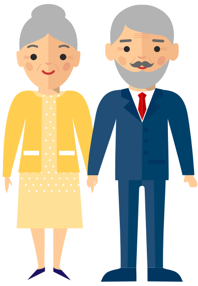

DEPARTMENT OF REVENUE

Tax Information for Seniors

Filing Requirements

If you are a Minnesota resident who meets the state's minimum filing requirement, you must file Form M1, Individual Income Tax. For more information, see "Filing Requirements" in the Form M1 instructions.

If your Minnesota gross income is less than the requirement, you should file a Minnesota return to claim a refund if any of these apply:

- You had Minnesota tax withheld
- You made estimated tax payments to Minnesota
- You qualify for refundable credits, such as the Renter's Credit

When you file Form M1, you must use the same filing status as your federal return.

Even if you do not file a federal or state income tax return, you may still file Form M1PR, Homestead Credit Refund, to claim a property tax refund. See the Form M1PR section under **Other Programs That May Benefit Seniors** (page 3).

Residency

Minnesota residency is generally defined by domicile (permanent residency) or the 183-day rule. In determining residency, we consider both your words and actions, with actions carrying more weight than words.

Domicile

Your "domicile" is the place you intend to make your home permanently or for an indefinite period of time.

Once you establish a domicile in Minnesota, it continues until you take action to change it. If you move out of Minnesota but do not intend to permanently remain in another state or country, you continue to be a Minnesota resident.

If you are a resident of another state and you maintain residences in both Minnesota and another state, you may still be taxed as a Minnesota resident under the 183-day rule.

The 183-Day Rule

You're considered a Minnesota resident for tax purposes (even if you have permanent residency in another state) if both of these apply:

- You spend at least 183 days in Minnesota during the year (any part of a day counts as a full day)
- You or your spouse rent, own, maintain, or occupy a residence in Minnesota suitable for year-round use and equipped with its own cooking and bathing facilities

If both conditions apply for the entire year, you must follow the filing requirements for a full-year Minnesota resident. If you meet the first condition, but the second condition applies for less than the full year, you are considered a part-year resident for the time the second condition applies. You must follow the filing requirements for a part-year Minnesota resident.

Exceptions to the 183-Day Rule

The 183-day rule does not apply to:

- Members of the military (or their spouses) who are stationed in Minnesota, but are permanent residents of other state
- Residents of Michigan and North Dakota (these states have tax reciprocity agreements with Minnesota)

Minnesota Residents

Residents must pay Minnesota income tax on taxable income received from all sources, regardless of where it's earned. See Income Tax Fact Sheet 1, *Residency*.

Part-year Residents

You are considered a part-year resident if either of these occurred during the year:

- You moved into Minnesota with the intention of remaining
- You moved out of Minnesota and have established a permanent residence elsewhere

You must pay Minnesota income tax on taxable income you received from all sources while a resident. For the portion of the year you were a nonresident, you must pay tax on income derived from Minnesota sources. See Income Tax Fact Sheet 2, *Part-Year Residents*.

Nonresidents

You are considered a nonresident if you earn income in Minnesota but are a permanent resident of another state or country. You must pay Minnesota tax on taxable income earned in Minnesota. You must also pay Minnesota tax on other income derived from Minnesota sources. See Income Tax Fact Sheet 3, *Nonresidents*.

Exception: If you are a resident of Michigan or North Dakota, you do not have to include your Minnesota wages or other personal service income when determining if you meet the minimum filing requirement. For more information, see Income Tax Fact Sheet 4, *Reciprocity*.

Types of Income

Social Security income

Social Security income may be taxed on your federal return. If your only income is Social Security, you are not required to file an income tax return. If you have questions on whether your Social Security is taxable, go to the IRS website at www.irs.gov or call 1-800-829-1040.

If all or part of your Social Security income is taxable on your federal return, you may qualify for a subtraction from income on your Minnesota return. This subtraction is available for tax years 2017 or later. To determine if you qualify, see the instructions for Schedule M1M, *Income Additions and Subtractions*.

Pension income

Pensions, including federal pensions, received while a Minnesota resident are taxable to Minnesota regardless of where your pension was earned. For more information, see Withholding Fact Sheet 19, Nonresident Wage Income Assigned to Minnesota.

Certain public pensions may not be taxable to Minnesota based on your income. For more information, review the instructions for Schedule M1QPEN, *Qualified Public Pension Subtraction*.

Financial institutions are required to withhold Minnesota income tax on your pension distributions unless you request that they not withhold.

You may contact your pension administrator to request they do not withhold state tax from your pension. If you do, you may be required to pay estimated tax. See the **Estimated Taxes** section.

Note: Military retirement pay (including pensions) is not taxable in Minnesota. For more information, see Income Tax Fact Sheet 5a, Military Personnel – Subtractions, Credits, and Extensions.

Interest, dividends, gains from the sale of stock or bonds

Generally, only the portion of your interest, dividends, or gains from the sale of stocks or bonds received while a Minnesota resident are taxed by Minnesota.

Lump-sum distribution from a qualified retirement plan

If you received a lump-sum distribution from a pension, profit sharing, or stock bonus plan and are filing federal Form 4972, you must complete Schedule M1LS, *Tax on Lump-Sum Distribution*. Include a copy of Schedule M1LS.

Estimated taxes

If you did not have Minnesota tax withheld from your income and you expect to owe more than $500 of Minnesota tax, you may be required to pay quarterly estimated tax. For more information, go to www.revenue.state.mn.us and enter **Estimated Tax** into the Search box.

If you do not pay the correct amount by the due dates, you may be subject to an underpayment penalty. To avoid the underpayment penalty, your estimated payments plus withholding and refundable credits must be either:

- 90% of your tax liability for the current year
- 100% of your tax liability for the previous year (110% if your adjusted gross income was more than $150,000)

The underpayment penalty may not apply to your first year of retirement. See Schedule M15, *Underpayment of Estimated Income Tax by Individuals*.

Common Subtractions That May Affect Seniors

Subtraction for age 65 or older, or disabled

To qualify, you must meet the income requirements for Schedule M1R, *Age 65 or Older/Disabled Subtraction,* and you or your spouse (if filing a joint return) must be either:

- Age 65 or older by the end of the tax year
- Permanently and totally disabled and have received 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 and Schedule M1M. Include the schedules when you file your Minnesota income tax return.

Net interest from U.S. bonds

Interest income you received from U.S. bonds, bills, notes, and other obligations are taxed federally, but are generally exempt from Minnesota income tax. To claim the subtraction, you must complete Schedule M1M and include the schedule when you file your Minnesota income tax return.

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 such bonds
- U.S. government interest and dividends you received as a partner of a partnership, shareholder of an S corporation, or beneficiary of a trust

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

Charitable contributions over $500

If you did not itemize deductions on your Minnesota return, you can subtract 50% of your contributions over $500 made during the year. To claim this subtraction, you must complete Schedule M1M and include the schedule when you file your Minnesota income tax return.

Social Security Benefit Subtraction

If your Minnesota taxable income includes Social Security or Railroad Retirement benefits, you may qualify for a subtraction from income. This subtraction is available for tax years 2017 or later. Your subtraction amount depends on your filing status and provisional income. See the instructions for Schedule M1M to calculate and claim the subtraction.

Railroad Retirement Board income

Minnesota does not tax railroad retirement benefits paid to you by the Railroad Retirement Board. If these benefits are included in your federal taxable income, you may subtract them from your Minnesota taxable income. A pension paid directly by a railroad company does not qualify for this subtraction.

To claim this subtraction, you must complete Schedule M1M and include the schedule when you file your Minnesota income tax return.

Note: If you have other subtractions to income, report the subtractions on Schedule M1M and carry them over to Form M1.

Common Additions That May Affect Seniors

Interest from municipal bonds from another state

Interest earned from non-Minnesota municipal bonds is not taxed federally, but is taxed by Minnesota and must be included on Schedule M1M.

Federally tax exempt dividends from mutual funds investing in bonds of another state

If you invest in a mutual fund that holds bonds from a state other than Minnesota, use these rules to determine the amount to include on Schedule M1M:

- If 95% or more of your total dividends from a fund came from municipal bonds issued by Minnesota, enter only the portion from other states
- If less than 95% of the total dividends from a bond fund came from municipal bonds issued by Minnesota, include the full amount of the dividends received, including interests from bonds of both Minnesota and other states

You should calculate the amount for each fund separately.

Expenses related to Minnesota exempt income

If you deducted expenses or interest on your federal return that are related to income not taxed by Minnesota (other than U.S. government bond interest), you must include these amounts on Schedule M1M.

Lump-sum capital gain distribution

If you received a qualifying lump-sum distribution during the year and chose the capital gain election on federal Form 4972, you must include the capital gain portion from your federal Form 4972 on Schedule M1M.

Note: If you have other additions to income, report the additions on Schedule M1M and carry them over to Form M1.

Common Credits That May Affect Seniors

Renter's Credit

You may qualify for the Renter's Credit if you lived in a rental unit in Minnesota and paid rent to live there. Rental units include apartments, nursing homes, assisted care facilities, intermediate care facilities, and adult foster care facilities that were assessed property taxes.
To claim this credit, complete Schedule M1RENT, *Renter's Credit*. Include this schedule and a copy of your Certificate of Rent Paid (CRP) you received from the property owner or managing agent when you file your Minnesota income tax return. To learn more about credit qualifications, review the instructions for Schedule M1RENT.

Marriage Credit

You may qualify for the Marriage Credit if you file a joint return and both spouses have taxable earned income, taxable pensions, or taxable Social Security income.

To claim this credit, complete Schedule M1MA, *Marriage Credit*, and Schedule M1C, *Nonrefundable Credits*. Include the schedules when you file your Minnesota income tax return.

Minnesota Child and Dependent Care Credit

You may qualify for the Minnesota Child and Dependent Care Credit if you paid someone to care for a qualifying person while you worked or looked for work. A qualifying person may be a disabled spouse, disabled dependent, or dependent child under age 13.

To claim this credit, you must complete federal Form 2441, *Child and Dependent Care Expenses*, and Minnesota Schedule M1CD, *Child and Dependent Care Credit*. Include the schedules when you file your Minnesota income tax return.

Long-Term Care Insurance Premiums

You may be able to claim a credit for long-term care insurance premiums paid during the year for which you did not receive a federal tax benefit. The maximum credit is $100 per person. To claim this credit, complete Schedule M1LTI, *Long-Term Care Insurance Credit*, and Schedule M1C, *Other Nonrefundable Credits*. Include the schedules when you file your Minnesota income tax return.

Other Programs That May Benefit Seniors

Homestead Credit Refund

Homeowners may apply for a refund of property taxes paid on their principal residence in Minnesota. Homeowners receive a Statement of Property Taxes Payable from the county. Use this statement to complete Form M1PR, *Homestead Credit Refund*.

To qualify for the refund, all of these must apply:

- You were a Minnesota resident for all or part of the year
- You could not be claimed as a dependent on someone else's federal income tax return
- You have a valid Social Security Number
- You homesteaded the property (relative homesteads do not qualify)
- You occupied the property on January 2 of the year following the year of assessment
- You own or hold a life estate in the property

Income requirements

Your household income must be below certain income limits to qualify. Household income includes both your taxable and nontaxable income.

You may be able to claim a subtraction to reduce your total household income if you have dependents, are age 65 or older, or are disabled. A spouse is not considered a dependent. The most a senior (or a senior married couple) with no dependents can subtract is the current year Minnesota exemption amount.

Special property tax refund for homeowners

If you are a homeowner, you may qualify for the special refund even if you do not qualify for the regular refund. All of these must apply:

- You owned and lived in your home both on January 2 of the previous year and on January 2 of the current year
- Your net property tax increased by more than 12%
- The increase was at least $100

There is no household income limit for the special refund.

How to file

Complete Form M1PR, *Homestead Credit Refund*.

Special situations

- **Delinquent property taxes.** If your property tax statement shows delinquent taxes, you are not eligible for a refund. If you pay the delinquent taxes within one year after the due date, send both a confession of judgment or statement from your county treasurer stating that the taxes have been paid or a payment agreement has been made and your completed Form M1PR.
- **Temporary stay in a health care facility.** If you or your spouse temporarily stayed in a health care facility, the rent does not qualify for the Renter's Credit. If you lived in your home/apartment and your spouse lived in a health care facility without the intention of returning home, each spouse must complete a separate Form M1PR.
- **Other unique situations.** See the Form M1PR instructions for other unique situations.

Senior Citizens Property Tax Deferral Program

The Senior Citizens Property Tax Deferral Program may allow you to postpone paying or defer a portion of your homestead property taxes, as well as special assessments.

If you are eligible and wish to participate in the program, you will need to pay up to 3% of your household income toward your property taxes on your homestead each year. The state will loan you the remaining amount—the deferred tax—and will pay it directly to your county.

You must pay the deferred tax plus interest back to the state. If you are due a state income tax refund or property tax refund, we will apply your refund to your deferred property tax balance. We will notify you when we use a refund to reduce your amount of deferred tax.

If you participate, a tax lien will be placed on your property. You or your heirs will need to repay the deferred amount before you can transfer title of the property.

Eligibility requirements

To participate in the program, you must meet these requirements:

- You must be at least 65 or older; if you're married, one spouse must be at least 65 and the other spouse at least 62
- Your total household income must not exceed $60,000
- You, or your spouse if you are married, must have owned and occupied your homestead for the last 15 years; the homestead can be classified as residential or agricultural, or it may be part of a multi-unit building
- There must be no state or federal tax liens or judgment liens on your property
- The total unpaid balance of debts secured by mortgages and other liens against your property cannot exceed 75% of the estimated market value of your homestead

If you qualify and wish to participate, you must apply by July 1 to defer a portion of the following year's property tax. Applications are available at www.revenue.state.mn.us or from your county auditor's office.

For more information, see Property Tax Fact Sheet 7, *Senior Citizen Property Tax Deferral*.

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, go to www.revenue.state.mn.us and enter **free tax help** into the Search box, or call 651-297-3724 or 1-800-657-3989.

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 (toll-free)

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