

Public Pension Subtraction

If you received certain pension pay (or survivor benefits) for public service, you may be able to reduce your taxable income.

To qualify, all of these must be true:

- You receive payments or survivor benefits from a qualified pension plan. See “Pension Plans That Qualify.”
- Your payments are taxable on your federal return.
- You meet a certain income limit based on your filing status. See “Income Limits for the Subtraction.”
- Your payments are not based on service for which you also earned credit toward Social Security benefits.
- If you are eligible to receive these benefits based on your service, your payments will not qualify. Your benefits may be eligible for the [Social Security Benefit Subtraction](#).
- If you earned credit toward Social Security benefits for only a portion of your service, see “Determining Benefits for the Subtraction.”

Pension Plans That Qualify

Payments from these Minnesota pension plans qualify for the subtraction:

- Chapter 353 (basic member of the Public Employees Retirement Association)
- Chapter 353, sections 353.63 to 353.666 (Public Employees Police and Fire plan)
- Chapter 353E (basic member of the Local Government Correctional Service Retirement Plan)
- Chapter 354 or 354A (basic member of the Teachers’ Retirement Association and St. Paul Teachers Retirement Fund Association)
- Chapter 3A (basic member of the Legislators plan)
- Chapter 352B (State agency law enforcement retirement fund)

Payments from these non-Minnesota pension plans may also qualify:

- Any federal government plan based on service for which you did not earn Social Security benefits
- A plan created by another state or its political subdivisions, or the District of Columbia, if the other state allows a similar subtraction or exemption for the Minnesota pension plans listed

Income Limitations for the Subtraction

If your adjusted gross income is greater than these amounts based on your filing status, you do not qualify for this subtraction:

Filing Status	Income Limit
Single	\$96,000
Head of Household	\$96,000
Married Filing Jointly	\$118,000
Qualifying Surviving Spouse	\$118,000
Married Filing Separately	\$68,000

Determining Benefits for the Subtraction

You may have started or suspended Social Security payments while working a job where you also paid into a qualified pension. If you earned a portion of your pension while also paying into Social Security through the same job, you can only subtract the portion of your pension income for the years you were not also paying into Social Security.

To determine the percentage of your income subject to Social Security Tax, you may need to contact the Social Security Administration or your pension plan administrator.

You may use this example to determine the portion of your pension income you can subtract from your Minnesota income.

Example: An employee worked for the federal government as a mechanic for 32 years (384 months), during which they contributed to a federal government retirement plan. In four of those years (48 months), they paid into only their pension. In the remaining 28 years (336 months), they paid into both their pension and Social Security. They received federally taxable pension income of \$10,000 from their qualified retirement plan. They take 48 months of pension payments and divide it by the total 384 months to get 0.125. Then, they multiply this percentage by \$10,000 to get \$1,250, the maximum amount they can claim for the qualified retirement benefits subtraction. They will use this amount when determining their subtraction amount on Schedule M1M.

What if I am receiving Social Security benefits?

Whether or not you are receiving Social Security benefits does not determine your eligibility for the subtraction.

If you contributed to both Social Security **and** a qualified pension for the entire length of your job, you are not eligible for this subtraction, whether or not you are receiving Social Security benefits. For details, see these examples.

Example 1: You worked for the Minnesota Department of Natural Resources and contributed to both Social Security and the pension plan for your entire service. You have begun receiving your pension distributions but have delayed receiving Social Security benefits until next year. You are not eligible for the qualified retirement benefit subtraction because you were contributing to Social Security based on all these earnings and are eligible to receive Social Security benefits from them.

Example 2: You worked as a teacher and contributed to the St. Paul Teachers Retirement Fund's pension plan, but did not contribute to Social Security through this job. You worked separate summer jobs and contributed to Social Security through them. Distributions from the pension plan would be eligible for the subtraction since you did not contribute to Social Security on these earnings and are not eligible for Social Security benefits based on your teaching earnings. Depending on your income level, you may also be eligible for the Social Security subtraction on Social Security benefits you received based on earnings from your summer jobs.

Public Pension Information

See the chart below to determine when eligible public pensions changed from "basic" (not earning Social Security benefits) to "coordinated" plans (earning Social Security benefits):

Pension Governed by Chapter:	Pension:	Date of Change:
353	PERA	1/1/1968
353E	Local Gov Correctional	04/1/2004
354	Teachers (TRA)	1/1/1960
354A	Teachers (St. Paul)	7/1/1978
352B	State Patrol	All members are basic members
353.63-353.666	PERA Police and Fire	All members are basic members
3A	Legislators	1/1/2000
Federal Government	Federal Government	1/1/1984