

MINNESOTA • REVENUE

Adding back capital loss carryover in household income

Household income is used to determine your Property Tax Refund, your Minnesota K-12 Education Credit, and your Minnesota Child and Dependent Care Credit. Your household income is calculated on lines 1 through 6 of Form M1PR, Schedule M1ED and M1CD.

When calculating Minnesota household income, neither short- nor long-term capital loss carryovers claimed on federal Schedule D (Form 1040) are allowed.

If you have a capital gain on line 13 of your federal Form 1040, the entire amount of capital loss carryovers must be added back in household income. Include the full amount from lines 6 and 14 of Schedule D on line 5 of Form M1PR and Schedules M1ED and M1CD.

If you show a capital loss on line 13 of Form 1040, use the worksheet below to compute the amount that needs to be added back in household income. (See the examples provided below the worksheet.)

Worksheet for calculating a capital loss to add back in household income

- 1 Combined net gain/loss (from line 16 of federal Schedule D) **1** _____
 - 2 Short-term capital loss carryover (from line 6 of Schedule D).
Enter amount as a positive number **2** _____
 - 3 Long-term capital loss carryover (from line 14 of Schedule D).
Enter amount as a positive number **3** _____
 - 4 Add step 2 and step 3. If step 1 is a positive number,
skip steps 5 and 6 and enter this amount on step 7 **4** _____
 - 5 Add step 1 and step 4 **5** _____
 - 6 Allowable capital loss (from line 13 of federal Form 1040).
Enter as a positive number **6** _____
 - 7 Add step 5 and step 6 (if zero or less, enter 0).
This amount must be included in household income **7** _____
- Include the result in step 7 on line 5 of Form M1PR, Schedule M1ED and/or Schedule M1CD.**

Worksheet examples

Example 1

Jackie has:

Current year capital loss	.....	\$ (2,000)
Current year capital gain	.....	+ <u>3,000</u>
Net current year capital gain/loss	.....	1,000
Prior year loss carryover	.....	\$ (7,000)
Net capital gain/loss (Sch. D, line 16)	.....	(6,000)
Federal loss allowed (Form 1040, line 13)	....	(3,000)

Jackie's net current year capital gain was \$1,000, but she was able to claim a capital loss of \$3,000 on line 13 of Form 1040 due to her capital loss carryovers, a difference of \$4,000.

The difference of \$4,000 due to the capital loss carryover must be added back to household income on line 5 of Form M1PR, Schedule M1ED and/or Schedule M1CD.

Example 2

Jason has:

Current year capital loss	.....	\$ (6,000)
Current year capital gain	.....	+ <u>3,000</u>
Net current year capital gain/loss	.....	(3,000)
Prior year loss carryover	.....	\$ (7,000)
Net capital gain/loss (Sch. D, line 16)	.....	(10,000)
Federal loss allowed (Form 1040, line 13)	....	- (3,000)

Jason does not have an addback to household income since none of the \$7,000 prior year loss carryover was used in the \$3,000 allowable capital loss claimed on line 13 of Form 1040; it was all current year losses.