



2026 Schedule M2NM, Non-Minnesota Source Income and Related Expenses

Name of Estate or Trust		Federal ID Number	Minnesota ID Number
		A Total Amount	B Minnesota Portion <i>(round amounts to the nearest whole dollar)</i>
			C Non-Minnesota Portion
1	Interest income	a1	b1 c1 ■
2	Dividend income	a2	b2 c2 ■
3	Business income or loss	a3	b3 c3 ■
4	Capital gain or loss <i>(see instructions)</i>	a4	b4 c4 ■
5	Income from rents, royalties, partnerships, other estates and trusts, etc.	a5	b5 c5 ■
6	Farm income or loss	a6	b6 c6 ■
7	Ordinary gain or loss <i>(see instructions)</i>	a7	b7 c7 ■
8	Other income	a8	b8 c8 ■
9	Total of lines 1 through 8	a9	b9 c9
10	State taxes deducted addition	a10	b10 c10 ■
11	Bonus depreciation addition	a11	b11 c11 ■
12	Section 199A qualified business income addition	a12	b12 c12 ■
13	This line intentionally left blank.	a13	b13 c13 ■
14	Net operating loss (NOL) carryover adjustment addition	a14	b14 c14 ■
15	Other required additions <i>(see instructions)</i>	a15	b15 c15 ■
16	This line intentionally left blank.	a16	b16 c16 ■
17	Add lines 9 through 16 for each column.	a17	b17 c17
18	Interest deduction.	a18	b18 c18 ■
19	Taxes deduction.	a19	b19 c19 ■
20	Fiduciary fees deduction	a20	b20 c20 ■
21	Charitable deduction	a21	b21 c21 ■
22	Attorney, accountant, and return preparer fees deduction.	a22	b22 c22 ■



Name of Estate or Trust	Federal ID Number	Minnesota ID Number
23 Other deductions a23	b23	c23 ■
24 Estate tax deduction a24	b24	c24 ■
25 Qualified business income deduction a25	b25	c25 ■
26 Exemption a26	b26	c26 ■
27 State income tax refund subtraction a27	b27	c27 ■
28 Bonus depreciation subtraction a28	b28	c28 ■
29 This line intentionally left blank a29	b29	c29 ■
30 Delayed business interest subtraction a30	b30	c30 ■
31 Delayed net operating loss deduction subtraction. a31	b31	c31 ■
32 Employee Retention Credit subtraction a32	b32	c32 ■
33 Other required subtractions (<i>see instructions</i>) a33	b33	c33 ■
34 This line intentionally left blank a34	b34	c34 ■
35 Add lines 18 through 34 for each column. a35	b35	c35
36 Subtract line c35 from line c17, and enter on line 36 36		
If the result is a positive, enter it on Form M2, line 7.		
If the result is a negative, enter it as a positive number on Form M2, line 2.		

You must include this schedule when you file your Form M2.

2026 Schedule M2NM Instructions

Purpose of Schedule M2NM

File Schedule M2NM with Form M2 if your estate or trust had income or related expenses from non-Minnesota sources. Schedule M2NM must be completed to include amounts on the following form lines:

- Lines 2 and 7 of Form M2
- Lines 2 and 7 of Form M2X
- Lines 2 and 6 of Form M2SB

Income and Gains from Non-Minnesota Sources

Minnesota fiduciary income tax is based on income from Minnesota sources only. Income must be allocated to Minnesota or outside of Minnesota following M.S. sections 290.17, 290.191, and 290.20. Non-Minnesota income and gains must be subtracted from federal taxable income. Use this schedule to determine and calculate your non-Minnesota income or gains.

Intangible income earned by a resident estate or trust is assigned to Minnesota. Intangible income is income from intangible personal property, such as stocks or bonds. [M.S. 290.17, subd. 2(c)]

Non-Minnesota source income and gains include:

- gains from the sale or other disposition of real or tangible property outside Minnesota,
- income or gains from the operation of a farm outside Minnesota,
- profit from a trade or business outside Minnesota,
- income from partnerships, S corporations and other fiduciaries from sources outside Minnesota,
- rents and royalties from land, buildings, machinery or other tangible property outside Minnesota, and
- interest, dividends, income and gains from stocks, bonds and other securities for nonresident estates and trusts, unless the income was generated by a trade or business (S corporations and partnerships) and was apportioned to Minnesota.

Expenses and Losses from Non-Minnesota Sources

Expenses, losses, and other deductions must be allocated with the item or class of gross income which they are definitively related for purposes of assignment or apportionment. [M.S. 290.17, subd. 1(b)] and Treas. Reg. 1.652(b)-3]

- Direct expenses should be allocated to the income to which it is associated.
- Indirect expenses should be allocated to each class of income in the proportion that each class of income bears to the total income. To determine this proportion, divide line 9 Column C by line 9 Column A. Multiply the result by the indirect expenses to determine the amount from non-Minnesota sources.

Expenses. Interest and other expenses deducted on your federal return which relate to income or gains from non-Minnesota sources, such as expenses incurred in connection with a probate proceeding in another state, must be added to your taxable income. Only those expenses that relate to the non-Minnesota income are considered to be from non-Minnesota sources. Use this schedule to determine and calculate your non-Minnesota expenses.

Losses. Carryover losses are sourced to Minnesota based on the allocation method in the year the loss was incurred.

Non-Minnesota source losses must be added back to the extent the losses are deducted in determining your federal taxable income or loss. Use this schedule to determine and calculate your non-Minnesota losses.

Non-Minnesota source losses include:

- losses deducted on the sale or other disposition of real or tangible property outside Minnesota,
- casualty losses deducted on property outside Minnesota,
- losses deducted on the operation of a farm outside Minnesota,
- losses from partnerships, S corporations and other fiduciaries from sources outside Minnesota,
- losses deducted on the operation of a trade or business from sources outside Minnesota, and
- losses deducted on the sale or other disposition of stocks, bonds, securities and other intangible property by nonresident estates and trusts.

Column Instructions

The sum of Column B and Column C must equal Column A.

Column A – Total Amount

Include the appropriate amount from your 2026 federal and Minnesota income tax returns. See the line instructions for Column A below.

Column B – Minnesota Portion

Allocate income and expenses to Minnesota according to M.S. sections 290.17, 290.191, and 290.20. If the estate or trust is a partner, shareholder, or beneficiary, include the amounts from Schedules KPI, KS, or KF.

Column C – Non-Minnesota Portion

Use the instructions above to determine amounts to be included in Column C.

2026 Schedule M2NM Instructions (continued)

Line Instructions

Enter the total income, gains, losses, and deductions to the extent the amounts are included in your federal taxable income. Include only the portion that is retained by the estate or trust. Do not include any amounts that are being distributed to the beneficiary.

In column A, enter the total amounts from your federal or Minnesota income tax return. In column B, include the Minnesota source portion of column A. In column C, include the portion of column A that is from sources outside of Minnesota.

Round amounts to the nearest whole dollar.

Business Income. Business income comes from trade or business activities, including rents, farming, sale or services. If you own a business or share of a business through a partnership, S corporation, estate, or trust, then the classification of income as business or nonbusiness is determined at the entity level.

You will receive one of the following schedules to help complete your Minnesota return:

- Schedule KPI, Partner's Share of Income, Credits and Modifications (KPI)
- Schedule KS, Shareholder's Share of Income, Credits and Modifications (KS)
- Schedule KF, Beneficiary's Share of Minnesota Taxable Income (KF)

Business Expenses. Generally, any business expenses, losses, or deductions included on lines 18 through 25 are direct expenses and will be allocated the same way as the related business income. See the business's Schedule KPI, Schedule KS, or Schedule KF issued to the estate or trust for the business's apportionment ratio or other allocation treatment.

Line 1

Include the portion of line 1 of federal Form 1041 that is retained by the estate or trust.

Line 2

Include the portion of line 2a of federal Form 1041 that is retained by the estate or trust.

Line 3

Include the portion of line 3 of federal Form 1041 that is retained by the estate or trust.

Line 4

Include the portion of line 4 of federal Form 1041 that is retained by the estate or trust. Include in Column A the amount of the capital gain or loss reported on line 4 of the federal Form 1041. Include in Column B the amount of the capital gain that is sourced to Minnesota based upon the instructions on page 1. Include in Column C the result of Column A minus Column B.

For example, if Minnesota property was sold for a capital gain of \$50,000 but your federal return has a total capital loss from all sources of \$30,000 (limited to negative \$3,000), report Line 4 as follows:

Column A = (\$3,000) Column B = \$50,000 Column C = (\$53,000)

Line 5

Include the portion of line 5 of federal Form 1041 that is retained by the estate or trust.

Line 6

Include the portion of line 6 of federal Form 1041 that is retained by the estate or trust.

Line 7

Include the portion of line 7 of federal Form 1041 that is retained by the estate or trust. See the line 4 instructions above for additional guidance on how to report line 7.

Line 8

Include the portion of line 8 of federal Form 1041 that is retained by the estate or trust.

Line 10

Include the portion of line 45 of Minnesota Form M2 that is retained by the estate or trust. Allocate the addition the same way as the relating deduction on line 18 below.

Line 11

Include the portion of lines 47 and 48 of Minnesota Form M2 that is retained by the estate or trust. To determine the Minnesota portion, utilize the Minnesota apportionment ratio of the business in 2026.

Line 12

Include the entire amount of line 49 of Minnesota Form M2. M.S. 290.0131, subd. 16 requires the full amount of the Section 199A qualified business income addition to be retained by the trust. Allocate the addition the same way as the relating deduction on line 25 below.

Line 13

This line is intentionally left blank.

Line 14

Include the portion of line 51 of Minnesota Form M2 that is retained by the estate or trust. Allocate the addition utilizing the **Expenses and Losses from Non-Minnesota Sources** guidance above.

2026 Schedule M2NM Instructions (continued)

Line 15

Include the portion of lines 44, 46, 52, 53, 54, 55, and 56 of Minnesota Form M2 that is retained by the estate or trust. Do not include any amounts from line 51 of Minnesota Form M2.

Line 16

This line is intentionally left blank.

Line 18

Include the portion of line 10 of federal Form 1041 that is retained by the estate or trust.

Interest expenses not coming from a business activity may be direct or indirect. If the interest expense relates to a specific asset or income-producing account, then the expense must be allocated the same as the interest income. If the interest expense does not directly relate to a specific stream of income or asset, allocate the interest expense proportionately to all income not associated with directly-allocated interest expenses.

Note: Personal interest expense and interest expense on tax-exempt investments are not deductible.

Line 19

Include the portion of line 11 of federal Form 1041 that is retained by the estate or trust.

Any taxes paid that are directly related to a specific asset or stream of income must be allocated the same as that item of income. For example, real estate taxes and property taxes paid should be allocated the same way as the income produced by the property. Other state and local income taxes not coming from a business activity are generally sourced to the state or jurisdiction that the taxes relate.

Taxes paid coming from a business are allocated the same way as the business income. (See **Business Expenses** on page 2.)

Line 20

Include the portion of line 12 of federal Form 1041 that is retained by the estate or trust.

Fiduciary fees directly related to a specific asset or stream of income, such as fees paid to a fiduciary to manage a property or business, must be allocated the same as that item of income. Other fiduciary fees are considered indirect and allocated to each class of income in the proportion that each class of income bears to the total income.

Line 21

Include the portion of line 13 of federal Form 1041 that is retained by the estate or trust.

Charitable contributions directly related to a specific asset or stream of income must be allocated the same as that item of income. This may be contributions flowing from a pass-through entity (see **Business Expenses** on page 2) or contributions from a specific source provided in the governing instrument(s). Other contributions not from a specific source are considered indirect and allocated to each class of income in the proportion that each class of income bears to the total income.

Line 22

Include the portion of line 14 of federal Form 1041 that is retained by the estate or trust.

Attorney, accountant, or return preparer fees directly related to a specific asset or stream of income, such as drafting a partnership agreement, must be allocated the same as that item of income. Other fees not from a specific source are considered indirect and allocated to each class of income in the proportion that each class of income bears to the total income.

Line 23

Include the portion of line 15a of federal Form 1041 that is retained by the estate or trust.

Any deductions directly related to a specific asset or stream of income, such as ownership costs or appraisal fees related to a specific property, must be allocated the same as that item of income. Other deductions not from a specific source are considered indirect and allocated to each class of income in the proportion that each class of income bears to the total income.

Whenever possible, bundled fees should be broken down and allocated appropriately based on each item of expense.

Casualty and theft losses generated from income producing property are allocated the same way as the relating income. Losses generated from property held for nonbusiness purposes are sourced to the situs of the property. [M.S. 290.17, subd. 2(a)(3)(b)] Losses from financial products, such as Ponzi schemes or financial scams, are sourced to the income that the casualty relates.

- If this is business income, see **Business Expenses** on page 2.
- If this is nonbusiness income, then the loss follows M.S. 290.17, subd. 2(e).

Line 24

Include the portion of line 19 of federal Form 1041 that is retained by the estate or trust.

The estate tax deduction is a direct expense and must be allocated the same as the income in respect of the decedent that is also included in the gross estate.

2026 Schedule M2NM Instructions (continued)

Line 25

Include the entire amount of line 20 of federal Form 1041. M.S. 290.0131, subd. 16 requires the full amount of the Section 199A qualified business income addition to be retained by the trust.

The qualified business deduction is a direct expense and allocated the same as the relating business income. (See **Business Expenses** on page 2.)

Line 26

Include the entire amount of line 21 of federal Form 1041 that is retained by the estate or trust. The exemption is retained by the fiduciary.

The exemption is an indirect deduction and allocated to each class of income in the proportion that each class of income bears to the total income.

Line 27

Include the portion of line 61 of Minnesota Form M2 that is retained by the estate or trust. Allocate the subtraction the same way as the relating income was allocated.

Line 28

Include the portion of line 62 of Minnesota Form M2 that is retained by the estate or trust. To determine this amount, utilize the Minnesota apportionment ratio of the business in 2026.

Line 29

This line is intentionally left blank.

Line 30

Include the portion of line 68 of Minnesota Form M2 that is retained by the estate or trust. To determine the Minnesota portion, utilize the Minnesota apportionment ratio of the business in the year the business interest incurred.

Line 31

Include the portion of line 69 of Minnesota Form M2 that is retained by the estate or trust. To determine the Minnesota portion, utilize the Minnesota apportionment ratio of the business in the year the net operating loss deduction occurred.

Line 32

Include the portion of line 70 of Minnesota Form M2 that is retained by the estate or trust. Include the amount in Column B passed to you from the pass-through entity using the apportionment ratio used to allocate the income of the pass-through entity.

Line 33

Include the portion of lines 60, 64, 66, 67, 71, and 72 of Minnesota Form M2 that is retained by the estate or trust. Do not include any amounts from line 65 of Minnesota Form M2.

Line 34

This line is intentionally left blank.

Line 36

If the result on line 36 is a positive, enter it on line 7 of Form M2. If the result on line 36 is a negative, enter it as a positive number on line 2 of Form M2.