Taxpayers with Disabilities

20

Income Tax Fact Sheet 20

Fact Sheet

Individuals who are disabled, and those who care for people with disabilities, may have questions about their Minnesota income tax obligations as well as other benefits avaliable in Minnesota. This fact sheet will help to answer questions about tax benefits and how to claim them.

Disabled Definition

For federal and state income tax purposes, you are considered permanently and totally disabled if you meet both of the following requirements as outlined on federal Schedule R (1040):

- You cannot engage in any substantial gainful activity because of a physical or mental condition
- A physician determines that the condition has lasted or can be expected to last continuously for at least a year, or that the result of the condition could be death

Age 65 or Older/Disabled Subtraction (Schedule M1R)

If you are age 65 or older, or have a permanent and total disability, you may be eligible for a subtraction that lowers the amount of income that is taxed by Minnesota. To qualify, you must meet certain income eligibility requirements (see next column) and you or your spouse must be either of the following:

- At least 65 years of age by January 1 of the following year
- Permanently and totally disabled and receiving federally taxable disability income

You may qualify for the Minnesota subtraction for persons age 65 or older even if you do not qualify for the federal credit for the elderly. To claim the subtraction, you must complete Schedule M1R, *Age 65 or Older/Disabled Subtraction*, and Schedule M1M, *Income Additions and Subtractions,* and include the schedules when you file Form M1.

Note: Married couples who file a joint return may claim the subtraction if one spouse meets the requirements. However, if you are married and filing separate federal returns, you are not eligible unless you and your spouse lived apart for all of the tax year.

Income Requirements for Schedule M1R

You must meet income requirements to qualify for the subtraction:

Category	Adjusted gross income* is less than:	Railroad Retirement Board benefits and nontaxable Social Security are less than:
Married filing jointly, both spouses are 65 or older or disabled	$42,000	$12,000
Married filing jointly, one spouse is age 65 or older or disabled	$38,500	$12,000
Married filing separately, 65 or older or disabled, and lived apart from spouse for full year	$21,000	$6,000
Single, head of household, or qualifying widow(er), 65 or older or disabled	$33,700	$9,600

* Adjusted gross income is Minnesota adjusted gross income (see instructions for line 9a of Schedule M1R) plus any lump-sum distributions reported on federal Form 4972, less any taxable Railroad Retirement benefits.

Minnesota Child and Dependent Care Credit (Schedule M1CD)

The Minnesota child and dependent care credit is not only for children. In addition to dependent children younger than age 13, a qualifying person also includes a disabled spouse and/or disabled dependent who lives with you for more than half the year.

If you paid someone to care for a qualifying person while you worked or looked for work and your household income for 2016 was $39,510 or less (see page 2 for a definition of household income), you may be able to claim this credit on your Form M1. See federal Form 2441 or Schedule 2 (1040A), *Child and Dependent Care Expenses*, and Minnesota Schedule M1CD, *Child and Dependent Care Credit*.

Credit for Long-Term Care Insurance Premiums Paid (Schedule M1LTI)

You may be able to claim a credit against tax based on any premiums you paid for a qualified long-term care insurance policy for which you did not receive a federal tax benefit.

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Individual Income Tax Division
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This fact sheet is intended to help you become more familiar with Minnesota tax laws and your rights and responsibilities under the laws. Nothing in this fact sheet supersedes, alters, or otherwise changes any provisions of the tax law, administrative rules, court decisions, or revenue notices. Alternative formats available upon request.

To qualify, your long-term care insurance policy must do both of the following:

- Qualify as a federal deduction (see federal Schedule A of Form 1040), disregarding the income test
- Have a lifetime long-term care benefit limit of $100,000 or more

The maximum credit is $100 per person. If you qualify, complete Schedule M1LTI, *Long-Term Care Insurance Credit*, and include the schedule when you file Form M1.

Minnesota Homestead Credit Refund (for Homeowners) and Renter's Property Tax Refund (Form M1PR)

Renters or homeowners may be eligible to claim a refund on their Minnesota residence. In order to be eligible, you must have been a full or part-year resident of Minnesota and could not be claimed as a dependent. The refund is based on household income in comparison to property taxes paid on your homestead or rental property. See the definition of household income in the next column.

If you were disabled on or before December 31 of the taxable year for which the taxes were levied or rent was paid, you are allowed a subtraction against household income which is equal to the federal exemption amount for that taxable year, $4,050 for 2017. A single subtraction of $4,050 is allowed for those filing jointly even if both spouses are disabled.

Note: The subtraction amount may be increased if you have dependents.

Credit for Past Military Service

If you (and/or your spouse if filing a joint return) are a veteran of the military, including the National Guard and reserves, you may qualify for a nonrefundable credit of up to $750 each for past service.

You may qualify if you have been separated from service and at least one of the following is true:

- You served in the military for at least 20 years
- You have a service-related disability rated by the U.S. Department of Veterans Affairs as being 100 percent total and permanent
- You were honorably discharged and receive a pension or other retirement pay for service in the military

To qualify for the full credit, your federal adjusted gross income (from line 37 of federal Form 1040, line 21 of Form 1040A or line 4 of Form 1040EZ) must be $30,000 or less. The amount of your credit is reduced by 10 percent of federal adjusted gross income in excess of $30,000. Veterans with income over $37,500 are not eligible for the credit. See Schedule M1C, *Nonrefundable Credits*. You may not claim this credit if you claim a subtraction for military retirement pay.

Market Value Exclusion on Homestead Property of Disabled Veterans

This program provides an annual market value exclusion of up to $300,000 on homestead property of a qualifying disabled veteran or their family caregiver.

Qualifications

A property must be the homestead of a qualified veteran in order to receive this value exclusion.

To qualify, you must have been honorably discharged from the U. S. armed forces, and you must be certified by the U. S. Veterans Administration as having a service-connected disability.

If you are a veteran with a 70 percent disability rating or higher, you are eligible for a market value exclusion of up to $150,000.

If you are a veteran who is totally (100 percent) and permanently disabled, you are eligible for a market value exclusion of up to $300,000.

Application Process

Applications are available in your county assessor's office.

Applications must be made by July 1 to qualify for the exclusion on the current year's market value for taxes payable next year (except for manufactured homes assessed as personal property, which are taxed in the same year they are assessed).

If you are a veteran with a disability rating of 70 percent or higher you will need to reapply annually.

If you are a veteran who is totally and permanently disabled, you do not need to reapply after the initial approval. The property will continue to qualify for the value exclusion until there is a change in ownership or use of the property. If a permanently and totally disabled veteran dies before his/her spouse, the spouse may continue to qualify under this provision for an additional 5 years after the year of death, so long as the surviving spouse does not remarry and continues to own and reside on the property. The exclusion will be immediately removed if the property is sold, transferred, or otherwise disposed of.

For more information on this exclusion, see Property Tax Fact Sheet 13, *Market Value Exclusion on Homestead Property of Disabled Veterans*.

Definition of Household Income

Household income is your federal adjusted gross income (from your federal income tax return, or what it would have been if you were required to file) plus most nontaxable income such as Social Security, government program payments, and any deferred income excluded from taxable income (such as IRA deductions). Federal nontaxable income received because of a disability must also be included in household income, such as Compensated Work Therapy (CWT), Social Security disability, personal injury, or other nontaxable settlement income, unless funds were used to pay medical expenses.

For an extensive list of income to be included as household income, visit our website.

Free Tax Help

Free tax help is available for seniors, individuals with low income, individuals who speak limited to no English, or individuals with disabilities. To find a site near you, visit our website at www.revenue.state.mn.us and click on "Free Tax Preparation Sites" or call 651-297-3724 or 1-800-657-3989 (toll-free).

Information and Assistance

Additional forms and information, including fact sheets and frequently asked questions, are available on our website.

Website: www.revenue.state.mn.us

Email: individual.incometax@state.mn.us

Phone: 651-296-3781 or 1-800-652-9094

This information is available in alternate formats.