

# Credit for Income Tax Paid to Another State 2010

Your first name and initial \_\_\_\_\_ Last name \_\_\_\_\_ Social Security number \_\_\_\_\_

State or Canadian province or territory that taxed income also taxed by Minnesota \_\_\_\_\_

To be eligible for this credit, you must have been a Minnesota resident or part-year resident in 2010 and have paid 2010 state income tax **on the same income** to Minnesota and also to another state or Canadian province.

You must complete a separate Schedule M1CR for each state or province to which you paid tax.

**Round amounts to the nearest whole dollar.**

Full-year and part-year residents	<b>Full-year residents and part-year residents</b>	
	1	Amount of federal adjusted gross income you received while a Minnesota resident that was taxed by another state . . . . . <b>1</b> _____
	2	Your federal adjusted gross income adjusted by U.S. bond interest and/or bonds of another state ( <i>determine from instructions</i> ). <b>Part-year residents:</b> See instructions . . . . . <b>2</b> _____
	3	Divide line 1 by line 2. Enter the result as a decimal ( <i>carry to five decimal places; if line 1 is more than line 2, enter 1.00000</i> ) . . . . . <b>3</b> _____
	4	Complete the lines below to determine your Minnesota tax after credits.
	a	Tax before credits from line 14 of Form M1 . . . . . <b>4a</b> _____
	b	Add line 18 of Form M1 and lines 1, 2, 4, 5 and 7 of Schedule M1C. <b>4b</b> _____
		Subtract line 4b from line 4a ( <i>if result is zero or less, enter 0</i> ) . . . . . <b>4</b> _____
	5	Multiply line 4 by line 3 . . . . . <b>5</b> _____
	6	From the income tax return of the other state, enter the tax amount before you subtract any tax withheld or estimated tax payments ( <i>see instructions</i> ). If you paid taxes to a Canadian province or territory, see instructions . . . . . <b>6</b> _____
	Full-year residents	<b>Full-year residents</b>
7		Amount from line 5 or line 6, whichever is less. Enter the amount here and on line 19 of Form M1 . . . . . <b>7</b> _____
Part-year residents	<b>Part-year residents</b>	
	8	From the income tax return of the other state, enter the amount of income taxed by that state before itemized or standard deductions are subtracted . . . . . <b>8</b> _____
	9	Divide line 1 by line 8. Enter the result as a decimal ( <i>carry to five decimal places; if line 1 is more than line 8, enter 1.00000</i> ) . . . . . <b>9</b> _____
	10	Multiply line 6 by line 9 . . . . . <b>10</b> _____
	11	Amount from line 5 or line 10, whichever is less. Enter the amount here and on line 19 of Form M1 . . . . . <b>11</b> _____

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

# Schedule M1CR instructions 2010

## Who is eligible?

You may be eligible for the credit for income tax paid to another state if:

- you were a Minnesota resident for all or part of 2010, and
- you incurred 2010 income tax (including tax withheld) for Minnesota and for another state on the same income. A Canadian province or territory and the District of Columbia are considered a state for purposes of this credit.

**Include:** Any income taxes paid to another state by an S corporation or a partnership that you included on line 5 of Schedule M1M.

**Do not include:** Any tax paid to a local unit of government (such as a city, county, school district) or national government, including a possession of the United States or the national government of Canada.

Canadian province or territory taxes used to claim a federal foreign tax credit cannot be used to determine your Minnesota credit. See the line 6 instructions for details.

## Part-year residents

To be eligible, you must have been a Minnesota resident when you received the income that was taxed by both states. Also, you must file a return with the other state.

**Exception:** If you were a resident of another state but are required to file a Minnesota income tax return as a resident, you may be eligible for this credit if you paid 2010 state tax on the same income to both Minnesota and the state of which you were a resident. However, you must get a statement from the other state's tax department stating you are not eligible to receive a credit on that state's return for income tax paid to Minnesota. Include the statement and Schedule M1CR with your Form M1.

## Minnesota residents working in Michigan or North Dakota

If you had 2010 state income tax withheld by Michigan or North Dakota from personal service income—such as wages, salaries, tips, commissions, bonuses—you received from working in one of those states, do not use Schedule M1CR. You can get a refund of the tax withheld for the period you were a Minnesota resident by filing that state's income tax return with that state.

However, if you paid 2010 income tax to one of those states on income other than from personal service income—such as income from rental property or from the sale of real property—you may be eligible for this credit. Complete Schedule M1CR.

## Nonresidents who sold a partnership interest

If you were a nonresident of Minnesota who sold a partnership interest on which the gain realized is taxable to Minnesota and to your home state, and your home state does not allow a credit for taxes paid to Minnesota on the gain, complete Schedule M1CRN, *Credit for Nonresident Partners on Taxes Paid to Home State*.

Do not complete Schedule M1CR.

## If you paid taxes to more than one other state

If you paid 2010 state income tax on the same income to Minnesota and to more than one other state:

- 1 Complete a separate M1CR for each state.
- 2 Add the amounts from line 7 or line 11, whichever applies, from each M1CR.
- 3 Enter the result from step 2 on line 19 of Form M1.

## Lines 1 through 6

Round amounts to the nearest whole dollar.

## Full-year and part-year residents of Minnesota

### Line 1

Determine the amount of federal adjusted gross income you received in 2010 while a Minnesota resident. Of that amount, de-

termine the income that was taxed by the other state, and enter that amount on line 1. Also include any non-Minnesota municipal bonds taxed by the other state.

Do not include any income you received from a lump-sum distribution from a qualified retirement plan that is listed as income on your Schedule M1LS, *Tax on Lump-Sum Distribution*.

### Line 2

**Full-year residents:** Complete the worksheet at the bottom of this page to determine line 2.

**Part-year residents:** From Schedule M1NR, add line 19 column B, line 21 column B, and line 23. Then, subtract from the total line 10 column B. Enter the result on line 2 of Schedule M1CR.

### Line 6

Enter the tax amount from the other state's tax return. The amount of tax must be before you subtract any income tax withheld by that state or any estimated tax you paid to that state. Do not include any tax you paid to cities or counties.

If you filed Schedule M1LS, do not include on line 6 any tax you paid on income from a lump-sum distribution from a qualified retirement plan.

If you paid taxes to a Canadian province or territory, follow the worksheet below to determine line 6.

### Worksheet for line 2 (for full-year residents only)

- 1 Add lines 1 and 2 of Schedule M1M. . . . . \_\_\_\_\_
- 2 Federal adjusted gross income from line 37 of federal Form 1040, line 21 of Form 1040A, or line 4 of Form 1040EZ. . . . . \_\_\_\_\_
- 3 Add step 1 and step 2. . . . . \_\_\_\_\_
- 4 Net interest you received from U.S. bonds from line 6 of Form M1 . . . . . \_\_\_\_\_
- 5 Subtract step 4 from step 3 . . . . . \_\_\_\_\_  
Enter the result here and on line 2 of Schedule M1CR.

### Worksheet for line 6 (if you paid Canadian taxes)

- 1 Total foreign taxes paid from line 9 of the federal Form(s) 1116 you completed for the Canadian taxes you paid. . . . . \_\_\_\_\_
- 2 Total federal foreign tax credit from line 21 of the Form(s) 1116 for your Canadian taxes paid . . . . . \_\_\_\_\_
- 3 Subtract step 2 from step 1 . . . . . \_\_\_\_\_
- 4 Tax paid to a Canadian province or territory on income you received while a Minnesota resident. . . . . \_\_\_\_\_
- 5 Amount from step 3 or step 4, whichever is less . . . . . \_\_\_\_\_  
Enter the result here and on line 6 of Schedule M1CR.