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Senate

State of Minnesota

S.F. No. 273 – Subtraction of taxable Social Security and other retirement benefits

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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.

Minnesota taxable income includes amounts received from other retirement benefits to the extent they are included in AGI.

This bill provides a subtraction of all taxable Social Security benefits and taxable benefits received under a governmental or other pension, annuity, or retirement savings plan, including:

- Sec. 401(a) defined benefit or defined contribution plans – for employees of federal, state, and tribal governments, including their agencies and instrumentalities;

- Sec. 401(k) plans;
- Sec. 457(b) deferred compensation plans;
- Simplified Employee Pension (SEP) plans;
- Savings Incentive Match Plan for Employees (SIMPLE) plans;
- Sec. 408 IRA or annuity plans; and
- Sec. 414(f) multiemployer pension plans.

Effective beginning in tax year 2021.