

Folks, this state is continuing to do great things for our veterans-- what a turn-around in a few years! Now there's a new tax break for retirees and disabled veterans. The MN 2008 omnibus tax bill provides for a new income tax credit for past military service. OK, so if you're a retiree or are 100% disabled, stay with me. You'd better cut this one out and tape it to a place where you won't lose it because you have to wait at least a year and a half before you can apply. Of course, you could just ask your tax preparer about it if you do misplace it.

This tax credit equals \$750 for qualifying individuals. It is non-refundable and is subject to an income limitation. The credit takes effect beginning in tax year 2009, so you'll have to wait until you file your 2009 taxes in 2010. To qualify for the new credit, a veteran must have:

- Served in the military (including the National Guard and reserves) for at least 20 years; **or**
- A service-connected disability rated by the Department of Veterans' Affairs as being 100 percent total and permanent.

*(Individuals currently serving in the military do not qualify for the credit.)*

Here are some more details. This nonrefundable credit may be used only to offset Minnesota income tax liability. A veteran must have at least \$750 of income tax liability to receive the full credit amount. A qualified veteran with less than \$750 of state income tax liability would be eligible for an amount of credit equal to the amount of liability. OK, I'm getting confused already! A qualified veteran with no state income tax liability would not receive a credit. For example, in tax year 2009, when the credit takes effect, a single veteran with no dependents who claims the standard deduction, would need to have \$23,270 of federal adjusted gross income (FAGI) to receive the full \$750 credit.

Important! The military service credit is phased out for individuals with a FAGI of \$30,000 or more. The credit is reduced by 10 percent of FAGI in excess of \$30,000, so that individuals with FAGI over \$37,500 are not eligible for a credit. Oh well. But, qualifying veterans with less than \$30,000 in taxable military retirement income, and no other income other than Social Security, would qualify for up to the maximum \$750 credit. Remember--the actual credit received depends

on an individual's tax liability. Here's the bad part--if you otherwise qualify, but have FAGI over \$37,500, you're out of luck.

Qualifying veterans who are 100 percent totally and permanently disabled might or might not receive the credit depending on the amount of the veteran's taxable income (military disability pay itself is nontaxable). A disabled veteran would receive no credit if he/she had no taxable income or had more than \$37,500 of FAGI. Conversely, with any amount of taxable income greater than zero and less than \$37,500, a disabled veteran would receive a full or partial credit. Clear as mud? With any luck, I'll remember to publicize this a year from now. Be the first to remind me!

That's about as deep as we need to get into this subject right now, don'tcha think? Here's a good deal--be the first veteran from the Roseau area to call and tell me what we observe on Sep 17<sup>th</sup>, and you'll win a very fine prize! No, I won't deliver it; my pickup uses too much gas. Hello Buzz—signed up for your VA benefits yet? Don't wait!

Got your Support Our Troops license plates yet? Hmm...

Over and Out!