

Tom Bottem, Director

Minnesota Senate Building
95 University Ave. W. Suite 3300
ST. PAUL, MN 55155-1800
(651) 296-4791
www.senate.mn/scrfa

S.F. No. 1361 – Modification of subtraction of taxable Social Security benefits (as proposed to be amended by the A-1 amendment)

Author: Senator Ann H. Rest

Prepared by: Nora Pollock, Senate Counsel (651/297-8066)

Date: March 17, 2021

Under current law, a specified amount of Social Security benefits is excluded from federal adjusted gross income (AGI), calculated according to a taxpayer’s “provisional income.” Minnesota incorporates this exclusion in its tax code. Provisional income equals:

AGI (excluding Social Security benefits) +
certain above the line deductions + nontaxable interest +
50% of Social Security benefits

Social Security benefits are excluded from federal and Minnesota tax according to three tiers of provisional income:

	Married Filers – Provisional Income	Single Filer – Provisional Income	% Excluded from Tax
	Up to \$32,000	Up to \$25,000	100%
1st Tier:	\$32,000 to \$44,000	\$25,000 to \$34,000	50%
2nd Tier:	\$44,000 or greater	\$34,000 or greater	15%

Minnesota currently provides a subtraction of a portion of taxable Social Security benefits, phased out by provisional income over specified amounts. The subtraction and the income thresholds are adjusted annually for inflation.

This bill increases the subtraction to \$8,000 for married joint filers and surviving spouses and to \$6,250 for single and head of household filers. The subtraction for married separate filers equals one-half the amount allowed for married joint filers. The bill also updates the provisional income phaseout thresholds and the statutory year for the inflation adjustment. Effective beginning in tax year 2021.