



# 2011 Schedule M1M, Income Additions and Subtractions

Sequence #3

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 If you took the standard deduction on your federal return, enter \$1,950 if married filing joint or qualifying widow(er), or \$975 if married filing separate. Otherwise, skip this line ..... 1
- 2 Limitation on itemized deductions for taxpayers with an adjusted gross income that exceeds the applicable threshold (see instructions) ..... 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 If you are an employer who provides prescription drug coverage to your retirees, enter the amount of federal tax-exempt subsidies you received for continuing these benefits ..... 11
- 12 Fines, fees and penalties federally deducted as a trade or business expense (see instructions) ..... 12
- 13 Suspended loss from 2001 through 2005, 2008, 2009 or 2010 on your federal return that was generated by bonus depreciation (determine from worksheet in the instructions) ..... 13
- 14 Capital gain portion of a lump-sum distribution (from line 6 of federal Form 4972; enclose Form 4972) ..... 14
- 15 Net operating loss carryover adjustment (see instructions) ..... 15
- 16 This line intentionally left blank ..... 16
- 17 Add lines 1 through 16. Enter the total here and on line 3 of Form M1 ..... 17

**Subtractions are on the back of this schedule.**



Your First Name and Initial

Last Name

Your Social Security Number

**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: ..... **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 2006 through 2010 (determine from worksheet in the instructions) ..... **21** █

**22** Subtraction for federal section 179 expensing added back to Minnesota taxable income in 2006 through 2010 (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 (included on lines 7, 16b, 19 and 20b of Form 1040 or lines 7, 12b, 13 and 14b of Form 1040A) ..... **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 a negative number (less than zero), enter zero ..... **25** █

- Place an X in one box to indicate the reciprocity state of which you were a resident during 2011

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 ..... **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 ..... **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** Job Opportunity Building Zone (JOBZ) business and investment income exemptions (enclose Schedule JOBZ) ..... **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** This line intentionally left blank ..... **37**

**38** Add lines 18 through 37. Enter the total here and on line 6 of Form M1 ..... **38**

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

# MINNESOTA • REVENUE

## 2011 Schedule M1M Instructions

### Income Additions and Subtractions

#### What's New for 2011?

Minnesota has adopted all of the Internal Revenue Code (IRC) changes made to "federal taxable income" from March 18, 2010, through April 14, 2011, effective the same date as the federal changes.

Even though all the changes were adopted for the definition of federal taxable income — which is the starting point on the Minnesota return — the following modifications are added to federal taxable income to arrive at Minnesota taxable income:

- the increase in the federal standard deduction for married taxpayers and those filing as qualifying widow(er);
- the limitation on itemized deductions; and
- the phase out of personal and dependent exemptions.

In addition, several modifications that Minnesota did not conform to in the past were fully adopted or no longer apply at the federal level, beginning with tax year 2011. As a result, the following lines have been removed from Schedule M1M:

- the additional standard deduction for real estate taxes and/or motor vehicle sales tax;
- the educator expenses and college tuition and fees deduction; and
- discharge of indebtedness income addition.

**Important note:** Minnesota continues to require an 80 percent addback for bonus depreciation and section 179 expensing.

#### 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 adjusted gross income exceeds the applicable threshold (\$84,775 for married filing separate or \$169,550 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* below.

#### Line 3

##### Phaseout of Personal and Dependent Exemptions

If your adjusted gross income exceeds the applicable threshold (\$254,350 for married filing joint; \$211,950 for head of household; \$169,550 for single; and \$127,175 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 page M1M-2.

Continued

#### Worksheet for Line 2

- 1 Enter the amount from Schedule A, line 29 .....
- 2 Enter the total of the 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 Form 1040, line 38 .....
- 6 Enter: \$169,550 (\$84,775 if married filing separately) .....
- 7 Is step 6 less than step 5?  
 No. STOP here and enter zero on Schedule M1M, line 2. You do not have a line 2 addition.  
 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: \$5,800
  - Married filing separately: \$4,825
  - Head of household: \$8,500
  - Married filing jointly or qualifying widow(er): \$9,650 .....
- 14 Subtract step 13 from step 12 (If result is zero or less, enter zero here and on step 15. Also enter zero on Schedule M1M, line 2) .....
- 15 Compare the amounts on step 11 and step 14.
  - If step 11 is less than or equal to step 14, enter step 9 here and on Schedule M1M, line 2 (if married filing separately, see instructions below); OR
  - If step 11 is more than step 14, subtract step 10 from step 14 (if result is zero or less, enter zero). 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.

**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, you may have to include some or all of these dividends on line 2. 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 2.
- 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 2.

**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.

**Worksheet for Line 3**

- 1 Is the amount on federal Form 1040, line 38, or Form 1040A, line 22, more than the amount on step 4 below for your filing status?  
 No. STOP here and enter zero on Schedule M1M, line 3.  
 Yes. Continue with step 2.
- 2 Enter your exemptions from Form 1040, line 42, or Form 1040A, line 26. . . . . \_\_\_\_\_
- 3 Enter amount from Form 1040, line 38, or Form 1040A, line 22 . . . \_\_\_\_\_
- 4 Enter the amount provided for your filing status:  
  - Single: \$169,550
  - Married filing jointly or qualifying widow(er): \$254,350
  - Married filing separately: \$127,175
  - Head of household: \$211,950 . . . . . \_\_\_\_\_
- 5 Subtract step 4 from step 3 and enter result here . . . . . \_\_\_\_\_  
 Is step 5 equal to or less than \$122,500 (\$61,250 if married filing separately)?  
 No. You must add back your personal exemption amount. Enter amount from step 2 on step 8 and on Schedule M1M, line 3. Do not complete the rest of the worksheet.  
 Yes. Continue with step 6.
- 6 Divide step 5 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*) . . . . . \_\_\_\_\_
- 7 Multiply step 6 by 2% (.02). Enter the result as a decimal . . . . . \_\_\_\_\_
- 8 Multiply step 2 by step 7. Enter result here and on Schedule M1M, line 3 . . . . . \_\_\_\_\_

**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 6 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 2011 (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 2011, up to the bonus depreciation claimed by the activity. In a future year when the 2011 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 . . . . . \_\_\_\_\_

Continued

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 page M1M-2.

**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, 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 24 through 29 of Schedule M1M), you must add those expenses to your taxable income. Enter amounts on line 10.

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 18 on this page.

**Line 12**

**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.

**Worksheet for Line 13**

|   |  |       |
|---|--|-------|
| 1 | Bonus depreciation from 2001 through 2005, 2008, 2009 or 2010 that was not added back on your Form M1            | _____ |
| 2 | Total suspended loss from activity remaining after 2011  | _____ |
| 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 13   | _____ |

**Line 13**

**Suspended Loss From Bonus Depreciation**

If you are claiming a suspended loss from 2001 through 2005, 2008, 2009 or 2010 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 13* on this page.

**Line 14**

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

If you received a qualifying lump-sum distribution in 2011 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 15**

**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 claimed the deduction in 2011, you must add back the federal NOL amount as a positive number on line 15.

**Line Instructions**

**Subtractions**

The amounts entered on lines 18 through 37 will be subtracted from your taxable income.

**Line 18**

**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.

*Continued*

**Line 19**

**K-12 Education Expense Subtraction**

If in 2011 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 on page 16 of 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 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 2011; 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 page 13 of 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.

**Worksheet for Line 19**

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 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.

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 19* 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 19. Also enter each child's name and grade at the time the expenses were paid.

**Line 20**

**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 the instructions for federal Schedule A of Form 1040.

Complete the following steps to determine line 20 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 20 .....

**Line 21**

**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 2006 through 2010 Form M1, or
- received a federal bonus depreciation subtraction in 2011 from an estate or trust.

To determine the amount, see *Worksheet for Line 21* on page M1M-5.

**Line 22**

**Section 179 Expensing Subtraction**

If you had an addition for increased section 179 expensing on your 2006 through 2010 Schedule M1M, you may subtract 20 percent of the total on your 2011 return.

**Line 23**

**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 2011, or
- permanently and totally disabled and received federally taxable disability income in 2011. 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 on page 12 of 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 received unemployment, sick pay or retirement benefits from the Railroad Retirement Board in 2011, you can subtract these amounts from your federal taxable income.

**Line 25**

**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 page 5 of 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 25 of this schedule.

When you file Form M1, follow the steps on page 5 of 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 \$9,500 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 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 on line 26, to the extent the income is federally taxable.

**Worksheet for Line 21**

**If you claimed bonus depreciation as an addition on your 2006 Form M1:**

Table with 4 rows: Line 6 of your 2006 Schedule M1M, Net operating loss generated for tax year 2006, Subtract step 2 from step 1, Multiply step 3 by 20% (.20).

**If you claimed bonus depreciation as an addition on your 2007 Form M1:**

Table with 4 rows: Line 6 of your 2007 Schedule M1M, Net operating loss generated for tax year 2007, Subtract step 6 from step 5, Multiply step 7 by 20% (.20).

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

Table with 4 rows: Line 6 of your 2008 Schedule M1M, Net operating loss generated for tax year 2008, Subtract step 10 from step 9, Multiply step 11 by 20% (.20).

**If you claimed bonus depreciation as an addition on your 2009 Form M1:**

Table with 4 rows: Line 3 of your 2009 Schedule M1M, Net operating loss generated for tax year 2009, Subtract step 14 from step 13, Multiply step 15 by 20% (.20).

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

Table with 4 rows: Line 3 of your 2010 Schedule M1M, Net operating loss generated for tax year 2010, Subtract step 18 from step 17, Multiply step 19 by 20% (.20).

**If you received a subtraction in 2011 from an estate or trust:**

Table with 1 row: Total of any bonus depreciation subtraction amounts you received as a beneficiary of an estate or trust (from line 12 of Schedule KF).

**Total subtraction**

Table with 1 row: Add steps 4, 8, 12, 16, 20 and 21. Enter here and on line 21 of Schedule M1M.

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 27**

**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 28**

**National Guard Members, Reservists**

Members of the Minnesota National Guard and Reserves are allowed a sub-

traction, 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 27 instead of line 28.

Do not include pay for service performed under the Active Guard Reserve (AGR) program.

### Line 30

#### 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 may include 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 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. See *Worksheet for Line 31* on this page.

### Line 32

#### 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 2011 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 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 2011 and:

- you owned and operated the farm;

### 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 .....

### 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 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 33 .....

- 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 33* on this page.

### 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 2011 for service in the AmeriCorps program, you can subtract the amount you included in your federal taxable income. On line 34, 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 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.

On line 35, enter the amount you are carrying forward for 2011 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](http://www.revenue.state.mn.us).

### 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 a prior year, enter that amount on line 36.