DEPARTMENT OF REVENUE

FINAL DRAFT — 11/20/26

* 2 6 1 5 5 1 *

2026 Schedule M1M, Income Additions and Subtractions

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

Your First Name and Initial | Your Last Name | Your Social Security Number

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 Expenses deducted on your federal return attributable to income not taxed by Minnesota *(other than interest or mutual fund dividends from U.S. bonds)* . . . . . 3 ■ _____

4 Capital gain portion of a lump-sum distribution *(from line 6 of federal Form 4972; enclose Form 4972)* . . . 4 ■ _____

5 Addition from line 7 of Schedule M1HOME *(enclose Schedule M1HOME)* . . . . . 5 ■ _____

6 Distributions from higher education savings accounts used for certain expenses *(see instructions)* . . . . . 6 ■ _____

7 Disallowed educational assistance payments *(see instructions)* . . . . . 7 ■ _____

8 Armed services performed in the Sinai Peninsula and other areas *(see instructions)* . . . . . 8 ■ _____

9 Certain qualified transportation fringe benefits *(see instructions)* . . . . . 9 ■ _____

10 This line intentionally left blank . . . . . 10 ■ _____

11 Addition from line 41 of Schedule M1NC *(if negative, skip line 11. Report as a positive number on line 42)* 11 ■ _____

12 Add lines 1 through 11. Enter the total here and on line 2 of Form M1 . . . . . 12 _____

Subtractions from Income

13 Charitable contribution subtraction *(see instructions)* . . . . . 13 ■ _____

14 Social Security benefit subtraction *(determine from worksheet in instructions)* . . . . . 14 ■ _____

15 Education expenses you paid for your qualifying children in grades K–12 *(see instructions)*
Enter the name and grade of each child on the line below . . . . . 15 ■ _____

_____

16 Net interest or mutual fund dividends from U.S. bonds *(see instructions)* . . . . . 16 ■ _____

17 Subtraction for contributions to a qualified education savings plan *(enclose Schedule M1529)* . . . . . 17 ■ _____

18 Subtraction for persons age 65 or older, or permanently and totally disabled *(enclose Schedule M1R)* . . . 18 ■ _____

19 Railroad Retirement Board benefits *(see instructions)* . . . . . 19 ■ _____

20 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 zero or less, enter 0 . . . . . 20 ■ _____

- Place an X in one box to indicate the reciprocity state of which you were a resident during 2026 . . . . . ☐ Michigan ☐ North Dakota

261521

21 Subtraction of reservation income for American Indians *(see instructions)* . . . . . **21** ■ _____

Name of Tribe . . . . . **21a** ■ _____

Physical address where you live on reservation . . . . . **21b** ■ _____

22 Federal active-duty military pay received for services performed while a Minnesota resident, to the extent the income is federally taxable. If you received a military pension, see line 27 . . . . **22** ■ _____

23 Minnesota National Guard members and reservists income subtraction *(see instructions)*. . . . . **23** ■ _____

24 **Active duty residents of another state:** Enter your federal active duty military pay, to the extent the income is federally taxable. If you received a military pension, see line 27. . . . . **24** ■ _____

25 Organ donor subtraction *(see instructions)* . . . . . **25** ■ _____

26 Volunteer mileage reimbursement subtraction *(see instructions)* . . . . . **26** ■ _____

27 Subtraction for military pensions or other military retirement pay *(see instructions)* . . . . . **27** ■ _____

28 Post-service education awards received for service in an AmeriCorps National Service program . . . . . **28** ■ _____

29 Subtraction for interest earned from a designated first-time homebuyer savings account *(enclose Schedule M1HOME)* . . . . . **29** ■ _____

30 Subtraction for discharge of indebtedness of educational loans *(see instructions)* . . . . . **30** ■ _____

31 Qualified public pension subtraction *(enclose Schedule M1QPEN)*. . . . . **31** ■ _____

32 Subtraction for damages received under sexual harassment or abuse claims *(see instructions)*. . . . . **32** ■ _____

33 Subtraction for long-term service and support workforce incentive grants *(see instructions)*. . . . . **33** ■ _____

34 Subtraction for Nursing Facility Workforce Incentive Grants *(see instructions)* . . . . . **34** ■ _____

35 Critical access dental clinic student loan assistance exceeding $5,250 *(see instructions)*. . . . . **35** ■ _____

36 Coerced debt subtraction *(see instructions)* . . . . . **36** ■ _____

37 Consumer enforcement public compensation subtraction *(see instructions)* . . . . . **37** ■ _____

38 Foreign service retirement subtraction *(see instructions)* . . . . . **38** ■ _____

39 Service Employees International Union (SEIU) stipend payment subtraction *(see instructions)* . . . . . **39** ■ _____

40 Nursing Facility Workforce Wage Supplement Program Subtraction *(see instructions)* . . . . . **40** ■ _____

41 This line intentionally left blank . . . . . **41** ■ _____

42 Subtraction from line 41 of Schedule M1NC *(enter as a positive number)* .. . . . . **42** ■ _____

43 Add lines 13 through 42. Enter the total here and on line 7 of Form M1. . . . . **43** _____

You must include this schedule with your Form M1.

2026 Schedule M1M Instructions

Additions

Line 1 — Interest From Municipal Bonds of Another State or its Governmental Units

Enter the amount of interest you included (or should have included) on line 2a of federal Form 1040, 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 these instructions:

- If **95% 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%** 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 — 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 19 through 24 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 4 — Capital Gain Portion of a Lump-Sum Distribution from a Qualified Retirement Plan

If you received a qualifying lump-sum distribution 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 5 — First-Time Homebuyer Savings Account Addition

If you made a nonqualified withdrawal from a first-time homebuyer savings account, or you had an amount remaining in this account after ten years which exceeds the total contributions made to the 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 6 — Higher Education Savings Accounts Used for Certain Expenses

Distributions from a 529 higher education savings account for K-12 tuition and other K-12 expenses and postsecondary credentialing expenses must be included on line 6. Include one of these amounts, whichever is less:

- The total earnings reported on federal Form 1099-Q for the year; or
- Distributions from the account received in 2026 used to pay K-12 tuition and other K-12 expenses AND distributions from the account used to pay qualified postsecondary credentialing expenses

For more information about what expenses do not qualify as higher education expenses, see the instructions for Schedule M1529, *Education Savings Account Contribution Credit or Subtraction*.

Line 7 — Disallowed Educational Assistance Payments

The following amounts which were excluded from federal adjusted gross income must be included on this line:

- Employer payments made to you toward your student loan principal or interest
- Employer payments made to your student loan lender for your student loan principal or interest
- Employer-paid education expenses, such as tuition, fees, books, supplies, and equipment, in excess of $5,250
- Employer-provided instructional courses, including related books, supplies, and equipment, in excess of $5,250

Line 8 — Armed Services Performed in the Sinai Peninsula and other areas

If you received federally nontaxable income as a member of the Armed Services, report the amount you earned based on your service in the following hazardous duty areas:

- Sinai Peninsula of Egypt
- Kenya
- Mali
- Burkina Faso
- Chad

Continued

Line 9 — Certain Qualified Transportation Fringe Benefits

You may exclude from federal taxable income $340 per month for qualified parking expense fringe benefits and $340 per month for commuter vehicle transportation expense and transit pass fringe benefits. Minnesota only allows these transportation fringe benefits as an exclusion from Minnesota taxable income up to $335 per month for qualified parking benefits and $335 per month for commuter vehicle transportation and transit pass expenses.

Report the amount of these federally nontaxable transportation fringe benefits exceeding the Minnesota limit on line 9. Do not enter more than $60 if you only received parking benefits, and do not enter more than $60 if you only received commuter vehicle transportation and transit pass benefits. If you received both, add up to $60 for parking benefits and up to $60 for commuter transportation and transit pass benefits.

If you are filing a joint return, and both spouses received qualified transportation fringe benefits exceeding the Minnesota limit above, calculate the addition separately and sum the results on line 9.

Subtractions

Line 13 — Charitable Contribution Subtraction

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

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

To determine your allowable contributions, see the instructions for Schedule M1SA, and use the Worksheet for Line 13.

Worksheet for Line 13

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

1 Determine total allowable charitable contributions you would have been able to enter on lines 15 and 16 of Schedule M1SA . . . _____
2 Enter the amount from line 1 of Form M1 (if zero or less, enter 0). . . . . _____
3 Multiply step 2 by 1% (0.01) . . . . . _____
4 Subtract step 3 from step 1 . . . . . _____
5 Subtract $500 from step 4 . . . . . _____
6 Multiply step 5 by 50% (.50). Enter here and on line 13 of Schedule M1M . . . . . _____

Line 14 — Social Security Subtraction

If you had taxable Social Security benefits on line 6b of Form 1040 or 1040-SR, you may be eligible to subtract those benefits from your Minnesota taxable income. Enter the full amount from line 6b of Form 1040 or 1040-SR, including federally taxable Railroad Retirement Board benefits, on line 14 of Schedule M1M, if your adjusted gross income was below these amounts based on your filing status:

- Single or Head of Household: $86,410
- Married Filing Jointly or Qualifying Surviving Spouse: $110,780
- Married Filing Separately: $55,390

If your adjusted gross income is greater than these amounts, you must determine your subtraction using the Worksheet for Line 14. Your subtraction equals the greater of step 28 (Alternative Method) or step 29 (Simplified Method).

Continued

Worksheet for line 14

1 Adjusted gross income from line 1 of Form M1 . . . . . _____
2 Enter the amount based on your filing status . . . . . _____

Married Filing Jointly or Qualifying Surviving Spouse	$110,780
Single or Head of Household	$86,410
Married Filing Separate	$55,390

3 Subtract step 2 from step 1 . . . . . _____
4 Divide step 3 by $4,000 ($2,000 if married and filing a separate return). Round up to nearest whole number. If greater than ten, enter 10 . . . . . _____
5 Multiply step 4 by 10% (0.10). Enter the result as a decimal . . . . . _____
6 Taxable Social Security benefits from line 6b of Form 1040 or 1040-SR . . . . . _____
7 Multiply step 5 by step 6 . . . . . _____
8 Subtract step 7 from step 6. If less than zero, enter 0. . . . . _____
9 Enter the amount from line 9 of Form 1040 or 1040-SR . . . . . _____
10 Taxable Social Security benefits from line 6b of Form 1040 or 1040-SR . . . . . _____
11 Subtract step 10 from step 9 . . . . . _____
12 Enter the amount from line 6a of federal Form 1040 or 1040-SR . . . . . _____
13 Multiply step 12 by 50% (0.50) . . . . . _____
14 Enter the amount you included or should have included on line 2a of Form 1040 or 1040-SR . . . . . _____
15 Add steps 11, 13, and 14 . . . . . _____
16 Enter the amount from line 26 of federal Schedule 1. . . . . _____
17 Enter the amount from line 21 of federal Schedule 1. . . . . _____
18 Subtract step 17 from step 16. If zero or less, enter 0 . . . . . _____
19 Subtract step 18 from step 15. If zero or less, enter 0 . . . . . _____
20 Enter the amount based your filing status . . . . . _____

Married Filing Jointly or Qualifying Surviving Spouse	$88,630
Single or Head of Household	$69,250
Married Filing Separate	$44,315

21 Subtract step 20 from step 19. If zero or less, enter 0 . . . . . _____
22 Multiply step 21 by 20% (0.20). . . . . _____
23 Enter the amount based on your filing status . . . . . _____

Married Filing Jointly or Qualifying Surviving Spouse	$5,840
Single or Head of Household	$4,560
Married Filing Separate	$2,920

24 Subtract step 22 from 23. If zero or less, enter 0 . . . . . _____
25 Enter the amount from step 10 . . . . . _____
26 Enter the amount of Tier 1 railroad retirement benefits included on line 19 of Schedule M1M . . . . . _____
27 Subtract step 26 from step 25. If zero or less, enter 0 . . . . . _____
28 Enter step 24 or step 27, whichever is less. . . . . _____
29 Subtract step 26 from step 8. If zero or less, enter 0. . . . . _____
30 Enter step 28 or 29, whichever is greater. Also, enter this amount on line 14 of Schedule M1M . . . . . _____

Line 15 — K-12 Education Expense Subtraction

If you purchased qualifying educational materials or services in 2026 for your qualifying child's K–12 education, you may be able to reduce your taxable income.

If you qualify for the K-12 Education Credit, complete Schedule M1ED, *K-12 Education Credit*, before entering an amount on this line (see instructions for line 3 of Schedule M1REF, *Refundable Credits*). For this subtraction, you may use qualifying expenses you did not use for the credit and tuition expenses which do not qualify for the credit. You may not claim both the credit and a subtraction for the same expenses. Complete the Worksheet for Line 15 if you entered an amount on line 12 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 2026
- 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

Additionally, 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, but certain expenses qualify only for the subtraction. For examples of qualifying education expenses, see the instructions for Form M1, *Individual Income Tax*.

Continued

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 grades Kindergarten through 6, and $2,500 for each child in grades 7 through 12.

If you qualify for the K–12 Education Credit (Schedule M1REF, line 3) and you cannot use all your education expenses on Schedule M1ED, complete the Worksheet for Line 15. See Income Tax Fact Sheet 8, *K–12 Education Subtraction and Credit*, for more information.

Enter your qualifying education expenses on line 15. Also, enter each child's name and grade at the time the expenses were paid.

Worksheet for Line 15

If you qualify for the K–12 Education Credit and you cannot use all of your education expenses on Schedule M1ED, determine line 15 of Schedule M1M by completing these steps:

1 Qualifying tuition expenses . . . . . _____
2 Qualifying computer expenses, up to a maximum of $200 . . . . . _____

Complete steps 3–6 if on Schedule M1ED line 11 is less than line 10.

3 Line 9 of Schedule M1ED . . . . . _____
4 Line 12 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 15 of Schedule M1M.

Line 16 — Net Interest from U.S. Bonds

Include federally taxable interest you received from:

- U.S. bonds, bills, notes, savings bonds, and certificates of indebtedness, including accrued market discounts
- 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 partner of a partnership, shareholder of an S corporation, or beneficiary of a trust or estate

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

Line 17 — 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 17.

Line 18 — Subtraction for Persons 65 or Older or Permanently and Totally Disabled (Schedule M1R)

You may qualify for a subtraction if either of these apply to you (or your spouse, if filing a joint return):

- You were born before January 2, 1962.
- You were permanently and totally disabled and received federally taxable disability income in 2026. If you did not receive federally taxable disability income, you do not qualify for this subtraction.

If you (or your spouse, if filing jointly) meet the age or disability requirement, see the instructions for Form M1 to determine if you meet the income requirements. If you meet all eligibility requirements, complete and include **Schedule M1R**, ***Age 65 or Older/Disabled Subtraction.***

Line 19 — Railroad Retirement Board Benefits

If you included unemployment, sick pay, or retirement benefits from the Railroad Retirement Board in your 2026 federal adjusted gross income, you can subtract these amounts. If line 6b of Form 1040 or 1040-SR included Railroad Retirement Board Benefits and you subtracted this amount on line 14 of Schedule M1M, do not include these benefits here.

Line 20 — 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, and bonuses. Complete line 20 if all of these apply:

- You are a resident of a reciprocity state.
- Your only Minnesota income source was wages covered under reciprocity.
- You had Minnesota income tax withheld from these wages, and you want 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 20 of Schedule M1M.

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

- 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 $15,300 or more, you are not eligible to take the reciprocity subtraction on line 20. Instead, file Form M1 and Schedule M1NR. Do not include your personal service income on column B of Schedule M1NR.

Line 21 — 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 it is federally taxable.

Common examples of income derived from the tribe's reservation include:

- Wages earned based on work performed on the reservation
- Pension income received based on contributions while working on the reservation
- Military pension income based on military pay exempt from Minnesota taxes
- Interest from a bank located on the reservation
- Distributions of profits from a casino on the reservation
- Social Security income received based on employment on the reservation
- Rent and royalty income from real or personal property on the reservation
- Gains from the sale of personal property on the reservation
- Gains from the sale of real property on a reservation
- Dividends and capital gains from a business on the reservation
- Income from a sole proprietorship to the extent you performed business on the reservation
- Partnership and S corporation income to the extent the entity does business on the reservation
- Income from a farm on the reservation
- Unemployment income based on employment on the reservation
- Gambling income won on your reservation

If you already excluded certain federally taxable income from your Minnesota taxable income using Schedule M1M or Schedule M1MB, *Business Income Additions and Subtractions*, do not subtract this income on this line.

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.

Report on line 19a the name of your tribe. Below is a list of American Indian tribes located in Minnesota:

- Bois Forte Band of Chippewa*
- Fond Du Lac / Lake Superior Chippewa Reservation*
- Gichi-Onigaming / Grand Portage Band of Lake Superior Chippewa*
- White Earth Reservations*
- Mille Lacs Band of Ojibwe*
- Leech Lake Band of Ojibwe*
- Red Lake Band of Chippewa Indians
- Lower Sioux Indian Community
- Upper Sioux Indian Community
- Prairie Island Indian Community
- Shakopee Mdewakanton Sioux (Dakota) Community

*If a member of one of these six tribes lives and receives income on the reservation of one of the other six tribes, the member may still claim the subtraction. This does not apply to the Red Lake Band of Chippewa Indians because, although they are Chippewa, they are not a member of the Minnesota Chippewa Tribe.

Report on line 19b the physical address where you live (do not report a PO Box on this line).

Line 22 — Federal Active-Duty Military Pay Received by Minnesota Residents

If you are a Minnesota resident and a member of the United States armed forces or United Nations armed forces, enter the federal active-duty military pay you received and included in your federal adjusted gross income. **If you are a resident of a different state, complete line 24 instead of line 22.**

Line 23 — Minnesota National Guard Members and 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 Operational Support (ADOS), and service under Title 10 and Title 32 Active Guard Reserve (AGR)

If you included income on line 22 for federal active-duty pay, do not include that income on line 23.

Line 24 — Non-Resident Federal Active-Duty Military Pay

If you are a member of the United States armed forces or United Nations armed forces, but you are NOT a resident of Minnesota, enter the federal active-duty military pay you received and included in your federal adjusted gross income. If you are a resident of Minnesota, complete line 22 instead of line 24.

Line 25 — Organ Donor Subtraction

If, while living, you, your spouse (if filing jointly), or a dependent donated all or part of a liver, pancreas, kidney, intestine, lung, or bone marrow to another person, you may subtract your actual qualified expenses up to $10,000.

Qualified expenses are your unreimbursed expenses for travel and lodging and for any lost wages net of sick pay due to the transplantation.

Line 26 – Volunteer Mileage Reimbursement Subtraction

If you received mileage reimbursement in volunteer service for an organization eligible for a charitable contribution under Internal Revenue Code, section 170(c), you may subtract the amount you received which exceeded the volunteer mileage rate of 14 cents per mile. You may only subtract amounts included in federal adjusted gross income. There is a cap of 72.5 cents per mile for January 1 to June 30 of 2026 and 76 cents per mile for July 1 to December 31 of 2026. Complete the Worksheet for Line 26 for each organization which reimbursed you for mileage greater than the volunteer mileage rate. Combine the result of step 6 for all worksheets completed and enter the total on line 26. If each organization reimbursed you at the same rate, you may use one worksheet and combine all reimbursements received on step 1 for miles driven in 2026.

Worksheet for Line 26

1 Reimbursements for miles driven in volunteer service that you received from January 1 to June 30 . . . . . _____

2 Number of volunteer miles related to reimbursements on step 1 . . . . . _____

3 Multiply step 2 by 14 cents (0.14) . . . . . _____

4 Multiply step 2 by 72.5 cents (0.725) . . . . . _____

5 Enter the lesser of step 1 or step 4 . . . . . _____

6 Subtract step 3 from step 5. . . . . _____

7 Reimbursements for miles driven in volunteer services that you received from July 1 to December 31 . . . . . _____

8 Number of volunteer miles related to reimbursements on step 7 . . . . . _____

9 Multiply step 8 by 14 cents (0.14) . . . . . _____

10 Multiply step 8 by 76 cents (0.76) . . . . . _____

11 Enter the lesser of step 7 or step 10 . . . . . _____

12 Subtract step 9 from step 11

13 Combine steps 6 and 12. Include this amount on line 26 of Schedule M1M . . . . . _____

Line 27 — 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, your retirement pay must be taxable on your federal return and received for one of these:

- 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 line 4 of Schedule M1C, *Other Nonrefundable Credits*.

Line 28 — 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 2026 for service in the AmeriCorps program, you may subtract the amount 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 21 of federal Schedule 1, you must reduce your subtraction by the interest attributable to the award.

Line 29 — First-Time Homebuyers Savings Account

If you contributed to a designated first-time homebuyer savings account since 2017, 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 30 — Discharge of Indebtedness for Education Loans

If your qualified education loan debt was discharged because you completed an income-driven repayment program, enter the amount of the debt that was discharged and included in federal adjusted gross income.

Line 31 — Qualified Public Pension Subtraction

If you received certain pension pay for public service, you may be able to reduce your taxable income. To qualify, your pension pay must be taxable on your federal return and paid to you as a member (or for survivor benefits). You are not eligible for this subtraction for pension payments based on service for which you (or the member if a survivor benefit) also earned credit toward Social Security benefits. Complete and include Schedule M1QPEN, *Qualified Public Pension Subtraction*, to determine your subtraction amount.

Line 32 — Subtraction for Damages Received under Sexual Harassment or Abuse Claims

Enter the amount of damages received under a sexual harassment or abuse claim included in federal adjusted gross income.

Line 33 – Subtraction for Long-term Service Support Workforce Incentive Grants

Enter the amount you received from the Long-term Service and Support Workforce Incentive Grant program that was included in your adjusted gross income on line 1 of Form M1.

Line 34 – Subtraction for Nursing Facility Workforce Incentive Grants

Enter the amount you received from the Nursing Facility Workforce Incentive Grant program that was included in your adjusted gross income on line 1 of Form M1.

Line 35 – Critical Access Dental Clinic Student Loan Assistance

Enter the amount of student loan assistance which exceeds $5,250 you received as an employee of a critical access dental clinic. The student loan assistance must have been from the critical access dental clinic that employs you, and the payments must have gone to you to assist with your student loans or to the student loan lender directly. Up to $5,250 in eligible student loan assistance is federally nontaxable, and any amount exceeding $5,250 is eligible for this subtraction.

Line 36 – Coerced Debt Subtraction

If debt was incurred in your name, this debt was subsequently discharged by a court, and the court determined the discharged amount to be coerced debt, enter the amount of the debt that was discharged and included in federal adjusted gross income. Coerced debt includes debt incurred and subsequently discharged by a court as a result of any of the following:

- The use of your personal information without your knowledge or consent
- The use or threat of force, coercion, or similar means
- Economic abuse

You may be asked to provide proof that coerced debt was incurred in your name and that the debt was discharged. Keep any documentation of the discharged coerced debt, such as a court order.

Line 37 – Consumer Enforcement Public Compensation Subtraction

If you received consumer enforcement public compensation from the consumer protection restitution account established under Minnesota Statutes, section 8.37, after being harmed by certain unlawful behaviors of others as determined by a court order, enter the distribution amount to the extent it is included in federal adjusted gross income.

Line 38 – Foreign Service Retirement Subtraction

If you received compensation from a foreign service pension or other foreign service retirement plan, you may be able to reduce your taxable income. To qualify, your retirement pay must be taxable on your federal return and received from one of the following:

- The Foreign Service Retirement and Disability System under U.S. Code, title 22, sections 4041 to 4069
- The Foreign Service Pension System under U.S. Code, title 22, section 4071

Those who participated in the foreign service may also be receiving pension or retirement income based on other civil service besides the foreign service. You may only claim a subtraction based on the portion of your civil service that was in the foreign service. Use the Worksheet for Line 38 to determine the amount to include on line 36.

Worksheet for Line 38

1	Enter the federally taxable compensation received from a foreign service pension or retirement plan	_____
2	Enter the amount from step 1 used to calculate the qualified public pension subtraction on line 1 of Schedule M1QPEN, *Qualified Public Pension Subtraction*	_____
3	Subtract step 2 from step 1	_____
4	Enter the number of years you participated in the foreign service	_____
5	Enter the total number of years of civil service where you received credit toward your pension	_____
6	Divide step 4 by step 5 (round to the fifth decimal place)	_____
7	Multiply step 3 by step 6. Include this amount on line 38 of Schedule M1M	_____

Note: If you are filing a joint return with your spouse and both spouses are receiving public retirement income based on both foreign service and general civil service, both spouses should only complete one Worksheet for Line 36, summing all dollar amounts and year totals on each step for each spouse.

Line 39 – Service Employees International Union (SEIU) Stipend Payment Subtraction

Enter the amount of federally taxable stipend payments you received from the Minnesota Department of Human Services, per a collective bargaining agreement between the Service Employees International Union (SEIU) Healthcare Minnesota & Iowa and the State of Minnesota.

Only include stipend payments on line 39 to the extent they were reported as taxable income on your federal income tax return.

Line 40 – Nursing Facility Workforce Wage Supplement Program Subtraction

Enter the amount of supplemental wage payments you received under the Nursing Facility Workforce Wage Supplement Program.