

2025 Schedule M1CR Instructions

Am I eligible?

You may be eligible for the credit for income tax paid to another state if all of these are true:

- You were domiciled in Minnesota for all or part of 2025
- You paid 2025 income tax to Minnesota and to another state on the same income
- You filed an income tax return with the other state. This may include an entity paying taxes on your behalf. If an entity paid taxes on your behalf, include the entity level return showing the other state's tax liability
- You were a Minnesota resident when you received the income taxed by the other state

A Canadian province or territory and the District of Columbia are considered states for purposes of this credit.

Include: Any income taxes paid to another state by an S corporation or a partnership that you included on line 2 of Schedule M1MB, *Business Income Additions and Subtractions*.

Do not include: Taxes paid to:

- Wisconsin (file Schedule M1RCR, *Credit for Tax Paid to Wisconsin*)
- A local unit of government (such as a city, county, or school district)
- A national government, including Canada or a possession of the United States
- A Canadian province or territory if you used the tax to claim a federal foreign tax credit (see the line 6 instructions for details)

Part-Year Residents

To be eligible, you must have been a Minnesota resident when you received the income taxed by both states. **You must also file an income tax return with the other state.**

Exception: You may be eligible for this credit if all of these are true:

- You were a permanent resident of another state
- You are required to file a Minnesota income tax return as a resident under the 183-day rule
- You paid 2025 state income tax on the same income to Minnesota and your state of permanent residence

You must get a statement from the other state's tax department stating you are not eligible to receive a credit on that state's return for income tax paid to Minnesota. Include the statement and Schedule M1CR with your Form M1, *Individual Income Tax*.

Minnesota Residents Paying Income Tax to Wisconsin

Do not use Schedule M1CR. Use Schedule M1RCR to determine whether you qualify for a nonrefundable credit.

Minnesota Residents Working in Michigan or North Dakota

Do not use Schedule M1CR if both of these apply:

- You received personal service income (wages, salaries, tips, commissions, and bonuses) from working in Michigan or North Dakota
- You had 2025 Michigan or North Dakota income tax withheld from that income

To get a refund of the tax withheld while you were a Minnesota resident, file an income tax return with the appropriate state.

If you paid 2025 income tax to one of those states on income other than from personal service income—such as income from rental property—you may be eligible for this credit. Complete Schedule M1CR.

What if I paid income taxes to more than one other state?

1. Complete a **separate** Schedule M1CR for each state
2. Add the amounts from line 7 or line 11, whichever applies, from each Schedule M1CR and Schedule M1RCR
3. Enter the result from step 2 on line 3 of Schedule M1C

Is there a penalty for fraudulently claiming a credit?

Yes. If you file a return that fraudulently claims a credit that results in a refund, we will assess a penalty equal to 50% of the portion of the refund attributable to fraud. If a fraudulently claimed credit reduced your tax liability, we will also assess a penalty equal to 50% of the unpaid tax.

Continued

Line Instructions

Round amounts to the nearest whole dollar.

If you are claiming a credit for taxes paid to another state for an entity level tax, check the appropriate box(es) at the top of the form.

- Non-composite tax paid: Check the first box if a pass-through entity paid a non-composite entity level tax on your behalf in the other state. See IRS Notice 2020-75.
- Composite tax paid: Check the second box if a pass-through entity paid a composite entity level tax on your behalf in the other state.

If you were not required to file an individual income tax return in the other state, you must provide the entity level return and show your portion of the income and taxes paid on your behalf by the entity.

Line 1

To determine the amount to enter on line 1, follow these steps:

1. Find your adjusted gross income on line 1 of Form M1
2. Determine the amount of adjusted gross income you received in 2025 while a Minnesota resident
3. Determine the amount from Step 2 that was also taxed by the other state
4. Enter the amount from Step 3 on line 1

Include any non-Minnesota municipal bonds taxed by the other state. Do not include any income you received from a lump-sum distribution from a qualified retirement plan and listed as income on your Schedule MILS, *Tax on Lump-Sum Distribution*.

Line 2

Full-Year Residents: Complete the Worksheet for Line 2 below.

Part-Year Residents: From Schedule M1NR, *Nonresidents/Part-Year Residents*, add these lines together:

- Line 22, column B
- Line 24, column B
- Line 28

From that total, subtract the amounts from lines 10 through 14 (column B) of Schedule M1NR. Enter the result on line 2 of Schedule M1CR.

Worksheet for Line 2 (for Full-Year Residents Only)

- | | |
|---|-------|
| 1 Add lines 1 and 2 of Schedule M1M, <i>Income Additions and Subtractions</i> | _____ |
| 2 Adjusted gross income (see line 1 instructions) | _____ |
| 3 Add step 1 and step 2 | _____ |
| 4 Net interest you received from U.S. bonds from line 14 of Schedule M1M | _____ |
| 5 Subtract step 4 from step 3. Enter result here and on line 2 of Schedule M1CR | _____ |

Line 6

Enter the tax amount from the other state's tax return. The amount of tax must be before you subtract any income tax withheld by that state or any estimated tax you paid to that state. Do not include tax you paid to a local unit of government (such as a city, county, or school district).

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

Note: If you paid taxes to a Canadian province or territory, complete the Worksheet for Line 6 below.

Worksheet for Line 6 (If You Paid Canadian Taxes)

- | | |
|--|-------|
| 1 Total foreign taxes paid from line 9 of the federal Form 1116 you completed for your Canadian taxes paid | _____ |
| 2 Total federal foreign tax credit from line 24 of the Form 1116 for your Canadian taxes paid | _____ |
| 3 Subtract step 2 from step 1 | _____ |
| 4 Tax paid to a Canadian province or territory on income you received while a Minnesota resident | _____ |
| 5 Amount from step 3 or step 4, whichever is less. Enter the result here and on line 6 of Schedule M1CR | _____ |