



2018 Schedule M1M, Income Additions and Subtractions

Complete this schedule to determine line 2 and line 7 of Form M1.

Your First Name and Initial	Last Name	Your Social Security Number
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Additions to Income

1	Interest from municipal bonds of another state or its governmental units included on line 2a of federal Form 1040	1	■	_____
2	Federally tax-exempt dividends from mutual funds investing in bonds of another state or its governmental units included on line 2a of federal Form 1040	2	■	_____
3	Federal bonus depreciation addition (<i>determine from worksheet in the instructions</i>)	3	■	_____
4	Federal section 179 expensing addition (<i>determine from worksheet in the instructions</i>)	4	■	_____
5	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 (<i>see instructions</i>)	5	■	_____
6	Expenses deducted on your federal return attributable to income not taxed by Minnesota (<i>other than interest or mutual fund dividends from U.S. bonds</i>)	6	■	_____
7	Fines, fees, and penalties federally deducted as a trade or business expense (<i>see instructions</i>)	7	■	_____
8	Suspended loss from 2001 through 2005 or 2008 through 2017 on your federal return that was generated by bonus depreciation (<i>determine from worksheet in the instructions</i>)	8	■	_____
9	Capital gain portion of a lump-sum distribution (<i>from line 6 of federal Form 4972; enclose Form 4972</i>)	9	■	_____
10	Net operating loss carryover adjustment (<i>see instructions</i>)	10	■	_____
11	Addition from line 5 of Schedule M1HOME (<i>enclose Schedule M1HOME</i>)	11	■	_____
12	Accelerated recognition of nonresident installment sales (<i>enclose Schedule M1AR</i>)	12	■	_____
13	Addition from Schedule M1NC, line 36	13	■	_____
14	Domestic production activities deduction	14	■	_____
15	Add lines 1 through 14. Enter the total here and on line 2 of Form M1	15		_____

Subtractions From Income

16	Net interest or mutual fund dividends from U.S. bonds (<i>see instructions</i>)	16	■	_____
17	Education expenses you paid for your qualifying children in grades K–12 (<i>see instructions</i>) Enter the name and grade of each child on the line below: _____	17	■	_____
18	If you are not filing Schedule M1SA, and your charitable contributions were more than \$500, see instructions	18	■	_____
19	Subtraction for federal bonus depreciation added back to Minnesota taxable income in 2013 through 2017 (<i>determine from worksheet in the instructions</i>)	19	■	_____
20	Subtraction for federal section 179 expensing added back to Minnesota taxable income in 2013 through 2017 (<i>see instructions</i>)	20	■	_____
21	Subtraction for persons age 65 or older, or permanently and totally disabled (<i>enclose Schedule M1R</i>)	21	■	_____



- 22 Benefits paid by the Railroad Retirement Board (*see instructions*) 22 ■ _____
- 23 If you are a resident of Michigan or North Dakota 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 less than zero, enter zero 23 ■ _____
- Place an X in one box to indicate the reciprocity state
of which you were a resident during 2018 ☐ Michigan ☐ North Dakota
- 24 American Indians: Total amount earned on an Indian reservation while living on the reservation, to the extent the income is federally taxable 24 ■ _____
- 25 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. See line 30 if you received a military pension or other military retirement pay. 25 ■ _____
- 26 If you are a member of the Minnesota National Guard or other reserve component in Minnesota, see instructions 26 ■ _____
- 27 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. See line 30 if you received a military pension or other military retirement pay 27 ■ _____
- 28 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*) 28 ■ _____
- 29 Income taxes paid to a subnational level of a foreign country other than Canada (*determine from worksheet in the instructions*) 29 ■ _____
- 30 If you received a Military pension or other retirement military pay computed under U.S. Code Title 10 (*see instructions*) 30 ■ _____
- 31 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*) 31 ■ _____
- 32 Post-service education awards received for service in an AmeriCorps National Service program 32 ■ _____
- 33 Net operating loss (NOL) carryover adjustment (*see instructions*) 33 ■ _____
- 34 Subtraction for prior addback of reacquisition of business indebtedness income included in federal taxable income (*see instructions*) 34 ■ _____
- 35 Subtraction for railroad maintenance expenses 35 ■ _____
- 36 Subtraction for contributions to a qualified education savings plan (*enclose Schedule M1529*) 36 ■ _____
- 37 Social Security benefit subtraction (*determine from worksheet in instructions*) 37 ■ _____
- 38 Subtraction for interest earned from a designated first-time homebuyer savings account (*enclose Schedule M1HOME*) 38 ■ _____
- 39 Subtraction for discharge of indebtedness of educational loans (*see instructions*) 39 ■ _____
- 40 Subtraction from Schedule M1NC, line 36 40 ■ _____
- 41 This line intentionally left blank 41 ■ _____
- 42 Add lines 16-41. Enter the total here and on line 7 of Form M1. 42 ■ _____

You must include this schedule with your Form M1.

2018 Schedule M1M Instructions

Income Additions and Subtractions

Line Instructions

You may have received these additions or subtractions as an individual, as a partner of a partnership, as a shareholder of an S corporation, or as a beneficiary of a trust. Amounts you received as a partner, shareholder, or beneficiary will be reported on the Schedule KPI, KS, or KF you received from the entity.

Additions

Line 1

Interest From Municipal Bonds of Another State or its Governmental Units

Of the amount you included (or should have included) on line 2a of federal Form 1040, add the interest you received from municipal bonds issued by:

- A state other than Minnesota
- A local government (such as a county or city) in a state other than Minnesota

Line 2

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

If you received federally tax-exempt interest dividends from a mutual fund, you may have to enter an amount on line 2. To determine the amount, if any, use the following instructions:

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

Line 3

Federal Bonus Depreciation Addition

If you chose the special depreciation allowance for qualified property on federal Form 1040, complete the Worksheet for Line 3.

Worksheet for Line 3 — Bonus Depreciation Modification

- 1 Add line 14 and line 25 of your federal Form 4562
- 2 Total bonus depreciation amounts passed to you as a partner (line 5 of Schedule KPI or as a shareholder (line 5 of Schedule KS). If you received a Schedule KSNC or KPNC, see instructions.
- 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). If you received Schedule KFNC, see instructions.
- 6 Add steps 4 and 5. Enter the result here and on line 3 of Schedule M1M.

Instructions

Step 2 — If you received Schedule KS and KSNC, add the amount on line 5 of Schedule KS to the amount on line 2a of Schedule KSNC. Include this amount on step 2.

If you received Schedule KPI and KPNC, add the amount on line 5 of Schedule KPI and line 2a of Schedule KPINC. Include the result on step 2

Step 5 — If you received Schedule KF and KFNC, divide line 5 of Schedule KF by 80% (.80) and add the result to the amount on line 2a of Schedule KFNC. Multiply this result by 80% (.80).

**If bonus depreciation included on step 1 or 2 generated a loss in an activity that cannot be deducted in 2018 (e.g., a passive activity loss, a loss in excess of basis, or an excess business loss), you may reduce step 1 or 2 by the amount of loss not allowed from the activity for 2018, up to the bonus depreciation claimed by the activity. In a future year when the 2018 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 4 — Section 179 Expensing Modification

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

- Subtract \$975,000 from line 1 of federal Form 4562, and enter the result on line 1 of Minnesota Form 4562. Do not enter less than \$25,000.
- Enter the amount from line 2 of federal Form 4562 on line 2 of Minnesota Form 4562.
- Subtract \$2,300,00 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 this form cannot be more than line 1.

Determine line 4 of Schedule M1M by completing the following steps:

- 1 Enter amount from line 12 of your federal Form 4562
- 2 Enter amount from line 12 of your Minnesota Form 4562 completed in the instructions above.
- 3 Enter the amount included on step 1 attributable to property received as part of a transaction that qualifies under Section 1031 of the Internal Revenue Code as amended through December 16, 2016, but not as amended through December 31, 2018.
- 4 Subtract the sums of steps 2 and 3 from step 1 (if less than zero, enter 0).
- 5 Multiply step 3 by 80% (0.80). Enter here and on line 4 of Schedule M1M

Line 4

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 4). Complete the Worksheet for Line 4 to determine the amount for line 4.

Line 5

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

Enter the total of the amounts reported on line 2 of Schedules KS, KPI, and KF.

Do not include this amount on line 27 of Schedule M1SA.

Line 6

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

If you deducted expenses on your federal return connected with income not taxed by Minnesota (such as income reported on lines 22 through 27 of Schedule M1M), add those expenses to your taxable income.

Do not include expenses connected with interest or mutual fund dividends from U.S. bonds. For information on how to report these expenses, see the instructions for line 16.

Line 7

Fines, Fees, and Penalties Deducted on Your Federal Return

Add fines, fees, and penalties you 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 8

Suspended Loss From Bonus Depreciation

Complete the Worksheet for Line 8 if both of the following apply:

Worksheet for Line 8

- 1 Bonus depreciation from 2001 through 2005 or 2008 through 2017 that was not added back on your Form M1
- 2 Total suspended loss from activity remaining after 2017
- 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 8

- You are claiming a suspended loss from 2001 through 2005 or 2008 through 2017 on your federal return that was generated by bonus depreciation.
- You did not add back 80 percent of the bonus depreciation in those years.

Line 9

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

If you received a qualifying lump-sum distribution in 2018 and you chose the capital gain election on federal Form 4972, enter the capital gain from line 6 of federal Form 4972. Include a copy of federal Form 4972 when you file your return.

Line 10

Net Operating Loss (NOL) Carryover Adjustment

Minnesota did not adopt the provisions of the Worker, Homeownership, and Business Assistance Act of 2009 (WHBA). Under this Act, you may carry back 3, 4, or 5 years of 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 used any of that carryforward on your 2018 federal return, add back that amount as a positive number on line 10.

Line 11

First-Time Homebuyer Savings Account Addition

If you made a nonqualified withdrawal from a first-time homebuyer savings account, you may be required to include those amounts in your taxable income. Complete and include Schedule M1HOME, *First-Time Homebuyer Savings Account*, to determine your addition.

Line 12

Accelerated Recognition of Nonresident Installment Sales

If you are required to report accelerated gains from an installment sale in 2018, complete and enclose Schedule M1AR, *Accelerated Recognition of Installment Sale Gains*.

Subtractions

Line 16

Net Interest From U.S. Bonds

Include federally taxable interest you received from:

- U.S. bonds, bills, notes, savings bonds, certificates of indebtedness
- Sallie Mae bonds
- Dividends paid to you by mutual funds that are attributable to these bonds
- U.S. Government interest and dividends you received as a partner of a partnership, a shareholder of an S corporation, or beneficiary of a trust

Continued

Worksheet for Line 17

If you qualify for the K-12 education credit and you cannot use all of your education expenses on Schedule M1ED, determine line 17 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 18 is less than line 17.**
- 3 Line 16 of Schedule M1ED
- 4 Line 19 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 line 17 of Schedule M1M.

Reduce these amounts by any related investment interest and other expenses deducted on your federal return relating to this income.

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

See Income Tax Fact Sheet 13, *U.S. Government Interest*, if you received interest from a government source not listed.

Line 17

K-12 Education Expense Subtraction

If you purchased qualifying educational materials or services in 2018 for your qualifying child's K-12 education, you may be able to reduce your taxable income.

Note: If you qualify for the K-12 Education Credit, complete Schedule M1ED before entering an amount on this line (see instructions for line 3 of Schedule M1REF, *Individual Refundable Credits*). For this subtraction, you may use qualifying expenses you did not use for the credit and any tuition expenses which do not qualify for the credit. You can not claim both the credit and a subtraction for the same expenses. Complete the Worksheet for Line 17 if you entered an amount on line 19 of Schedule M1ED.

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 2018.
- Have attended a public, private, or home school in Minnesota, Iowa, North Dakota, South Dakota, or Wisconsin.
- Not be claimed as a qualifying child on another individual's return.

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. 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 Form M1 instructions.

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

If you qualify for the K-12 Education Credit (Schedule M1REF, line 3) and you cannot use all of your education expenses on Schedule M1ED, complete the Worksheet for Line 17.

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

Enter your qualifying education expenses on line 17. Also, enter each child's name and grade at the time the expenses were paid.

Line 18

Charitable Contributions over \$500

You may subtract some of your contributions made during the year if both of the following are true:

- You did not file Schedule M1SA, *Minnesota Itemized Deductions*.
- You made charitable contributions of more than \$500.

To determine your allowable contributions, you will need the instructions for Schedule M1SA.

- 1 Determine your total allowable charitable contributions you would have been able to enter on lines 14 and 15 of Schedule M1SA . . . _____
- 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 18 of Schedule M1M _____

Worksheet for Line 19

If you claimed bonus depreciation as an addition on your 2013 Form M1:

- 1 Line 6 of your 2013 Schedule M1M 1 _____
- 2 Net operating loss generated for tax year 2013 (line 25, Schedule A of 2013 federal Form 1045). Enter as a positive number 2 _____
- 3 Subtract step 2 from step 1 3 _____
- 4 Multiply step 3 by 20% (.20) 4 _____

If you claimed bonus depreciation as an addition on your 2014 Form M1:

- 5 Line 5 of your 2014 Schedule M1M 5 _____
- 6 Net operating loss generated for tax year 2014 (line 25, Schedule A of 2014 federal Form 1045). Enter as a positive number 6 _____
- 7 Subtract step 6 from step 5 7 _____
- 8 Multiply step 7 by 20% (.20) 8 _____

If you claimed bonus depreciation as an addition on your 2015 Form M1:

- 9 Line 5 of your 2015 Schedule M1M 9 _____
- 10 Net operating loss generated for tax year 2015 (line 25, Schedule A of 2015 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 2016 Form M1:

- 13 Line 5 of your 2016 Schedule M1M 13 _____
- 14 Net operating loss generated for tax year 2016 (line 25, Schedule A of 2016 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 2017 Form M1:

- 17 Line 5 of your 2017 Schedule M1M 17 _____
- 18 Net operating loss generated for tax year 2017 (line 25, Schedule A of 2017 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 2018 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 13 of Schedule KF). 21 _____

Total subtraction

- 22 Add steps 4, 8, 12, 16, 20 and 21. Enter here and on line 19 of Schedule M1M 22 _____

Line 19
Federal Bonus Depreciation Subtraction
You may be eligible to reduce your taxable income if either of the following are true:

- You reported 80 percent of the federal bonus depreciation as an addition to income on your 2013 through 2017 Form M1.
- You received a federal bonus depreciation subtraction in 2018 from an estate or trust.

Complete the Worksheet for Line 19 to determine the amount to enter.

Line 20
Section 179 Expensing Subtraction
If you had an addition for increased section 179 expensing on your 2013 through 2017 Schedule M1M, subtract 20 percent of the total on your 2018 return.

Line 21
Subtraction for Persons 65 or Older or Permanently and Totally Disabled (Schedule M1R)
You may qualify for a subtraction if either of the following apply to you (or your spouse, if filing a joint return):

- You were born before January 2, 1954.
- You were permanently and totally disabled and received federally taxable disability income in 2018. If you did not receive federally taxable disability income, you do not 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 Form 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 22
Railroad Retirement Board Benefits
If you included unemployment, sick pay, or retirement benefits from the Railroad Retirement Board in your 2018 federal adjusted gross income, you can subtract these amounts.

Line 23
Reciprocity Income
Minnesota has income tax reciprocity agreements with Michigan and North Dakota.

Reciprocity applies only to personal service income, such as:

- Wages
- Salaries
- Tips
- Commissions
- Fees
- Bonuses

For more information, see the Form M1 instructions.

When to complete Schedule M1M: If Complete Schedule M1M if all of the following are true:

- You are a resident of a reciprocity state.
- Your only Minnesota source income was wages covered under reciprocity.
- You had Minnesota income tax withheld from these wages. Use Schedule M1M to get a refund of the amount withheld. Place an X in the box for the state of which you were a permanent resident during the year, and enter the amount from line 1 of Form M1 on line 23 of this schedule.

When you file Form M1, follow the steps in the Form M1 instructions. Also complete and include the following:

- Schedule M1W, *Minnesota Income Tax Withheld*
- Form MWR, *Reciprocity Exemption/Affidavit of Residency*
- 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 performing personal services covered under reciprocity) is \$10,650 or more, you are not eligible to take the reciprocity subtraction on Schedule M1M. Instead, file Form M1 and Schedule M1NR. Do not include your personal service income on column B of Schedule M1NR.

Line 24
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, to the extent the income is federally taxable.

If you are eligible to subtract reservation source income, you must apportion any Child and Dependent Care Credit you claim based on your income taxable to Minnesota.

Line 25
Federal Active Duty Military Pay Received by Residents
If you are a Minnesota resident and a member of one of the following:

- United States armed forces
- United Nations armed forces

enter the federal active duty military pay you received and included in your federal adjusted gross income.

Line 26
National Guard Members, Reservists
Members of the Minnesota National Guard and Reserves are allowed a subtraction of federally taxable pay received for training and certain types of qualifying service. This includes:

- Training, including annual training and drill weekends.
- State active service, including natural disaster emergency response and missing person searches.
- Federally funded state active service such as airport security duty, active duty for special work (ADSW), and service under Title 10 and Title 32 Active Guard Reserve (AGR).

If you received pay for federal active duty, report that pay on line 25 instead of line 26.

Line 28
Organ Donor
If, while living, you, your spouse (if filing a joint return), or a dependent donated all

Worksheet for Line 29	
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 29

or part of a liver, pancreas, kidney, intestine, lung, or bone marrow to another person, you can subtract your qualified expenses.

Qualified expenses are your unreimbursed expenses for travel and lodging and for any lost wages net of sick pay due to the transplantation. Subtract your actual qualified expenses up to \$10,000.

Line 29
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. Complete the Worksheet for Line 29.

Line 30
Military Pension or Retirement Pay

If you received certain compensation from a military pension or other military retirement pay, you may reduce your taxable income by that pay.

To qualify for this subtraction, the retirement pay must be taxable on the federal return and received for one of the following reasons:

- Service in the active component of the military (U.S. Code Title 10, sections 1401 to 1414)
- Retirement pay for service in the reserve component (U.S. Code Title 10, section 12733)
- Survivor benefit plan payments (U.S. Code Title 10, sections 1447 to 1455)

If you claim this subtraction, you may not claim the nonrefundable credit for past military service on Schedule M1C, *Other Nonrefundable Credits*, line 1.

Line 31
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 2018 and all of the following are true:

- 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 7 of federal Form 1040.
- You applied the proceeds from the sale of the property to paying off the mortgage, contract for deed, or lien on the property

Complete the Worksheet for Line 31.

Worksheet for Line 31	
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 federal 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 7 of federal Form 1040
7	Step 5 or step 6, whichever is less. Also enter this amount on Schedule M1M, line 31

Line 32
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 2018 for service in the AmeriCorps program, you can subtract the amount you included in your federal adjusted gross income. Enter 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 repay a student loan, and you deducted the student loan interest on line 33 of federal Schedule 1, you must reduce your subtraction by the interest attributable to the award.

Line 33
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.

Enter the amount you are carrying forward for 2018 for Minnesota purposes.

For complete information on how to determine line 33 and any amount to carry forward, go to our website at www.revenue.state.mn.us and type **NOL** in the Search box.

Line 34
Subtraction for Prior Addback of Reacquisition of Indebtedness Income

If you included in this year's federal adjusted gross 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 34.

Line 35
Subtraction for Railroad Maintenance Expenses

If you claimed a federal credit for railroad maintenance expenses on federal Form 8900, enter your 2018 expenses you were not allowed to deduct because you used them to claim the credit.

Line 36
Contributions to a 529 plan

You may be able to deduct certain contributions made to a 529 plan. To determine the amount of your subtraction, complete and include Schedule M1529, *Education Savings Account Contribution Credit or Subtraction*, and enter the amount from line 4 of Schedule M1529 on line 36 of this schedule.

Line 37
Social Security Subtraction

If you entered an amount on line 5b of federal Form 1040, complete the Worksheet for Line 37. Before completing the Worksheet for Line 37, review Schedule M1NC, Federal Adjustments, to determine if you are required to file that schedule.

Line 38
First-Time Homebuyers Savings Account

If you contributed to a designated first-time homebuyer savings account in 2017 or 2018, you may be eligible to subtract your earnings on the account. Complete and include Schedule M1HOME, *First-Time Homebuyer Savings Account*, to determine your subtraction amount.

Line 39
Discharge of Indebtedness for Education Loans

If you had a qualifying education loan forgiven because you completed an income-driven repayment program, enter the amount of that debt discharged and included in federal adjusted gross income.

Worksheet for line 37

- 1 Enter the amount from line 6 of federal Form 1040.
- 2 Enter the amount from line 34 of Schedule M1NC reduced
by any student loan interest or Social Security income included in
the additions column on line 32 of Schedule M1NC.
- 3 Add steps 1 and 2
- 4 Enter the amount from line 35 of Schedule M1NC reduced by
any student loan interest or Social Security income included in
the subtractions column on line 32 of Schedule M1NC.
- 5 Enter the amount from line 5b of federal Form 1040.
- 6 Add steps 4 and 5
- 7 Subtract step 6 from step 3
- 8 Enter the amount from line 5a of federal Form 1040.
- 9 Multiply step 8 by 50% (0.50)
- 10 Enter the amount you included or should have included
on line 2a of federal Form 1040
- 11 Add steps 7, 9 and 10
- 12 Enter the total of amounts on lines 23 through 32, plus any
write in adjustments on 23 through 32, plus any write in
adjustments you entered on line 36 of federal Schedule 1
- 13 Subtract step 12 from step 11. If zero or less, enter 0.
- 14 Enter the amount for your filing status from below:
 - Married Filing Jointly or Qualifying Widow(er): \$78,530
 - Single or Head of household: \$61,400
 - Married Filing Separate: \$39,270
- 15 Subtract step 14 from step 13. If zero or less, enter 0
- 16 Multiply step 15 by 20% (.20)
- 17 Enter the amount for your filing status from below
- Married Filing Jointly or Qualifying Widow(er): \$4,500
 - Single or Head of household: \$3,500
 - Married Filing Separate: \$2,250
- 18 Subtract step 16 from step 17. If zero or less, enter 0
- 19 Enter the amount from step 5
- 20 Enter the amount of Social Security included on line 32 of
Schedule M1NC. If the amount was included in the
subtractions column, enter as a negative amount.
- 21 Add steps 19 and 20. If zero or less, enter 0.
- 22 Enter the amount of Tier 1 railroad retirement benefits
included on line 22 of Schedule M1M
- 23 Subtract step 22 from step 21. If zero or less, enter 0
- 24 Enter step 18 or step 23, whichever is less.
Also enter this amount on line 37 of Schedule M1M.