

S.F. No. 15 – Full subtraction of Social Security benefits; partial subtraction of public pension benefits

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Section 1. Social Security benefits. Modifies the partial subtraction for taxable Social Security benefits under current law to provide a subtraction for the full amount of taxable Social Security benefits. Effective beginning in tax year 2023.

Section 2. Public pension income subtraction. Provides a subtraction for benefits received from specified public pension plans based on service for which the recipient did not also receive Social Security benefits. The maximum subtraction is \$5,450 for married joint filers, \$2,275 for married couples filing separate returns, and \$4,260 for all other filers, and is phased out by 20 percent of provisional income in excess of \$82,770 for a joint return, \$41,385 for married couples filing separate returns, and \$64,670 for all other filers, respectively. The maximum subtraction and income threshold amounts are adjusted annually for inflation.

Pension benefits received by “basic members” (i.e., members who do not also receive Social Security benefits for their service) or their survivor from the following state plans are eligible for the subtraction:

- State Patrol Retirement Fund;
- Legislators Retirement Fund (for legislators first elected before 1997 and did not elect the state unclassified plan);
- Public Employee Retirement Association (PERA) General Plan, which includes the Minneapolis Employees Retirement Fund; and PERA Police and Fire Plan;
- Teachers Retirement Association; and
- St. Paul Teachers Retirement Fund Association.

The following benefits would also be eligible for the subtraction:

- Benefits from a federal retirement system based on service for which the recipient or survivor is not also receiving Social Security benefits; and

- Benefits from another state or its political subdivisions based on service for which the recipient is not also receiving Social Security benefits, provided that the state permits a similar exclusion for benefits from a Minnesota public retirement system.

The calculation for the public pension benefit subtraction is modeled after the federal and state taxation structure for Social Security benefits. Effective beginning in tax year 2023.

Section 3. Definitions. Adds a reference to the public pension subtraction to the calculation of alternative minimum tax (AMT). Effective beginning in tax year 2023.