

S.F. No. 2019 – Phased-in subtraction of taxable Social Security benefits

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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 provides a phased-in subtraction of taxable Social Security benefits for purposes of calculating Minnesota taxable income. Beginning in tax year 2021, the subtraction under current law would be replaced by a subtraction of 25 percent of taxable Social Security benefits. Each year, the subtraction amount increases by 25 percentage points, so that 100 percent of taxable Social Security benefits would be excluded beginning in tax year 2024.

Effective beginning in tax year 2021.