



2017 Schedule M1M, Income Additions and Subtractions

Complete this schedule to determine line 3 and line 6 of Form M1.

Your First Name and Initial _____ Last Name _____ Your Social Security Number _____

Additions to Income

- 1 Itemized deduction limitation for taxpayers with an adjusted gross income which exceeds \$186,350 (\$93,175 if married filing separate) 1 ■ _____
- 2 Personal exemption phase out for taxpayers with an adjusted gross income that exceeds the applicable threshold (see instructions) 2 ■ _____
- 3 Interest from municipal bonds of another state or its governmental units included on line 8b of federal Form 1040 or 1040A 3 ■ _____
- 4 Federally tax-exempt dividends from mutual funds investing in bonds of another state or its governmental units included on line 8b of federal Form 1040 or 1040A 4 ■ _____
- 5 Federal bonus depreciation addition (determine from worksheet in the instructions) 5 ■ _____
- 6 Federal section 179 expensing addition (determine from worksheet in the instructions) 6 ■ _____
- 7 State income taxes passed through to you as a partner of a partnership, a shareholder of an S corporation, or a beneficiary of a trust (see instructions) 7 ■ _____
- 8 Domestic production activities deduction (from line 35 of federal Form 1040) 8 ■ _____
- 9 Expenses deducted on your federal return attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) 9 ■ _____
- 10 Fines, fees and penalties federally deducted as a trade or business expense (see instructions) 10 ■ _____
- 11 Suspended loss from 2001 through 2005 or 2008 through 2016 on your federal return that was generated by bonus depreciation (determine from worksheet in the instructions) 11 ■ _____
- 12 Capital gain portion of a lump-sum distribution (from line 6 of federal Form 4972; enclose Form 4972) 12 ■ _____
- 13 Net operating loss carryover adjustment (see instructions) 13 ■ _____
- 14 Non-qualified first time homebuyer addition (enclose Schedule M1HOME) 14 ■ _____
- 15 Accelerated recognition of nonresident installment sales (enclose Schedule M1AR) 15 ■ _____
- 16 Addition from Schedule M1NC, line 15 16 ■ _____
- 17 Add lines 1 through 16. Enter the total here and on line 3 of Form M1 17 _____

Subtractions From Income

- 18 Net interest or mutual fund dividends from U.S. bonds (see instructions) 18 ■ _____
- 19 Education expenses you paid for your qualifying children in grades K-12 (see instructions) Enter the name and grade of each child on the line below: 19 ■ _____
- 20 If you did not itemize deductions on your federal return and your charitable contributions were more than \$500, see instructions 20 ■ _____
- 21 Subtraction for federal bonus depreciation added back to Minnesota taxable income in 2012 through 2016 (determine from worksheet in the instructions) 21 ■ _____
- 22 Subtraction for federal section 179 expensing added back to Minnesota taxable income in 2012 through 2016 (see instructions) 22 ■ _____





23 Subtraction for persons age 65 or older, or permanently and totally disabled (*enclose Schedule M1R*) 23 ■ _____

24 Benefits paid by the Railroad Retirement Board (*see instructions*) 24 ■ _____

25 If you are a resident of a reciprocity state filing Form M1 only to receive a refund of all Minnesota tax withheld, enter the amount from line 1 of Form M1. If the amount is less than zero, enter zero 25 ■ _____

- Place an X in one box to indicate the reciprocity state of which you were a resident during 2017 Michigan North Dakota

26 American Indians: Total amount earned on an Indian reservation while living on the reservation, to the extent the income is federally taxable 26 ■ _____

27 Federal active duty military pay received for services performed while a Minnesota resident, to the extent the income is federally taxable. Do not include military pensions. See line 32 if you received a military pension or other military retirement pay. 27 ■ _____

28 If you are a member of the Minnesota National Guard or other reserve component in Minnesota, see instructions 28 ■ _____

29 If you are a resident of another state, enter your federal active service military pay, to the extent the income is federally taxable. Do not include military pensions. See line 32 if you received a military pension or other military retirement pay 29 ■ _____

30 If you, your spouse (*if filing a joint return*), or your dependent donated all or part of a human organ, enter your unreimbursed expenses for travel and lodging and for any lost wages net of sick pay (*see instructions*) 30 ■ _____

31 Income taxes paid to a subnational level of a foreign country other than Canada (*determine from worksheet in the instructions*) 31 ■ _____

32 If you received a military pension or other retirement military pay computed under Title 10 (*see instructions*) 32 ■ _____

33 Portion of the gain from the sale of your farm property if you were insolvent at the time of the sale (*determine from worksheet in the instructions*) 33 ■ _____

34 Post service education awards received for service in an AmeriCorps National Service program 34 ■ _____

35 Net operating loss (NOL) carryover adjustment (*see instructions*) 35 ■ _____

36 Subtraction for prior addback of reacquisition of business indebtedness income included in federal taxable income (*see instructions*) 36 ■ _____

37 Subtraction for railroad maintenance expenses 37 ■ _____

38 If you filed federal Schedule A and your limited itemized deductions are less than your standard deduction, see instructions. 38 ■ _____

39 Subtraction for contributions to a qualified education savings plan (*enclose Schedule M1529*) 39 ■ _____

40 Social Security Subtraction (*determine from worksheet in instructions*) 40 ■ _____

41 Subtraction for interest earned from a designated first-time homebuyer savings account (*enclose Schedule M1HOME*) 41 ■ _____

42 Subtraction for discharge of indebtedness of educational loans (*see instructions*) 42 ■ _____

43 Subtraction from Schedule M1NC, line 15 43 ■ _____

44 Add lines 18-43. Enter the total here and on line 6 of Form M1. 44 _____

You must include this schedule with your Form M1.

2017 Schedule M1M Instructions

Income Additions and Subtractions

Line Instructions

You may have received the addition or subtraction as an individual, as a partner of a partnership, as a shareholder of an S corporation, or as a beneficiary of a trust. Amounts received as a partner, shareholder, or beneficiary will be reported on the Schedule KPI, KS, or KF you received from the entity.

Additions

Line 1

Itemized Deduction Limitation

Complete the Worksheet for Line 1 if your federal adjusted gross income is more than \$186,350 (\$93,175 if married filing separate) and you filed federal Schedule A.

Line 2

Personal and Dependent Exemption Phase Out

Complete the Worksheet for Line 2 if your federal adjusted gross income is more than the amount below for your filing status:

- Married filing joint: \$279,500
- Head of Household: \$232,900
- Single: \$186,350
- Married filing separate: \$139,750

Line 3

Interest From Municipal Bonds of Another State or its Governmental Units

Of the amount you included (or should have included) on line 8b of federal Form 1040 or Form 1040A, add the interest you received from municipal bonds issued by:

- a state other than Minnesota
- a local government (such as a county or city) in a state other than Minnesota

Line 4

Federally Tax-Exempt Dividends from Mutual Funds Investing in Bonds of Another State

If you received federally tax-exempt interest dividends from a mutual fund, you may have to enter an amount on line 4. To determine the amount, if any, use the following instructions:

Worksheet for Line 1

| | | |
|----|--|-------|
| 1 | Enter the total of amounts from Schedule A, lines 4, 9, 15, 19, 20, 27, and 28 | _____ |
| 2 | Enter the total of amounts from Schedule A, lines 4, 14 and 20, plus any gambling and casualty or theft losses included on line 28 .. | _____ |
| 3 | Is step 2 less than step 1? | |
| | <input type="checkbox"/> No. STOP here and enter zero on Schedule M1M, line 1. | |
| | <input type="checkbox"/> Yes. Subtract step 2 from step 1 | _____ |
| 4 | Multiply step 3 by 80% (.80) | _____ |
| 5 | Enter the amount from federal Form 1040, line 37 | _____ |
| 6 | Enter: \$186,350 (\$93,175 if married filing separate) | _____ |
| 7 | Is step 6 less than step 5? | |
| | <input type="checkbox"/> No. STOP here and enter zero on Schedule M1M, line 1. | |
| | <input type="checkbox"/> Yes. Subtract step 6 from step 5 | _____ |
| 8 | Multiply step 7 by 3% (.03) | _____ |
| 9 | Enter the smaller of step 4 or step 8 | _____ |
| 10 | Amount from Form M1, line 2 | _____ |
| 11 | Add step 9 and step 10 | _____ |
| 12 | Enter the amount from step 1 | _____ |
| 13 | Enter amount corresponding to your filing status: | |
| | • Single or married filing separate: \$6,350 | |
| | • Head of household: \$9,350 | |
| | • Married filing jointly or qualifying widow(er): \$12,700 | _____ |
| 14 | Enter number from box 39a on Form 1040. If no number is listed, enter 0) | _____ |
| 15 | If single or head of household, multiply step 14 by \$1,550. All others, multiply step 14 by \$1,250 | _____ |
| 16 | Add steps 13 and 15 | _____ |
| 17 | Subtract step 16 from step 12 (if result is zero or less, STOP here and enter zero on Schedule M1M, line 1.) | _____ |
| 18 | Enter the amount from step 1 | _____ |
| 19 | Compare the amounts on step 11 and step 17. | |
| | • If step 11 is less than or equal to step 17, subtract step 9 from step 18, enter the result here (<i>if married filing separate, see instructions below</i>); OR | |
| | • If step 11 is more than step 17, subtract step 10 from step 17, then subtract the result from step 18. Enter the result here | _____ |
| 20 | Enter the amount from federal Form 1040, line 40 | _____ |
| 21 | Subtract step 19 from step 20. Enter the result here and on Schedule M1M, line 1 | _____ |

Married couples filing separate returns: Each spouse must complete a separate Worksheet for Line 1. If *either* spouse is required to add back 100 percent of his/her step 9, your addition is the lesser of your step 9 or the difference between your step 1 and your step 10.

- If 95 percent or more of the federally tax-exempt dividends from a mutual fund came from bonds issued by Minnesota, include *only* the portion of the dividend generated by non-Minnesota bonds
- If less than 95 percent of the federally tax-exempt interest dividends from a mutual fund came from bonds issued by Minnesota, include *all* of the federally tax-exempt interest dividend from that fund.

Continued

Line 5

Federal Bonus Depreciation Addition

If you chose the special depreciation allowance for qualified property on federal Form 1040, complete the Worksheet for Line 5.

Line 6

Federal Section 179 Expensing

If, during the year, your total investment in qualifying property was more than \$200,000, or if you elected more than \$25,000 in section 179 expensing, you must add back on your state return 80 percent of the difference between the expensing allowed for federal and for state tax purposes. You may subtract the amount of the addition in equal parts over the next five years.

If you completed federal Form 4562 to claim the section 179 expensing for federal tax purposes, you must complete lines 1 through 12 on a separate federal Form 4562, (referred to as Minnesota Form 4562 on the worksheet for line 6). Complete the worksheet for line 6 to determine the amount for line 6.

Line 7

State Income Taxes Passed Through to You as a Partner of a Partnership, a Shareholder of an S Corporation, or a Beneficiary of a Trust

Enter the total of the amounts reported on line 2 of Schedules KS, KPI, and KF.

Do not include this amount on line 2 of Form M1.

Line 9

Expenses Relating to Income Not Taxed by Minnesota, Other Than From U.S. Bond Obligations

If you deducted expenses on your federal return connected with income not taxed by Minnesota (such as income reported on lines 22 through 27 of Schedule M1M), add those expenses to your taxable income.

Do not include expenses that are connected with interest or mutual fund dividends from U.S. bonds. For information on how to report these expenses, see line 16.

Line 10

Fines, Fees and Penalties Deducted on Your Federal Return

Add fines, fees and penalties that were deducted as business expenses paid to a government entity or nongovernment regulatory body as a result of a violation of law, or the investigation of any

Worksheet for Line 2

- 1 Multiply the number in box 6d of federal Form 1040 or 1040A by \$4,050
- 2 Enter your federal adjusted gross income (from line 37 of federal Form 1040 or line 21 of Form 1040A).
- 3 Enter the amount provided for your filing status:
 - Single: \$186,350
 - Married filing jointly or qualifying widow(er): \$279,500
 - Married filing separate: \$139,750
 - Head of household: \$232,900
- 4 Subtract step 3 from step 2
Is step 4 equal to or less than \$122,500 (\$61,250 if married filing separate)?
 - No. Enter amount from step 1 on step 7 and continue to step 8.
 - Yes. Continue with step 5. If the result is negative, skip steps 5 through 9 and enter \$0 on step 10.
- 5 Divide step 4 by \$2,500 (\$1,250 if married filing separate).
If the result is not a whole number, increase it to the next higher whole number (Example: Increase 0.0004 to 1)
- 6 Multiply step 5 by 2% (.02). Enter the result as a decimal
- 7 Multiply step 1 by step 6
- 8 Subtract step 7 from step 1
- 9 Enter your federal exemption amount (from line 42 of Form 1040 or 26 of Form 1040A)
- 10 Subtract step 8 from step 9. Enter the result here and on line 2 of Schedule M1M

Worksheet for Line 5

Complete Schedule M1NC, line 1 prior to completing this worksheet if you claimed bonus depreciation in excess of 50% of your basis in an asset.

- 1 Add line 14 and line 25 of your federal Form 4562*
- 2 Total of bonus depreciation amounts passed through to you as a partner (line 5 of Schedule KPI) or as a shareholder (line 5 of Schedule KS)
- 3 Add steps 1 and 2. Reduce the result by the amount on Schedule M1NC, line 1
- 4 Multiply step 3 by 80% (.80)
- 5 Total of the 80% federal bonus depreciation addition passed through to you as a beneficiary (from line 5 of Schedule KF)
- 6 Add steps 4 and 5. Enter here and on Schedule M1M, line 5

* If bonus depreciation included in step 1 or 2 generated a loss in an activity that cannot be deducted in 2017 (e.g., a passive activity loss or a loss in excess of basis), you may reduce step 1 or 2 by the amount of loss not allowed from the activity for 2017, up to the bonus depreciation claimed by the activity. In a future year when the 2017 suspended loss is allowed, you must include the bonus depreciation as an addition. The bonus depreciation is treated as the last suspended loss allowed.

Worksheet for Line 6

Recalculate line 12 of your Minnesota Form 4562 using the same information from your federal Form 4562 and the following modifications:

- Subtract \$485,000 from line 1 of federal Form 4562, and enter the result on line 1 of your Minnesota Form 4562. Do not enter less than \$25,000.
- Enter the amount from line 2 of federal Form 4562 on line 2 of the Minnesota Form 4562.
- Subtract \$1,830,000 from line 3 of federal Form 4562, and enter the result on line 3 of your Minnesota Form 4562.
- Enter the information from lines 6 and 7 of federal Form 4562 on lines 6 and 7 of your Minnesota Form 4562. However, if you have section 179 expensing from a flow through entity, use the respective amounts from line 4 of Schedule KPI or line 4 of Schedule KS instead of amounts from your federal Schedule K-1.
- Enter line 10 of federal Form 4562 on line 10 of your Minnesota Form 4562.
- Recalculate lines 4, 5, 8, 9, 11, and 12 of your Minnesota Form 4562. The result on line 12 of Minnesota Form 4562 cannot be more than line 1 of that form.

Determine line 6 of Schedule M1M by completing the following steps:

- 1 Amount from line 12 from your federal Form 4562
- 2 Line 12 of your Minnesota Form 4562
- 3 Subtract step 2 from step 1 (if zero or less, enter 0)
- 4 Multiply step 3 by 80% (.80). Enter here and on Schedule M1M, line 6

potential violation of law. Do not include amounts identified in a court order or settlement agreement as restitution or as an amount paid to come into compliance with the law.

Line 11
Suspended Loss From Bonus Depreciation

If you are claiming a suspended loss from 2001 through 2005 or 2008 through 2016 on your federal return that was generated by bonus depreciation, and you did not add back 80 percent of the bonus depreciation in those years, complete the Worksheet for Line 11.

Line 12
Capital Gain Portion of a Lump-Sum Distribution From a Qualified Retirement Plan

If you received a qualifying lump-sum distribution in 2017 and you chose the capital gain election on federal Form 4972, enter the capital gain from line 6 of federal Form 4972. Include a copy of federal Form 4972 when you file your return.

Line 13
Net Operating Loss (NOL) Carryover Adjustment

The Minnesota Legislature did not adopt the provisions of the Worker, Homeownership, and Business Assistance Act of 2009 (WHBA). Under this Act, taxpayers are allowed to carryback 3, 4, or 5 years an NOL generated in 2008 or 2009. For federal purposes, any remaining NOL that was not fully absorbed in the carryback years can be carried forward for up to 20 years, beginning in 2010. If you used any of that carryforward on your 2017 federal return, add back that amount as a positive number on line 13.

Line 14

If you made a non-qualified withdrawal from a first-time homebuyer account, you may be required to include those amounts in your taxable income. Complete and include Schedule M1HOME, *First-time Homebuyer Savings Account*, to determine your addition.

Line 15

If you are required to report accelerated gains from an installment sale in 2017, complete and enclose Schedule M1AR, *Accelerated Recognition of Installment Sale Gains*.

Worksheet for Line 11

| | | |
|---|--|-------|
| 1 | Bonus depreciation from 2001 through 2005 or 2008 through 2016 that was not added back on your Form M1 | _____ |
| 2 | Total suspended loss from activity remaining after 2016 | _____ |
| 3 | Subtract step 2 from step 1 (if a negative amount, enter zero) | _____ |
| 4 | Multiply step 3 by 80% (.80) | _____ |
| 5 | Total of the 80% bonus depreciation addition passed through to you as a beneficiary (from line 4 of Schedule KF) | _____ |
| 6 | Add steps 4 and 5. Enter here and on Schedule M1M, line 11 | _____ |

Subtractions

Line 18

Net Interest From U.S. Bonds

Include federally taxable interest you received from:

- U.S. bonds, bills, notes, savings bonds, certificates of indebtedness
- Sallie Mae bonds
- Dividends paid to you by mutual funds that are attributable to such bonds
- U.S. Government interest and dividends you received as a partner of a partnership, a shareholder of an S corporation, or beneficiary of a trust

Reduce these amounts by any related investment interest and other expenses deducted on your federal return relating to this income.

Do not include interest or dividends attributable to Ginnie Mae, Fannie Mae, or Freddie Mac bonds.

See Income Tax Fact Sheet 13, *U.S. Government Interest*, if you received interest from a government source not listed.

Line 19

K-12 Education Expense Subtraction

If you purchased qualifying educational materials or services in 2017 for your qualifying child's K-12 education, you may be able to reduce your taxable income.

Note: If you qualify for the K-12 Education Credit complete Schedule M1ED before entering an amount on this line (see instructions for line 3 of Schedule M1REF, *Individual Refundable Credits*, in the M1 instruction booklet). Qualifying expenses not used for the credit and any tuition expenses which do not qualify for the credit may be used for the subtraction. You can not claim both the credit and a subtraction for the same expenses. Complete the Worksheet for Line 19 if you entered an amount on Schedule M1ED, line 18.

To subtract your education expenses, the child must:

- be your child, adopted child, stepchild, grandchild, or foster child who lived with you in the United States for more than half of the year;
- have been in grades K-12 during 2017;
- have attended a public, private, or home school in Minnesota, Iowa, North Dakota, South Dakota, or Wisconsin; and
- not be claimed as a qualifying child on another individual's return.

Continued

Worksheet for Line 19

If you qualify for the K-12 education credit and you cannot use all of your education expenses on Schedule M1ED, determine line 19 of Schedule M1M by completing the following steps:

| | | |
|---|---|-------|
| 1 | Qualifying tuition expenses | _____ |
| 2 | Qualifying computer expenses in excess of \$200, up to a maximum of \$200 | _____ |
| Complete steps 3-6 if on Schedule M1ED line 17 is less than line 16. | | |
| 3 | Line 15 of Schedule M1ED | _____ |
| 4 | Line 18 of Schedule M1ED | _____ |
| 5 | Multiply step 4 by 1.333 | _____ |
| 6 | Subtract step 5 from step 3 | _____ |
| 7 | Add steps 1, 2, and 6 | _____ |

Enter the result from step 7—up to the maximum subtraction amount per child—on Schedule M1M, line 19.

In addition to the above requirements, you must have purchased educational services or required materials during the year to help your child's K-12 education. The types of education expenses that qualify for the credit also qualify for the subtraction. However, certain expenses qualify only for the subtraction. For examples of qualifying education expenses, see the M1 instruction booklet.

Subtraction Limits

The maximum subtraction allowed for purchases of personal computer hardware and educational software is \$200 per family.

You may split qualifying computer expenses, up to \$200, among your children any way you choose.

The maximum amount of education expenses you can subtract is \$1,625 for each child in a grade K through 6, and \$2,500 for each child in a grade 7 through 12.

If you qualify for the K-12 education credit (Schedule M1REF, line 3) and you cannot use all of your education expenses on Schedule M1ED, complete the Worksheet for Line 19.

See Income Tax Fact Sheet 8, *K-12 Education Subtraction and Credit*, for more information.

Enter your qualifying education expenses on line 19. Also enter each child's name and grade at the time the expenses were paid.

Line 20

Charitable Contributions over \$500

You may subtract some of your contributions made during the year if both of the following are true:

- You did not file federal Schedule A
- You made charitable contributions of more than \$500

To determine your allowable contributions, you will need the instructions for federal Schedule A of Form 1040.

- 1 Determine your total allowable charitable contributions you would have been able to enter on lines 16 and 17 of federal Schedule A. _____
- 2 The first \$500 of contributions do not qualify **\$500**
- 3 Subtract step 2 from step 1 .. _____
- 4 Multiply step 3 by 50% (.50). Enter here and on line 20 _____

Worksheet for Line 21

If you claimed bonus depreciation as an addition on your 2012 Form M1:

- 1 Line 6 of your 2012 Schedule M1M 1 _____
- 2 Net operating loss generated for tax year 2012 (line 25, Schedule A of 2012 federal Form 1045). Enter as a positive number 2 _____
- 3 Subtract step 2 from step 1 (if zero or less, enter 0) 3 _____
- 4 Multiply step 3 by 20% (.20) 4 _____

If you claimed bonus depreciation as an addition on your 2013 Form M1:

- 5 Line 6 of your 2013 Schedule M1M 5 _____
- 6 Net operating loss generated for tax year 2013 (line 25, Schedule A of 2013 federal Form 1045). Enter as a positive number 6 _____
- 7 Subtract step 6 from step 5 7 _____
- 8 Multiply step 7 by 20% (.20) 8 _____

If you claimed bonus depreciation as an addition on your 2014 Form M1:

- 9 Line 6 of your 2014 Schedule M1M 9 _____
- 10 Net operating loss generated for tax year 2014 (line 25, Schedule A of 2014 federal Form 1045). Enter as a positive number 10 _____
- 11 Subtract step 10 from step 9 11 _____
- 12 Multiply step 11 by 20% (.20) 12 _____

If you claimed bonus depreciation as an addition on your 2015 Form M1:

- 13 Line 5 of your 2015 Schedule M1M 13 _____
- 14 Net operating loss generated for tax year 2014 (line 25, Schedule A of 2015 federal Form 1045). Enter as a positive number 14 _____
- 15 Subtract step 14 from step 13 15 _____
- 16 Multiply step 15 by 20% (.20) 16 _____

If you claimed bonus depreciation as an addition on your 2016 Form M1:

- 17 Line 5 of your 2016 Schedule M1M 17 _____
- 18 Net operating loss generated for tax year 2016 (line 25, Schedule A of 2016 federal Form 1045). Enter as a positive number 18 _____
- 19 Subtract step 18 from step 17 19 _____
- 20 Multiply step 19 by 20% (.20) 20 _____

If you received a subtraction in 2017 from an estate or trust:

- 21 Total of any bonus depreciation subtraction amounts you received as a beneficiary of an estate or trust (from line 13 of Schedule KF). 21 _____

Total subtraction

- 22 Add steps 4, 8, 12, 16, 20 and 21. Enter here and on line 21 of Schedule M1M 22 _____

Line 21

Federal Bonus Depreciation Subtraction

You may be eligible to reduce your taxable income if either of the following are true:

- You reported 80 percent of the federal bonus depreciation as an addition to income on your 2012 through 2016 Form M1
- You received a federal bonus depreciation subtraction in 2017 from an estate or trust.

Complete the Worksheet for Line 21 to determine the amount to enter.

Line 22

Section 179 Expensing Subtraction

If you had an addition for increased section 179 expensing on your 2012 through 2017 Schedule M1M, subtract 20 percent of the total on your 2017 return.

Line 23

Subtraction for Persons 65 or Older or Permanently and Totally Disabled (Schedule M1R)

You may qualify for a subtraction if either of the following apply to you (or your spouse, if filing a joint return):

- You were born before January 2, 1952
- You were permanently and totally disabled and received federally taxable disability income in 2017. If you did not receive federally taxable disability income, you don't qualify for this subtraction.

If you (or your spouse, if filing a joint return) meet the age or disability requirement, check the chart in the M1 instructions to determine if you meet the income requirements.

If you meet all of the eligibility requirements, **complete and include Schedule M1R, Age 65 or Older/Disabled Subtraction.**

Line 24

Railroad Retirement Board Benefits

If you included unemployment, sick pay, or retirement benefits from the Railroad Retirement Board in your 2017 federal taxable income, you can subtract these amounts.

Line 25

Reciprocity Income

Minnesota has income tax reciprocity agreements with Michigan and North Dakota.

Reciprocity applies only to personal service income, such as:

- wages
- salaries
- tips
- commissions
- fees
- bonuses

For more information, see the M1 instructions.

When to complete Schedule M1M: If you are a resident of a reciprocity state and your only Minnesota source income was wages covered under reciprocity from which Minnesota income tax was withheld, use Schedule M1M to get a refund of the amount withheld. Place an X in the box for the state of which you were a resident during the year, and enter the amount from line 1 of Form M1 on line 25 of this schedule.

When you file Form M1, follow the steps in the M1 instructions. Also complete and include Schedule M1W, Form MWR, and a copy of your home state tax return.

Worksheet for Line 31

| | | |
|---|--|-------|
| 1 | Foreign taxes paid from federal Form 1116, line 9 | _____ |
| 2 | Federal foreign tax credit from Form 1116, line 22, for the subnational level of a foreign country other than Canada | _____ |
| 3 | Subtract step 2 from step 1 | _____ |
| 4 | Tax paid to a subnational level of a foreign country, other than Canada, on income you received while a Minnesota resident | _____ |
| 5 | Step 3 or step 4, whichever is less. | |
| | Also enter this amount on Schedule M1M, line 31 | _____ |

To avoid having Minnesota tax withheld in the future on wages covered by reciprocity, file Form MWR each year with your employer.

When to complete Schedule M1NR: If your gross income assignable to Minnesota (other than from the performance of personal services covered under reciprocity) is \$10,400 or more, you are not eligible to take the reciprocity subtraction on Schedule M1M. File Form M1 and Schedule M1NR. Do not include your personal service income on column B of Schedule M1NR.

Line 26

American Indians Living on an Indian Reservation

If you are a member of an American Indian tribe living and working on the reservation of which you are an enrolled member, enter your reservation source income, to the extent the income is federally taxable.

If you are eligible to subtract reservation source income, you must apportion any child and dependent credit you claim based on your income taxable to Minnesota.

Line 27

Federal Active Duty Military Pay Received by Residents

If you are a Minnesota resident and a member of one of the following:

- United States armed forces
- United Nations armed forces

enter the federal active duty military pay you received and included in your federal taxable income.

Line 28

National Guard Members, Reservists

Members of the Minnesota National Guard and Reserves are allowed a subtraction of federally taxable pay received for training and certain types of qualifying service. This includes:

- Training, including annual training and drill weekends.
- State active service, including natural disaster emergency response and missing person searches.
- Federally funded state active service such as airport security duty, active duty for special work (ADSW), and service under Title 10 and Title 32 Active Guard Reserve (AGR).

If you received pay for federal active duty, report that pay on line 27 instead of line 28.

Line 30

Organ Donor

If, while living, you, your spouse (if filing a joint return), or a dependent donated all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow to another person, you can subtract your qualified expenses.

Qualified expenses are your unreimbursed expenses for travel and lodging and for any lost wages net of sick pay due to the transplantation. Subtract your actual qualified expenses, up to \$10,000.

Line 31

Income Taxes Paid to a Subnational Level of a Foreign Country

If you paid taxes to a subnational level of a foreign country *other than Canada*, you may be able to subtract the amount you did not use to claim a federal foreign tax credit. A subnational level is the equivalent of a state of the United States. Complete the Worksheet for Line 31.

Line 32

Military Pension or Retirement Pay

If you received certain compensation from a military pension or other military retirement pay, you may reduce your taxable income by that pay.

To qualify for this subtraction, the retirement pay must be taxable on the federal return, and received for one of the following reasons:

- Service in the active component of the military (U.S. Code Title 10, sections 1401 to 1414)
- Retirement pay for service in the reserve component (U.S. Code Title 10, section 12733)
- Survivor benefit plan payments (U.S. Code Title 10, sections 1447 to 1455)

If you claim this subtraction, you may not claim the nonrefundable credit for past military service on Schedule MIC, *Other Nonrefundable Credits*, line 2.

Line 33

Gain From the Sale of Farm Property

You can reduce your taxable income if you received a gain from the sale of farm property in 2017 and all of the following are true:

- You owned and operated the farm.
- Your debts were greater than the fair market value of your assets immediately before the sale.
- You included the gain from the sale in your federal adjusted gross income on line 37 of federal Form 1040.
- You applied the proceeds from the sale of the property to paying off the mortgage, contract for deed, or lien on the property

Complete the Worksheet for Line 33.

Line 34

Post-Service Education Awards Received for Service in an AmeriCorps National Service Program

If you received a post-service education award, such as tuition reimbursements or student loan payments, from the federal government in 2017 for service in the

Worksheet for Line 33

| | | |
|---|--|-------|
| 1 | Amount of your debts immediately before the sale | _____ |
| 2 | Amount of debt forgiveness that you were permitted to exclude from your income when you completed your federal Form 1040 | _____ |
| 3 | Subtract step 2 from step 1 | _____ |
| 4 | Fair market value of your assets immediately before the sale | _____ |
| 5 | Subtract step 4 from step 3 | _____ |
| 6 | Gain from the sale included on line 37 of federal Form 1040 | _____ |
| 7 | Step 5 or step 6, whichever is less. | _____ |
| | Also enter this amount on Schedule M1M, line 33 | _____ |

Worksheet for Line 38

| | | |
|---|---|-------|
| 1 | Enter the total of amounts from federal Schedule A, lines 4, 9, 15, 19, 20, 27, and 28 | _____ |
| 2 | Enter the number from line 40 of your federal Form 1040. | _____ |
| 3 | Subtract step 2 from step 1 | _____ |
| 4 | Enter the amount that corresponds with your filing status: | _____ |
| | • Married filing joint or qualifying widow(er): \$12,700 | |
| | • Single or married filing separate: \$6,350 | |
| | • Head of household: \$9,350 | |
| 5 | Enter the amount from line 39a of your federal Form 1040 | _____ |
| 6 | Multiply step 5 by \$1,250 (\$1,550 if your filing status is single or head of household) | _____ |
| 7 | Add steps 4 and 6 | _____ |
| 8 | Subtract step 2 from step 7. If \$0 or less, enter \$0 | _____ |
| 9 | Enter the smaller of step 3 or step 8 here and on line 38. | _____ |

AmeriCorps program, you can subtract the amount you included in your federal taxable income. Enter the amount you received after leaving the program.

Do not include the stipend received while working in the program.

If your education award was used to repay a student loan, and you deducted the student loan interest on line 33 of Form 1040 or line 18 of Form 1040A, you must reduce your subtraction by the interest attributable to the award.

Line 35

Net Operating Loss (NOL) from 2008 or 2009

Minnesota did not adopt the provisions of the Worker, Homeownership, and Business Assistance Act of 2009 (WHBA). If you chose this federal option, you are limited on your Minnesota return to a carryback period of two years preceding the loss.

Enter the amount you are carrying forward for 2017 for Minnesota purposes.

For complete information on how to determine line 35 and any amount to carry forward, go to our website at www.revenue.state.mn.us and type **NOL** in the Search box.

Line 36

Subtraction for Prior Addback of Reacquisition of Indebtedness Income

If you included in this year's federal taxable income any discharge of indebtedness income from reacquisition of business debt which you elected to defer federally in 2009 or 2010 and included the discharge in Minnesota taxable income in the prior year, enter that amount on line 36.

Line 37

Subtraction for Railroad Maintenance Expenses

If you claimed a federal credit for railroad maintenance expenses on federal Form 8900, enter the expenses you were not allowed to deduct because you used them to claim the credit.

Line 38

Federal Schedule A

If you filed federal Schedule A and your federal limited itemized deductions were limited to less than the standard deduction for your filing status, complete the Worksheet for Line 38.

Line 39

Contributions to a 529 plan

Beginning in tax year 2017, you can deduct certain contributions made to a 529 plan. To determine the amount of your subtraction, complete and include Schedule M1529, *Education Savings Account Contribution Credit or Subtraction*, and enter the amount from line 4 of Schedule M1529 on line 39 of this form.

Line 40

Social Security Subtraction

If you paid federal tax on a portion of your social security income received in 2017, complete the worksheet for line 40 and enter the result on this form.

Line 41

First-Time Homebuyer's Savings Account

If you opened and contributed to a designated first-time home buyer's account in 2017, you may be eligible to subtract your earnings on the account. Complete and include Schedule M1HOME to determine your subtraction amount.

Line 42

Discharge of Indebtedness for Education Loans

If you had a qualifying education loan forgiven because you completed an income-driven repayment program, enter the amount of that debt discharged and included in federal taxable income.

Worksheet for line 40

- 1 Enter the amount from line 22 of federal Form 1040, or line 15 of federal Form 1040A _____
- 2 Enter the amount from line 20b of federal Form 1040, or line 14b of federal Form 1040A _____
- 3 Subtract step 2 from step 1 _____
- 4 Enter the amount from line 20a of federal Form 1040, or line 14a of federal Form 1040A _____
- 5 Multiply step 4 by 50% (0.50) _____
- 6 Enter the amount you included or should have included on line 8b of federal Form 1040, or Form 1040A. _____
- 7 Add steps 3, 5 and 6 _____
- 8 Enter the total of the amounts on: _____
 - Lines 23 through 32, plus any write-in adjustments you entered on line 36 of federal Form 1040, or
 - Lines 16 and 17 of federal Form 1040A
- 9 Subtract step 8 from step 7. If \$0 or less, enter \$0 _____
- 10 Enter the dollar amount for your filing status below: _____
 - Married Filing Jointly or Qualifying Widow(er): \$77,000
 - Single or Head of Household: \$60,200
 - Married Filing Separate: \$38,500
- 11 Subtract step 10 from step 9. If \$0 or less, enter \$0 _____
- 12 Multiply step 11 by 20% _____
- 13 Enter the amount for your filing status from below: _____
 - Married Filing Jointly or Qualifying Widow(er): \$4,500
 - Single or Head of household: \$3,500
 - Married Filing Separate: \$2,250
- 14 Subtract step 12 from step 13. If \$0 or less, enter \$0 _____
- 15 Enter the amount from step 2 _____
- 16 Enter the amount of Tier I railroad retirement benefits included on Schedule M1M, line 24. _____
- 17 Subtract step 16 from step 15 _____
- 18 Enter step 14 or step 17, whichever is less. Also enter this amount on line 40 of Schedule M1M _____