



# 2013 Schedule M1M, Income Additions and Subtractions

Sequence #3

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

## Additions to Income

- 1 If you took the standard deduction on your federal return, enter \$2,050 if married filing joint or qualifying widow(er), or \$1,025 if married filing separate. Otherwise, skip this line . . . . . **1** ■
- 2 Limitation on itemized deductions for taxpayers with an adjusted gross income which exceeds \$178,150 (\$89,075 if married filing separately) . . . . . **2** ■
- 3 Phase out of personal exemption(s) for taxpayers with an adjusted gross income that exceeds the applicable threshold (see instructions) . . . . . **3** ■
- 4 Interest from municipal bonds of another state or its governmental units included on line 8b of federal Form 1040 or 1040A . . . . . **4** ■
- 5 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 . . . . . **5** ■
- 6 Federal bonus depreciation addition (determine from worksheet in the instructions) . . . . . **6** ■
- 7 Federal section 179 expensing addition (determine from worksheet in the instructions) . . . . . **7** ■
- 8 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) . . . . . **8** ■
- 9 Domestic production activities deduction (from line 35 of federal Form 1040) . . . . . **9** ■
- 10 Expenses deducted on your federal return attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) . . . . . **10** ■
- 11 Fines, fees and penalties federally deducted as a trade or business expense (see instructions) . . . . . **11** ■
- 12 Suspended loss from 2001 through 2005 or 2008 through 2012 on your federal return that was generated by bonus depreciation (determine from worksheet in the instructions) . . . . . **12** ■
- 13 Capital gain portion of a lump-sum distribution (from line 6 of federal Form 4972; enclose Form 4972) . . . . . **13** ■
- 14 Net operating loss carryover adjustment (see instructions) . . . . . **14** ■
- 15 This line is intentionally left blank . . . . . **15** ■
- 16 Add lines 1 through 15. Enter the total here and on line 3 of Form M1 . . . . . **16**

## Subtractions From Income

- 17 Net interest or mutual fund dividends from U.S. bonds (see instructions) . . . . . **17** ■
- 18 Education expenses you paid for your qualifying children in grades K–12 (see instructions) Enter the name and grade of each child: . . . . . **18** ■
- 19 If you did not itemize deductions on your federal return and your charitable contributions were more than \$500, see instructions . . . . . **19** ■
- 20 Subtraction for federal bonus depreciation added back to Minnesota taxable income in 2008 through 2012 (determine from worksheet in the instructions) . . . . . **20** ■
- 21 Subtraction for federal section 179 expensing added back to Minnesota taxable income in 2008 through 2012 (see instructions) . . . . . **21** ■



<b>22</b>	Subtraction for persons age 65 or older, or permanently and totally disabled ( <i>enclose Schedule M1R</i> )	<b>22</b>
<b>23</b>	Benefits paid by the Railroad Retirement Board ( <i>see instructions</i> )	<b>23</b>
<b>24</b>	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 a negative number ( <i>less than zero</i> ), enter zero	<b>24</b>
	<ul style="list-style-type: none"> <li>• Place an X in one box to indicate the reciprocity state of which you were a resident during 2013</li> </ul>	
	Michigan:	
	North Dakota:	
<b>25</b>	American Indians: Total amount earned on an Indian reservation while living on the reservation, to the extent the income is federally taxable	<b>25</b>
<b>26</b>	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	<b>26</b>
<b>27</b>	If you are a member of the Minnesota National Guard or other reserve component in Minnesota, see instructions	<b>27</b>
<b>28</b>	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	<b>28</b>
<b>29</b>	If you, your spouse ( <i>if filing a joint return</i> ) 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 ( <i>see instructions</i> )	<b>29</b>
<b>30</b>	Income taxes paid to a subnational level of a foreign country other than Canada ( <i>determine from worksheet in the instructions</i> )	<b>30</b>
<b>31</b>	Job Opportunity Building Zone (JOBZ) business and investment income exemptions ( <i>enclose Schedule JOBZ</i> )	<b>31</b>
<b>32</b>	Portion of the gain from the sale of your farm property if you were insolvent at the time of the sale ( <i>determine from worksheet in the instructions</i> )	<b>32</b>
<b>33</b>	Post service education awards received for service in an AmeriCorps National Service program	<b>33</b>
<b>34</b>	Net operating loss (NOL) carryover adjustment ( <i>see instructions</i> )	<b>34</b>
<b>35</b>	Subtraction for prior addback of reacquisition of business indebtedness income included in federal taxable income ( <i>see instructions</i> )	<b>35</b>
<b>36</b>	Subtraction for Railroad maintenance expenses not allowed as federal deductions	<b>36</b>
<b>37</b>	This line is intentionally left blank	<b>37</b>
<b>38</b>	Add lines 17 through 37. Enter the total here and on line 6 of Form M1	<b>38</b>

**You must include this schedule with your Form M1.**

# MINNESOTA • REVENUE

## 2013 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. If you are a partner, shareholder or beneficiary, the amounts will be reported on the Schedule KPI, KS or KF you received from the entity.

#### Additions

The amounts you enter on lines 1 through 16 will be added to your taxable income.

#### Line 2

##### Limitation on Itemized Deductions

If your federal adjusted gross income exceeds the applicable threshold (\$89,075 for married filing separate or \$178,150 for all other filers), you are required to add back the amount that would have been limited under prior federal law for itemized deduction. See *Worksheet for Line 2* on this page.

#### Line 3

##### Phaseout of Personal and Dependent Exemptions

If your federal adjusted gross income exceeds the applicable threshold (\$267,200 for married filing joint, \$222,700 for head of household; \$178,150 for single and \$133,600 for married filing separate), you are required to add back the amounts that would have been phased out when determining personal exemptions under prior federal law. See *Worksheet for Line 3* on the next page.

#### Line 4

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

#### Line 5

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

If you included or should have included an amount on line 8b of federal Form 1040 or Form 1040A for federally tax-exempt interest dividends from a mutual fund,

#### Worksheet for Line 2

- 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?  
 No. STOP here and enter zero on Schedule M1M, line 2.  
 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: \$178,150 (\$89,075 if married filing separately) .....
- 7 Is step 6 less than step 5?  
 No. STOP here and enter zero on Schedule M1M, line 2.  
 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: \$6,100
  - Married filing separately: \$5,075
  - Head of household: \$8,950
  - Married filing jointly or qualifying widow(er): \$10,150 .....
- 14 Enter number from box 39a on Form 1040 or box 23a on Form 1040A (if no number is listed, enter 0) .....
- 15 If single or head of household, multiply step 14 by \$1,500  
 All others, multiply step 14 by \$1,200 .....
- 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 2.) .....
- 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 (*if married filing separately, see instructions below*); 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 2 .....

**Married couples filing separate returns:** Each spouse must complete a separate Worksheet for Line 2. 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.

you may have to include some or all of these dividends on line 3 of Form M1. To determine the amount to include, follow these instructions:

- If 95 percent or more of a federally tax-exempt dividend from a mutual fund came from bonds issued by Minnesota, *only* the portion of the dividend generated by non-Minnesota bonds must be included on line 3.
- If less than 95 percent of the federally tax-exempt interest dividend from a mutual fund came from bonds issued by Minnesota, *all* of the federally tax-exempt interest dividend from that fund must be included on line 3.

### Line 6

#### Federal Bonus Depreciation Addition

If you chose the special depreciation allowance for qualified property on federal Form 1040, you must add back 80 percent of the bonus depreciation to your taxable income. See *Worksheet for Line 6* on this page.

### Line 7

#### 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 7) to determine the amount you need to add back for Minnesota purposes. See *Worksheet for Line 7* on this page.

### Line 8

#### 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

Include your pro rata share of income taxes paid by the partnership, S corporation, estate or trust that were deducted in arriving at the entity's ordinary income or net rental income. This amount, if any,

### Worksheet for Line 3

- 1 Multiply the number in box 6d of federal Form 1040 or 1040A by \$3,900 .....
- 2 Enter your federal adjusted gross income (from line 37 of federal Form 1040 or line 22 of Form 1040A).....
- 3 Enter the amount provided for your filing status:
  - Single: \$178,150
  - Married filing jointly or qualifying widow(er): \$267,200
  - Married filing separately: \$133,600
  - Head of household: \$222,700 .....
- 4 Subtract step 3 from step 2 .....
- Is step 4 equal to or less than \$122,500 (\$61,250 if married filing separately)?
  - 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 separately). 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 3 of Schedule M1M .....

### Worksheet for Line 6

- 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 .....
- 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 6 .....

\* If bonus depreciation included in step 1 or 2 generated a loss in an activity that cannot be deducted in 2013 (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 2013, up to the bonus depreciation claimed by the activity. In a future year when the 2013 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 7

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

- Subtract \$475,000 from line 1 of federal Form 4562, and enter the result on line 1 of your Minnesota Form 4562.
- Enter the amount from line 2 of federal Form 4562 on line 2 of the Minnesota Form 4562.
- Subtract \$1,800,000 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 7 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 7 .....

will be provided on the Schedule KPI, KS or KF you received from the entity. Do not include this amount on line 2 of Form M1.

**Line 10  
Expenses Relating to Income Not Taxed by Minnesota, Other Than From U.S. Bond Obligations**

If you deducted expenses on Schedule A of Form 1040 that are attributable to income not taxed by Minnesota (income reported on lines 23 through 28 of Schedule M1M), you must add those expenses to your taxable income.

Do not include expenses that are attributable to interest or mutual fund dividends from U.S. bonds. For information on how to report these expenses, see line 17.

**Line 11  
Fines, Fees and Penalties Deducted on Your Federal Return**

You must 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 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 12  
Suspended Loss From Bonus Depreciation**

If you are claiming a suspended loss from 2001 through 2005, 2008, 2009, 2010, 2011 or 2012 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, see *Worksheet for Line 12* on this page.

**Line 13  
Capital Gain Portion of a Lump-Sum Distribution From a Qualified Retirement Plan**

If you received a qualifying lump-sum distribution in 2013 and you chose the capital gain election on federal Form 4972, enter the capital gain from line 6 of federal Form 4972. You must include a copy of federal Form 4972 when you file your return.

**Line 14  
Net Operating Loss (NOL) Carryover Adjustment**

The Minnesota Legislature did not adopt the provisions of the Worker, Homeown-

**Worksheet for Line 12**

- 1 Bonus depreciation from 2001 through 2005, 2008, 2009, 2010, 2011 or 2012 that was not added back on your Form M1 .....
- 2 Total suspended loss from activity remaining after 2012 .....
- 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 12 .....

ership, 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 claimed the deduction in 2013, you must add back the federal NOL amount as a positive number on line 14.

**Line Instructions**

**Subtractions**

The amounts entered on lines 17 through 37 will be subtracted from your taxable income.

**Line 17  
Net Interest From U.S. Bonds**

Interest earned on certain federal obligations is federally taxable, but exempt from Minnesota tax.

Include federally taxable interest you received from U.S. bonds, bills, notes, savings bonds and certificates of indebtedness, and Sallie Mae bonds, as well as any dividends paid to you by mutual funds that are attributable to such bonds, reduced by any related investment interest and other expenses deducted on your federal return relating to this income.

Also include any net U.S. Government interest and dividends you received as a partner of a partnership, a shareholder of an S corporation or a beneficiary of a trust.

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

If you received interest from a government source not listed, see Income Tax Fact Sheet #13, *U.S. Government Interest*, or contact the department.

**Line 18  
K-12 Education Expense Subtraction**

If in 2013 you purchased educational material or services for your qualifying child's K-12 education, you may be able to subtract qualified expenses from your taxable income, regardless of your income.

If your household income is less than the limits for the K-12 education credit (see instructions for Form M1 line 27 in the M1 instruction booklet), first complete Schedule M1ED, *K-12 Education Credit*, to claim the credit for your qualifying education expenses. Qualifying expenses not used for the credit and any tuition expenses that do not qualify for the credit

**Worksheet for Line 18**

If you qualify for the K-12 education credit (Form M1, line 27), and you cannot use all of your education expenses on Schedule M1ED, determine line 18 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 18.

may be used for the subtraction. You cannot claim both a credit and a subtraction on the same expenses.

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 2013; and
- have attended a public, private or home school in Minnesota, Iowa, North Dakota, South Dakota or Wisconsin.

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 may subtract is \$1,625 for each child in grades K through 6, and \$2,500 for each child in grades 7 through 12.

If you qualify for the K–12 education credit (Form M1, line 27), and you cannot use all of your education expenses on Schedule M1ED, complete *Worksheet for Line 18* on this page to determine the amount you can subtract.

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

Enter your qualifying education expenses on line 18. Also enter each child’s name and grade at the time the expenses were paid.

**Line 19**

**Charitable Contributions over \$500**

If you did not itemize deductions and you took the standard deduction on your federal return, you may be able subtract 50 percent of your total contributions for the year over \$500. To determine your allowable contributions, you will need

**Worksheet for Line 20**

**If you claimed bonus depreciation as an addition on your 2008 Form M1:**

- 1 Line 6 of your 2008 Schedule M1M ..... 1 \_\_\_\_\_
- 2 Net operating loss generated for tax year 2008 (line 25, Schedule A of 2008 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 2009 Form M1:**

- 5 Line 3 of your 2009 Schedule M1M ..... 5 \_\_\_\_\_
- 6 Net operating loss generated for tax year 2009 (line 25, Schedule A of 2009 federal Form 1045). Enter as a positive number ..... 6 \_\_\_\_\_
- 7 Subtract step 6 from step 5 (if zero or less, enter 0) ..... 7 \_\_\_\_\_
- 8 Multiply step 7 by 20% (.20) ..... 8 \_\_\_\_\_

**If you claimed bonus depreciation as an addition on your 2010 Form M1:**

- 9 Line 3 of your 2010 Schedule M1M ..... 9 \_\_\_\_\_
- 10 Net operating loss generated for tax year 2010 (line 25, Schedule A of 2010 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 2011 Form M1:**

- 13 Line 6 of your 2011 Schedule M1M ..... 13 \_\_\_\_\_
- 14 Net operating loss generated for tax year 2011 (line 25, Schedule A of 2011 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 2012 Form M1:**

- 17 Line 6 of your 2012 Schedule M1M ..... 17 \_\_\_\_\_
- 18 Net operating loss generated for tax year 2012 (line 25, Schedule A of 2012 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 2013 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 12 of Schedule KF) .. 21 \_\_\_\_\_

**Total subtraction**

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

the instructions for federal Schedule A of Form 1040.

Complete the following steps to determine line 19 of Schedule M1M.

- 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 19 . . . \_\_\_\_\_

**Line 20**

**Federal Bonus Depreciation Subtraction**

You may be eligible to reduce your taxable income if you:

- reported 80 percent of the federal bonus depreciation as an addition to income on your 2008 through 2012 Form M1, or
- received a federal bonus depreciation subtraction in 2013 from an estate or trust.

To determine the amount, see *Worksheet for Line 20* on this page.

**Line 21****Section 179 Expensing Subtraction**

If you had an addition for increased section 179 expensing on your 2008 through 2012 Schedule M1M, subtract 20 percent of the total on your 2013 return.

**Line 22****Subtraction for Persons 65 or Older or Permanently and Totally Disabled (Schedule M1R)**

You can reduce your taxable income if you (or your spouse, if filing a joint return) are:

- age 65 or older by the end of 2013, or
- permanently and totally disabled and received federally taxable disability income in 2013. 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 23****Railroad Retirement Board Benefits**

If you received unemployment, sick pay or retirement benefits from the Railroad Retirement Board in 2013, you can subtract these amounts from your federal taxable income.

**Line 24****Reciprocity Income**

Minnesota has income tax reciprocity agreements with Michigan and North Dakota. Reciprocity applies only to personal service income, which includes wages, salaries, tips, commissions, fees and bonuses. For additional 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 is 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 to indicate the state of which you were a resident during the year, and enter the amount from line 1 of Form M1 on line 24 of this schedule.

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

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 \$10,000 or more, you are subject to Minnesota tax on that income. File Form M1 and Schedule M1NR. You are not eligible to take the reciprocity subtraction on Schedule M1M. Do not include your personal service income on column B of Schedule M1NR.

**Line 25****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 on line 25, to the extent the income is federally taxable.

If you are eligible to subtract reservation source income, you must apportion any working family or child care credit you claim based on your income taxable to Minnesota.

**Line 26****Federal Active Duty Military Pay Received by Residents**

If you are a Minnesota resident who is a member of the United States or United Nations armed forces, enter the military pay you received for federal active duty, to the extent the income is federally taxable. Include any National Guard and Reservist members who have been called up to federal active duty.

**Line 27****National Guard Members, Reservists**

Members of the Minnesota National Guard and Reserves are allowed a subtraction, to the extent the income is federally taxable, for pay received for training and certain types of qualifying active service within Minnesota.

- Training includes annual training and drill weekends.
- State active service includes natural disaster emergency response and missing person searches.
- Federally funded state active service includes airport security duty and active duty for special work (ADSW).

If you received pay for federal active duty, report this amount on line 26 instead of line 27.

Do not include pay received as a member of the National Guard if your orders were issued under Title 32 and you are receiving AGR income, or if you receive civilian pay from the Department of Military Affairs.

**Line 29****Organ Donor**

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

Qualified expenses are your unreimbursed expenses for travel and lodging and for any lost wages net of sick pay due to the transplantation. The maximum amount you may subtract is your actual qualified expenses or \$10,000, whichever is less.

### Line 30

#### 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. See *Worksheet for Line 30* on this page.

### Line 31

#### JOBZ Subtractions

Individuals who invest in or operate a qualified business in a Job Opportunity Building Zone (JOBZ) may be able to subtract certain types of income, to the extent that the income would otherwise be taxable.

Complete and include Schedule JOBZ, *JOBZ Tax Benefits*, if in 2013 you received:

- income from operating a qualified business in a zone;
- income for renting real or tangible personal property used by a qualified business located in a zone;
- gains from the sale or exchange of real or tangible personal property used by a qualified business located in a zone; or
- gains from the sale of an ownership interest in a qualified business.

If you received JOBZ income as a partner, shareholder or beneficiary, these amounts are shown on the Schedule KPI, KS or KF you received from the entity. There is no need for you to complete Schedule JOBZ.

### Line 32

#### 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 2013 and:

- 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; and
- you applied the proceeds from the sale of the property to paying off the mortgage, contract for deed, or lien on the property.

See *Worksheet for Line 32* on this page.

#### Worksheet for Line 30

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 30 .....	_____

#### Worksheet for Line 32

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 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 Form 1040 .....	_____
7	Step 5 or step 6, whichever is less. Also enter this amount on Schedule M1M, line 32 .....	_____

### Line 33

#### 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 2013 for service in the AmeriCorps program, you can subtract the amount you included in your federal taxable income. On line 33, fill in 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 pay for 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 34

#### 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.

On line 34, enter the amount you are carrying forward for 2013 for Minnesota purposes.

For complete information on how to determine line 34 and any amount to carry forward, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

### Line 35

#### 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 35.

### Line 36

#### Subtraction for Railroad Maintenance Expenses

New for tax year 2013, Minnesota allows a subtraction for certain 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 on your federal return because you used them to claim the credit.