 1.18 one-half the maximum subtraction for joint returns under paragraph (b). The maximum
- 1.19 subtraction is reduced by 20 percent of provisional income over one-half the threshold
- 1.20 amount specified in paragraph (b). In no case is the subtraction less than zero.
- 1.21 (e) For purposes of this subdivision:

(1) "provisional income" means modified adjusted gross income as defined in section 86(b)(2) of the Internal Revenue Code, plus one-half of the taxable Social Security benefits received during the taxable year;

(2) "qualified public pension benefits" means any amount received:

(i) by a basic member of any pension plan governed by chapter 3A, 352B, 353, 354, or 354A, or the basic member's survivor, provided that the annuity or benefit is based on service for which the member or survivor is not also receiving Social Security benefits;

(ii) from any retirement system administered by the federal government that is based on service for which the recipient or the recipient's survivor is not also receiving Social Security benefits; or

(iii) from a public retirement system of or created by another state or any of its political subdivisions if the income tax laws of the other state permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any political subdivision of this state;

(3) "qualified retirement benefits" means the sum of a taxpayer's taxable Social Security benefits and qualified public pension benefits; and

(4) "Social Security benefits" has the meaning given in section 86(d)(1) of the Internal Revenue Code.

(f) The commissioner shall adjust the maximum subtraction and threshold amounts in paragraphs (b) to (d) as provided in section 270C.22. The statutory year is taxable year ~~2019~~ 2022. The maximum subtraction and threshold amounts as adjusted must be rounded to the nearest \$10 amount. If the amount ends in \$5, the amount is rounded up to the nearest \$10 amount.

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