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Senate

State of Minnesota

S.F. No. 1668 – Modification of subtraction for military retirement pay

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Under federal law, federal employees generally may not receive both military pension payments and payments under the civil service retirement system (CSRS) or federal employee retirement system (FERS). To receive payments under CSRS/FERS plans, participants must waive military retirement pay. However, participants with military service may add years of military service to CSRS/FERS plans for purposes of calculating annuities.

Minnesota allows a subtraction for military pension or other retirement pay in calculating Minnesota taxable income. This bill would expand the subtraction to include an amount received under a CSRS or FERS plan, multiplied by the ratio of years of military service over years of service under a CSRS or FERS plan.

Effective beginning in tax year 2021.