



Individual Tax Volunteer Training – Military and Retirement

Tax Year 2024

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This presentation is based on the facts and circumstances being discussed, and on the laws in effect when it is presented. It does not supersede or alter any provisions of Minnesota laws, administrative rules, court cases, or revenue notices.

Welcome!

The webinar will begin shortly. Please mute your microphone.

- We will begin at 1:00 p.m.
- We recommend using a headset
- If you cannot connect, you can connect by dialing in by phone:
 - Dial 651-395-7448
 - Phone conference ID: 272 037 390#
- This webinar has been recorded and will be available.

Today's Presenter



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Today's Agenda

- Military
- Retirement



Military

Military Service Members

Minnesota offers many tax benefits to military members and their families.

For example, Minnesota residents may exclude active-duty military pay for services performed in Minnesota when determining if they meet the Minnesota income tax filing requirement.

Current military service members or member who have served in the military, may qualify for tax relief.

Residency and Filing

Active-Duty Residency

IF THEY	THEN
Are a Minnesota resident when they join the military	They remain a Minnesota resident for tax purposes.
Were not a Minnesota resident when they joined the military	Their residency may change, should they take steps to establish a new permanent residence in Minnesota.

Military Personnel Example – MN Resident

IF THEY RECEIVED	THEN
<ul style="list-style-type: none">Federally taxable active-duty military payOrFederally taxable pay for training and certain types of service	They qualify for the active-duty military pay subtraction. Subtract this income on Schedule M1M, Income Additions and Subtractions .
Federally taxable military retirement pay under U.S. Code, title 10	They may subtract their military retirement pay from their taxable income on Schedule M1M.

Military Personnel Example – MN Resident

IF THEY	THEN
Are a U.S. Public Health Service employee and are called to active duty in the armed forces under U.S. Code, title 10	They are eligible for a subtraction of pay received for this period only. Subtract this pay on Schedule M1M.

Military Personnel Example – Michigan or North Dakota Resident

IF THEY	THEN
Had no Minnesota source income other than their Minnesota National Guard pay	Their pay is covered by reciprocity if they returned to their home state at least once a month. They do not need to file a Minnesota return.
Had Minnesota source income that is not covered by reciprocity and meets or exceeds the state minimum filing requirement	Include the amount of their federally taxable Minnesota National Guard income on Schedule M1M.

Military Personnel Example – Nonresident

IF	THEN
They (or their spouse if filing a joint return) had no income taxable to Minnesota	They do not need to file a Minnesota return. Refer to their home state's tax department.
Their income taxable to Minnesota (and their spouse's if filing a joint return) is less than the state minimum filing requirement	They do not need to file a Minnesota return. Refer to their home state's tax department.

Military Personnel Example – Nonresident

IF	THEN
They (and their spouse if filing a joint return) had income taxable to Minnesota greater than or equal to the state minimum filing requirement	Complete Schedule M1NR. Include their non-military wages and any other income taxable to Minnesota in column B. Do not include their military pay in column B.

Military Filing Extensions

Active – Duty Military Personnel

IF THEY ARE	THEN
Serving in a combat zone	They may file and pay Minnesota income tax 180 days after either of these dates: <ul style="list-style-type: none">• Their last day in a combat zone• Their last day of continuous hospitalization for injuries suffered in a combat zone
Not serving in a combat zone	They have until October 15 to file their state tax return.

Reservist or National Guard Member Called to Active Service

IF THEY ARE SERVING	THEN
In a combat zone	They get the same extension as active-duty personnel serving in a combat zone.
In the U.S.	They have until October 15 to file and pay their Minnesota tax without penalty.
Outside the U.S. but not in a combat zone	They have 180 days after they return from abroad to file and pay.

Military - Subtractions

Schedule M1M – Subtractions from Minnesota Income

Federal active-duty military pay received for services performed while a Minnesota resident.

- Minnesota residents serving in the United States or United Nations Armed Forces may subtract their federally taxable U.S. Code, Title 10 active-duty pay
- Combat pay and hazardous duty pay are not federally taxable and cannot be subtracted

Schedule M1M - Subtractions from Minnesota Income

Your clients may subtract federally taxable income earned for service in the Minnesota National Guard or Reserves, including:

- Annual training
- Drill weekends
- State or federal active service for natural disaster emergency response
- Called to state active service in aid of state civil authority
- Missing person searches
- Airport security duty
- Active-duty Operational Support
- Re-enlistment bonuses
- Tuition and student loan payments
- Compensation for serving while assigned to Active Guard Reserves

Schedule M1M - Subtractions from Minnesota Income

Active-Duty Residents of Another State (Line 22, Schedule M1M).

- Enter your clients' federal active service military pay to the extent their income is federally taxed.
- **Do not** include military pensions.

Schedule M1M - Subtractions from Income

Military pension or other military retirement pay.

If your clients receive certain types of military pensions or other military retirement pay, they may subtract these amounts from their Minnesota taxable income.

To qualify for the subtraction, the retirement pay must be:

- Taxable on the federal return
- Computed under U.S. Code Title 10

Military – Nonrefundable Credit

Schedule M1C - Nonrefundable Credits

Line 4: Credit for Past Military Service.

- Must meet income requirements (less than \$37,500 AGI)
- One of these must apply:
 - Honorably discharged with military retirement pay
 - Served in the military for at least 20 years
 - Service-related disability rating of 100% total and permanent

Military – M1PR

Form M1PR - Household Income

Schedule M1PR, Line 6: Additional Nontaxable Income

Include:

- Veterans' benefits

Form M1PR - Household Income

Schedule M1PR, Line 6: Additional Nontaxable Income

Do not include:

- Veteran's disability compensation

Credits and Tax Relief

- [Military Pay Subtraction](#)
- [Credit for Military Service in a Combat Zone](#)
- [Credit for Past Military Service](#)
- [Market Value Exclusion for Veterans with a Disability \(Property Tax\)](#)
- [Military Pension Subtraction](#)
- [Military Service Credit for a Deceased Taxpayer](#)
- [Service Member Spouse Tax Relief](#)
- [Tax Relief for Military Personnel](#)
- [Tax Relief for Deceased Active-Duty Military](#)

Retirement

Retirement - Income Reporting

Types of retirement incomes to report:

- Social Security retirement benefits
- Employer pensions
- IRA/ 401(k) distributions

M1 – Minnesota Individual Income Tax Return:

- Line B: IRA, pensions, annuities
- Line 1: Report total income including retirement and Social Security
- Line 7: Retirement income exclusions

Retirement – Form M1M Subtractions

Social Security Benefits Subtraction - Simplified Method

Simplified method allows 100% subtraction if:

Filing Status	AGI Below
Married Filing Joint or Qualifying Surviving Spouse	\$105,380
Single or Head of Household	\$82,190
Married Filing Separately	\$52,690

Simplified Method Phaseout

Married Filing Separately:

Reduced 10% for each \$2,000 of AGI over threshold

All other filing statuses:

Reduced 10% for each \$4,000 of AGI over threshold

Social Security Benefits Subtraction - Alternate Method (Prior Law)

Filing Status	Provisional Income Limit	Subtraction Amt Reduced by 20%
Married Filing Joint or Qualifying Surviving Spouse	\$88,630	\$5,840
Single Head of Household	\$69,250	\$4,560
Married Filing Separate	\$44,315	\$2,920

Qualified Public Pension Subtraction

Visit our **Public Pension Subtraction** webpage for:

- Qualifying pension plans
- Income limitations
- Maximum subtraction
- Determining benefits
- Questions

2024 Schedule M1QPEN



NEAR FINAL DRAFT 8/1/24



2024 Schedule M1QPEN, Qualified Public Pension Subtraction

Before you complete this schedule, read the instructions on the next page.

Your First Name and Initial

Last Name

Social Security Number

Your Pension Administrator

Payer TIN (found on federal Form 1099-R)

You may qualify for this subtraction if all of these are true:

- You receive payments or survivor benefits from a qualified public pension plan
- Your payments are taxable on your federal return
- Your income is below a certain threshold based on your filing status (*see the table in the instructions*)
- Your payments are not based on service for which Social Security benefits were also earned

☐

Qualified Pension Plan: Check this box if you are receiving taxable payments from a qualified public pension plan listed in the instructions

Membership Type: Check the boxes that apply to your pension plan membership (*see instructions*):

☐

Basic Member: You were a basic member of the pension plan

☐

Coordinated Member: You were a coordinated member of the pension plan

☐

Basic to Coordinated Member Conversion: You were a basic member of the pension plan who was converted to a coordinated member during your service

Visit our **Public Pension Subtraction** webpage for an extensive list of qualifying plans.

Qualified Public Pension Subtraction Maximum Amounts

Filing Status	Amount
Married Filing Joint or Qualifying Surviving Spouse	\$26,340
All Others	\$13,170

Schedule M1M – Subtraction for Persons 65 or Older or Permanently & Totally Disabled (Schedule M1R)

Line 16: Subtraction for persons 65 or older or permanently and totally disabled

- Complete Schedule M1R, Age 65 or Older/Disabled Subtraction

To qualify, your client (or their spouse if filing jointly) must be either:

- Born before January 2, 1960
- Permanently and totally disabled and receiving federally taxable disability income in 2024

Schedule M1M – Railroad Retirement Board Benefits

Line 17: Railroad Retirement Board Benefits

- Has taxable Social Security and Tier 1 Railroad Retirement Board benefits
- Minnesota allows half of Social Security first for federal base amount
- The subtraction is the lesser of:
 - Total Social Security and RRB benefits included in FAGI
 - One-half of the Railroad Retirement Board benefit

Schedule M1M – Railroad Retirement Board Benefits

There are two types of Railroad Retirement Board Benefits:

- **Tier 1 Benefits**
- **Tier 2 Benefits**

Schedule M1M – Railroad Retirement Board Benefits

Tier 1 Benefits

Railroad employees:

- Do not participate in the Social Security program
- Receive a Social Security equivalent as part of their railroad retirement pension

Note: Tier 1 benefits are taxable on the federal return.

Railroad Retirement Board Tier 1 Subtraction Example

- Quincy and Susan file Married Filing Jointly, both over 65
- Total income: \$33,000 of taxable pension, interest and dividends
- Susan's Social Security benefits: \$8,000
- Quincy's Tier 1 Railroad Retirement benefit: \$6,000

Railroad Retirement Board Tier 1 Subtraction Example

- The amount of taxable Social Security/Railroad Retirement income included in FAGI is \$4,000

• Pension and Investment	\$33,000
• ½ Social Security	\$4,000
• ½ Railroad Retirement (Tier 1)	<u>+3,000</u>
• Subtotal	\$40,000
• Federal Base Amount for MFJ	<u>-\$32,000</u>
• Excess	\$8,000

Schedule M1M – Railroad Retirement Board Benefits

Tier 2 Benefits:

- These benefits are traditional pension benefits and are also reported to taxpayers on Form RRB-1099
- Minnesota does not tax either Tier 1 or Tier 2 benefits

Retirement – Nonrefundable Credits

Schedule M1C - Nonrefundable Credits

Line 2: Credit for Long-Term Care Insurance Premiums Paid

- Complete Schedule M1LTI, Long-Term Care Insurance Credit

Retirement – M1PR and Renter's Credit

M1PR - Nontaxable SS and/or RRB Benefits

Nontaxable Social Security and/or Railroad Retirement Board Benefits

Include total amounts received in 2024:

- Social Security and Railroad Retirement Board benefits
- Social Security Disability Insurance (SSDI)
- Retirement Survivors and Disability Insurance (RSDI)
- Amounts for Medical Premium payments deducted from Social Security or Railroad Retirement Board benefits.

M1PR – Additional Nontaxable Income

Use Schedule M1PR to report the total amount of nontaxable income to include on line 6.

- Contributions to deferred compensation plans such as 401 K, 403 b, 457 deferred compensation, or SIMPLE/SEP plans
- Contributions to medical expense accounts
- Disability benefits
- Distributions from a ROTH or traditional IRA not included on line 1
- Federal adjustments to income for contributions to IRA, Keogh, and SIMPLE/SEP plans

M1PR – Additional Nontaxable Income

- Long-term care benefits not used for medical expenses
- Lump-sum distribution reported on Line 1 of Schedule M1LS
- Disability benefits
- Medicare Part B Premiums not included in lines 1 or 2
- Nontaxable pension and annuity payments, including disability payments

M1PR – Additional Nontaxable Income

Do not include the following nontaxable income:

- Employee's mandatory contributions to a retirement plan
- Employer's contributions to filer's deferred compensation or pension plan
- IRA rollovers
- HSA funding distributions (distributions from a traditional IRA or a Roth IRA, made to an individual's Health Savings Account as a contribution)
- Long-term care benefits used to pay medical expenses
- Payments by someone else for taxpayer's care by a nurse, nursing home, or hospital

Schedule M1PR – Subtraction

Subtraction for those born before January 2, 1960, or disabled

To qualify, your client (or their spouse if filing jointly) must be either:

- Born before January 2, 1960
- Permanently and totally disabled and receiving federally taxable disability income in 2024

Note: If your client did not receive federally taxable disability income, they do not qualify for this subtraction.

Schedule M1PR – Subtraction

Retirement Account Subtraction:

- Total amount of contributions to a 401 k, 403 b, IRA, Roth IRA, or 457 retirement plan
- Up to \$7,000 (\$14,000 if filing jointly)

Residents of Nursing Homes

If the taxpayer is paying property taxes, then the resident will receive a CRP. Residents are deemed a fixed amount monthly.

For 2024, the amount is:

- \$630 for nursing homes
- \$630 for intermediate care facilities
- \$980 for adult foster care or other waiver program facilities

If the taxpayer pays less than the amount listed, the lesser amount applies.

Residents of Nursing Homes

No public assistance:

If taxpayer received no public assistance, then the taxpayer files as a renter.

Fully subsidized rent:

If all income comes from government assistance programs, then the taxpayer does not qualify for the Renter's Credit.

Residents of Nursing Homes

Government assistance programs include:

- Supplemental Security income (SSI)
- Minnesota Supplemental Aid (MSA)
- Housing Support (formally Group Residential Housing, or GRH)
- Medicaid (Medical Assistance
- General Assistance Medical Care (GAMC)

Nursing Home Situations

IF ONE SPOUSE	THEN
Lived in a care facility	You may only file one Schedule M1RENT. You may only claim the credit for one rental unit using one spouse's CRP and income.

IF BOTH SPOUSES	THEN
Lived in a care facility (in two different units)	Only one credit may be claimed for one rental unit using one spouse's CRP and income.
Lived in a care facility (in the same unit)	Combine their income and CRP to file Schedule M1RENT.



Contact Us!

Contact Information

Phone: 651-556-6600

Region 1: Region1.MDOR@state.mn.us

Region2: Region2.MDOR@state.mn.us

Region 3: Region3.MDOR@state.mn.us

Region 4: Region4.MDOR@state.mn.us

Monday through Friday, 8 a.m. to 4:30 p.m.



Contact Information

Taxpayer Assistance: 651-296-3781 or 1-800-652-9094

Monday through Friday, 8 a.m. to 4:30 p.m.

Email: individual.incometax@state.mn.us



Automated System: 651-296-4444 or 1-800-657-3676

Where's My Refund

1099-G Refund Lookup

Take our survey on this training!

- See the chat box for a link
- We appreciate your feedback



Thank You!

Safiya Farah

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