



2009 Income Additions and Subtractions

Complete this schedule to determine line 3 and line 8 of Form M1.

Your first name and initial

Last name

Your Social Security number

Additions to income

- 1 Interest from municipal bonds of another state or its governmental units included on line 8b of federal Form 1040 or 1040A 1
- 2 Federally tax-exempt dividends from mutual funds investing in bonds of another state or its governmental units included on line 8b of federal Form 1040 or 1040A 2
- 3 Federal bonus depreciation addition (determine from worksheet in the instructions) 3
- 4 Federal section 179 expensing addition (determine from worksheet in the instructions) 4
- 5 Domestic production activities deduction (from line 35 of federal Form 1040) 5
- 6 Additional standard deduction for real estate taxes and/or motor vehicle sales tax (add lines 9 and 20 of federal Schedule L of Form 1040 or 1040A) 6
- 7 Unemployment compensation (up to \$2,400 per recipient) not included on line 19 of federal Form 1040, line 13 of Form 1040A or line 3 of Form 1040EZ 7
- 8 College tuition and fees deduction and educator expenses deduction (add lines 23 and 34 of federal Form 1040 or lines 16 and 19 of Form 1040A) 8
- 9 Expenses deducted on your federal return attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) 9
- 10 If you are an employer who provides prescription drug coverage to your retirees, enter the amount of federal tax-exempt subsidies you received for continuing these benefits 10
- 11 Fines, fees and penalties deducted federally as a trade or business expense (see instructions) 11
- 12 Suspended loss from 2001 through 2005 or 2008 on your federal return that was generated by bonus depreciation (see instructions) 12
- 13 Discharge of indebtedness income from reacquisition of business debt (see instructions) . . 13
- 14 Capital gains portion of a lump-sum distribution (from line 6 of federal Form 4972, enclose Form 4972) 14
- 15 (This line is intentionally left blank) 15
- 16 Add lines 1 through 15. Enter the total here and on line 3 of Form M1 16

Subtractions are on the back of this schedule.



Your first name and initial

Last name

Your Social Security number

Subtractions from income

- 17 If you did not itemize deductions on your federal return and your charitable contributions were more than \$500, see instructions **17**
- 18 Subtraction for federal bonus depreciation added back to Minnesota taxable income in 2004 through 2008 (*determine from worksheet in the instructions*) **18**
- 19 Subtraction for federal section 179 expensing added back to Minnesota taxable income in 2006 through 2008 (*see instructions*) **19**
- 20 Subtraction for persons age 65 or older, or permanently and totally disabled (*enclose Schedule M1R*) **20**
- 21 Benefits paid by the Railroad Retirement Board (*included on lines 7, 16b, 19 and 20b of Form 1040 or lines 7, 12b, 13 and 14b of Form 1040A*) **21**
- 22 If you are a resident of a reciprocity state 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 a negative number (less than zero), enter zero **22**
 - Place an X in one box to indicate the reciprocity state of which you were a resident during 2009
 - Michigan:
 - North Dakota:
 - Wisconsin:
- 23 American Indians: Total amount earned on an Indian reservation while living on the reservation, to the extent the income is federally taxable **23**
- 24 Federal active duty military pay received for services performed outside Minnesota while a Minnesota resident, to the extent the income is federally taxable. Do not include military pensions **24**
- 25 If you are a member of the Minnesota National Guard or other reserve component in Minnesota, see instructions **25**
- 26 If you are a resident of another state, enter your federal active service military pay, to the extent the income is federally taxable. Do not include military pensions **26**
- 27 If you, your spouse (if filing a joint return) or your dependent donated all or part of a human organ, enter your unreimbursed expenses for travel and lodging and for any lost wages net of sick pay (*see instructions*) **27**
- 28 Income taxes paid to a subnational level of a foreign country other than Canada (*determine from worksheet in the instructions*) **28**
- 29 Job Opportunity Building Zone (JOBZ) business and investment income exemptions (*enclose Schedule JOBZ*) **29**
- 30 Portion of the gain from the sale of your farm property if you were insolvent at the time of the sale (*determine from worksheet in the instructions*) **30**
- 31 Post service education awards received for service in an AmeriCorps National Service program **31**
- 32 (*This line is intentionally left blank*) **32**
- 33 Add lines 17 through 32. Enter the total here and on line 8 of Form M1 **33**

You must include this schedule with your Form M1.

MINNESOTA • REVENUE

2009 Schedule M1M Instructions

Income Additions and Subtractions

What's new for 2009?

Unemployment compensation. Minnesota does not allow the new federal exclusion for the first \$2,400 of unemployment compensation for each recipient. See line 7 of Schedule M1M.

Federal bonus depreciation. If you elected on your 2009 federal return the special deduction equal to 50 percent of the cost of qualifying property placed in service, 80 percent of the bonus depreciation amount must be added to income on your Minnesota return (see line 3 of Schedule M1M). The amount added back in 2009 can be taken as a subtraction in equal parts over the next five years.

Increased section 179 expensing. Minnesota did not adopt the increased federal section 179 expensing for tax year 2009. On the Minnesota return, 80 percent of the difference between the expensing allowed for federal and state tax purposes must be added to income (see line 4 of Schedule M1M). The amount added back in 2009 can be taken as a subtraction in equal parts over the next five years.

Motor vehicle sales tax deduction. Minnesota did not adopt the federal motor vehicle sales tax deduction. If you elected the deduction on your federal return, the amount deducted must be added to Minnesota income.

If you chose the additional standard deduction for motor vehicle sales tax, you will need to add back the amount on line 6 of Schedule M1M. If you itemized deductions on your federal return, you will need to include the amount on line 2 of Form M1.

Discharge of business indebtedness income. Minnesota did not adopt the new federal election to defer discharge of indebtedness income from reacquisition of business debt. See instructions for line 13.

Military subtraction expanded for National Guard and Reservists. Members of the Minnesota National Guard and Reserves can now include in-state training pay when claiming the subtraction on line 25.

Line instructions

Additions

The amounts you enter on lines 1 through 15 will be added to your taxable income.

You may have received the addition as an individual, as a partner in a partnership, as

a shareholder of an S corporation, or as a beneficiary of a trust. If you are a partner, shareholder or beneficiary, the amounts will be reported on the Schedule KPI, KS or KF you received from the entity.

Line 1 Interest from municipal bonds of another state or its governmental units
Of the amount you included or should have included on line 8b of federal Form 1040 or Form 1040A, add the interest you received from municipal bonds issued by:

- a state other than Minnesota, and
- 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 included or should have included an amount on line 8b of federal Form 1040 or Form 1040A for federally tax-exempt interest dividends from a mutual fund, you may have to include some or all of these dividends on line 2. To determine the amount to include, follow the instructions below:

- If 95 percent or more of a federally tax-exempt dividend from a mutual fund came from bonds issued by Minnesota, *only* the portion of the dividend generated by non-Minnesota bonds must be included on line 2.
- If less than 95 percent of the federally tax-exempt interest dividend from a mutual fund came from bonds issued by

Minnesota, *all* of the federally tax-exempt interest dividend from that fund must be included on line 2.

Line 3 Federal bonus depreciation addition
If you chose on your federal Form 1040 the special depreciation allowance for certain qualified property, you must add back 80 percent of the bonus depreciation to your taxable income. See *Worksheet for line 3* below.

Line 4 Federal section 179 expensing
Minnesota did not adopt the extension of the increased federal section 179 expensing for tax year 2009. If, during the year, your total investment in qualifying property was more than \$200,000 or if you elected more than \$25,000 in section 179 expensing, you must add back on your state return 80 percent of the difference between the expensing allowed for federal and for state tax purposes. You will be allowed to subtract the amount of the addition in equal parts over the next five years.

If you completed federal Form 4562 to claim the section 179 expensing for federal tax purposes, you must also complete lines 1 through 12 on a *separate* federal Form 4562, (referred to as Minnesota Form 4562 on the worksheet for line 4 on the next page) to determine the amount you need to add back for Minnesota purposes. See *Worksheet for line 4* on the next page.

Continued

Worksheet for line 3, Federal bonus depreciation addition

- 1 Add line 14 and line 25 of your federal Form 4562* _____
- 2 Total of bonus depreciation amounts passed through to you as a shareholder (from line 5 of Schedule KS) or as a partner (from line 5 of Schedule KPI) _____
- 3 Add steps 1 and 2 _____
- 4 Multiply step 3 by 80% (.80) _____
- 5 Total of the 80% federal bonus depreciation addition passed through to you as a beneficiary (from line 6 of Schedule KF) _____
- 6 Add steps 4 and 5. Enter here and on line 3 of Schedule M1M. _____

* If bonus depreciation included in step 1 or 2 generated a loss in an activity that cannot be deducted in 2009 (e.g., a passive activity loss or a loss in excess of basis), you may reduce step 1 or 2 by the amount of loss not allowed from the activity for 2009, up to the bonus depreciation claimed by the activity. In a future year when the 2009 suspended loss is allowed, you must include the bonus depreciation as an addition. The bonus depreciation is treated as the last suspended loss allowed.

Line 6

Additional standard deduction for real estate taxes and/or motor vehicle sales tax

If you did not itemize on your federal return, you must add back to your state return any amounts taken as an additional standard deduction for real estate taxes and/or as a deduction for motor vehicle sales tax.

Form 1040 filers who itemized deductions and Form 1040EZ filers: Skip this line.

Form 1040 filers who did not itemize and 1040A filers: Add the amounts from line 9 and line 20 of federal Schedule L (Form 1040 or 1040A.)

Line 7

Unemployment compensation

If you or your spouse excluded unemployment compensation (up to \$2,400 each) on line 19 of federal Form 1040, line 13 of Form 1040A or line 3 of Form 1040EZ, you must add back the excluded amount on line 7.

Line 9

Expenses relating to income not taxed by Minnesota, other than from U.S. bond obligations

If you deducted expenses that are attributable to income not taxed by Minnesota (income reported on lines 21 through 26 of Schedule M1M), you must add those expenses to your taxable income. Enter those amounts on line 9.

However, do not include on line 9 expenses that are attributable to interest or mutual fund dividends from U.S. bonds. For information on how to report these expenses, see line 6 on page 10 of the M1 instructions.

Line 11

Fines, fees and penalties deducted on your federal return

You must add fines, fees and penalties that were deducted as business expenses paid to a government entity or nongovernment regulatory body as a result of a violation of law, or the investigation of any potential violation of law. This does not include amounts identified in a court order or settlement agreement as restitution or as an amount paid to come into compliance with the law.

Line 12

Suspended loss from bonus depreciation

If you are claiming a suspended loss from 2001–2005 or 2008 on your federal return that was generated by bonus depreciation, and you did not add back 80 percent of the bonus depreciation in those years, follow the *Worksheet for line 12* on this page.

Worksheet for line 4, Federal section 179 expensing

Recalculate line 12 of your Minnesota Form 4562 using the same information from your federal Form 4562 and the following modifications:

- Subtract \$225,000 from line 1 of federal Form 4562, and enter the result on line 1 of your Minnesota Form 4562.
- Enter the amount from line 2 of federal Form 4562 on line 2 of your Minnesota Form 4562.
- Subtract \$600,000 from line 3 of federal Form 4562, and enter the result on line 3 of your Minnesota Form 4562.
- Enter the information from lines 6 and 7 of federal Form 4562 on lines 6 and 7 of your Minnesota Form 4562. However, if you have section 179 expensing from a flow through entity, use the respective amounts from line 4 of Schedule KPI or line 4 of Schedule KS instead of amounts from your federal Schedule K-1.
- Enter line 10 of federal Form 4562 on line 10 of your Minnesota Form 4562.
- Recalculate lines 4, 5, 8, 9, 11 and 12 of your Minnesota Form 4562. The result on line 12 of Minnesota Form 4562 cannot be more than line 1 of that form.

Then complete the following steps to determine line 4 of Schedule M1M:

- 1 Amount from line 12 from your *federal* Form 4562
- 2 Line 12 of your *Minnesota* Form 4562
- 3 Subtract step 2 from step 1 (if zero or less, enter 0)
- 4 Multiply step 3 by 80% (.80). Enter here and on line 4 of Schedule M1M ...

Line 13

Discharge of business indebtedness income

If you elected to defer federally the discharge of indebtedness income from reacquisition of business debt, you will need to add back the excluded amount on your Minnesota return.

Line 14

Capital gain portion of a lump-sum distribution from a qualified retirement plan

If you received a qualifying lump-sum distribution in 2009 and you chose the capital gain election on federal Form 4972, enter the capital gain from line 6 of federal Form 4972. You must include a copy of federal Form 4972 when you file your return. Also, see the instructions for tax on lump-sum distributions on page 13 of the M1 instructions.

Subtractions

The amounts you enter on lines 17 through 32 will be subtracted from your taxable income.

You may have received the subtraction as an individual, as a partner in a partnership, as a shareholder in an S corporation, or as a beneficiary of a trust. If you are a partner, shareholder or beneficiary, the amounts will be reported on the Schedule KPI, KS or KF you received from the entity.

Line 17

Charitable contributions over \$500

If you did not itemize deductions and you took the standard deduction on your federal return, you may be able to reduce your taxable income if you had more than \$500 of allowable charitable contributions during the year. To determine your allowable contributions, you will need the instructions for federal Schedule A of Form 1040.

The amount you may subtract is 50 percent of your total contributions for the year over \$500. Complete the steps on the following page to determine line 17.

Continued

Worksheet for line 12, Suspended loss from bonus depreciation

- 1 Bonus depreciation from 2001 through 2005 or 2008 that was not added back on your Form M1
- 2 Total suspended loss from activity remaining after 2009
- 3 Subtract step 2 from step 1 (if a negative amount, enter zero)
- 4 Multiply step 3 by 80% (.80)
- 5 Total of the 80% bonus depreciation addition passed through to you as a beneficiary (from line 4 of Schedule KF)
- 6 Add steps 4 and 5. Enter here and on Schedule M1M, line 12

- 1 Determine your total allowable charitable contributions you would have been able to enter on lines 16 and 17 of federal Schedule A . . . _____
- 2 The first \$500 of contributions do not qualify \$500
- 3 Subtract step 2 from step 1 _____
- 4 Multiply step 3 by 50% (.50). Enter here and on line 17 of Schedule M1M _____

**Line 18
Federal bonus depreciation subtraction**

You may be eligible to reduce your taxable income if you:

- reported 80 percent of the federal bonus depreciation as an addition to income on your 2004, 2005, 2006, 2007 and/or 2008 Form M1, or
- received a federal bonus depreciation subtraction in 2009 from an estate or trust.

To determine the amount you can subtract, see *Worksheet for line 18* on this page.

**Line 19
Section 179 expensing subtraction**

If you had an addition for increased section 179 expensing on line 7 of your 2006, 2007 or 2008 Schedule M1M, you are allowed to subtract 20 percent of the total on your 2009 return.

**Line 20
Subtraction for persons 65 or older or permanently and totally disabled (Schedule M1R)**

You can reduce your taxable income if you (or your spouse if filing a joint return) are:

- age 65 or older as of January 1, 2010, or
- permanently and totally disabled and received federally taxable disability income in 2009. If you did not receive federally taxable disability income, you don't qualify for this subtraction.

If you (or your spouse if filing a joint return) meet the age or disability requirement, check the chart on page 12 of the M1 instructions to determine if you meet the income requirements.

If you meet all of the eligibility requirements, complete Schedule M1R, *Age 65 or Older/Disabled Subtraction*, to determine the amount of your subtraction. Be sure to include the schedule when you file your return.

**Line 21
Benefits paid by the Railroad Retirement Board**

If you received unemployment, sick pay or retirement benefits from the Railroad Retirement Board in 2009, you can subtract these amounts from your federal taxable income.

Worksheet for line 18, Federal bonus depreciation subtraction

| | |
|--|----------|
| If you claimed bonus depreciation as an addition on your 2004 Form M1: | |
| 1 Line 3 of your 2004 Form M1 | 1 _____ |
| 2 Net operating loss generated for tax year 2004 (line 24, Schedule A of 2004 federal Form 1045). Enter as a positive number | 2 _____ |
| 3 Subtract step 2 from step 1 (if zero or less, enter 0) | 3 _____ |
| 4 Multiply step 3 by 20% (.20) | 4 _____ |
| If you claimed bonus depreciation as an addition on your 2005 Form M1: | |
| 5 Line 6 of your 2005 Schedule M1M | 5 _____ |
| 6 Net operating loss generated for tax year 2005 (line 25, Schedule A of 2005 federal Form 1045). Enter as a positive number | 6 _____ |
| 7 Subtract step 6 from step 5 (if zero or less, enter 0) | 7 _____ |
| 8 Multiply step 7 by 20% (.20) | 8 _____ |
| If you claimed bonus depreciation as an addition on your 2006 Form M1: | |
| 9 Line 6 of your 2006 Schedule M1M | 9 _____ |
| 10 Net operating loss generated for tax year 2006 (line 25, Schedule A of 2006 federal Form 1045). Enter as a positive number | 10 _____ |
| 11 Subtract step 10 from step 9 (if zero or less, enter 0) | 11 _____ |
| 12 Multiply step 11 by 20% (.20) | 12 _____ |
| If you claimed bonus depreciation as an addition on your 2007 Form M1: | |
| 13 Line 6 of your 2007 Schedule M1M | 13 _____ |
| 14 Net operating loss generated for tax year 2007 (line 25, Schedule A of 2007 federal Form 1045). Enter as a positive number | 14 _____ |
| 15 Subtract step 14 from step 13 (if zero or less, enter 0) | 15 _____ |
| 16 Multiply step 15 by 20% (.20) | 16 _____ |
| If you claimed bonus depreciation as an addition on your 2008 Form M1: | |
| 17 Line 6 of your 2008 Schedule M1M | 17 _____ |
| 18 Net operating loss generated for tax year 2008 (line 25, Schedule A of 2008 federal Form 1045). Enter as a positive number | 18 _____ |
| 19 Subtract step 18 from step 17 | 19 _____ |
| 20 Multiply step 19 by 20% (.20) | 20 _____ |
| If you received a subtraction in 2009 from an estate or trust: | |
| 21 Total of any bonus depreciation subtraction amounts you received as a beneficiary of an estate or trust (from line 10 of Schedule KF) | 21 _____ |
| Total subtraction | |
| 22 Add steps 4, 8, 12, 16, 20 and 21. Enter here and on line 18 of Schedule M1M | 22 _____ |

**Line 22
Reciprocity income**

Minnesota has reciprocity agreements with Michigan, North Dakota and Wisconsin. Reciprocity applies only to personal service income, which includes wages, salaries, tips, commissions, fees and bonuses. For additional information, see page 5 of the M1 instructions.

When to complete Schedule M1M: If you are a resident of a reciprocity state and your only Minnesota source income is wages covered under reciprocity from which Minnesota income tax was withheld, use Schedule M1M to get a refund of the amount withheld. Place an X in the box to indicate the state of which you were a resident during the year, and enter the amount from line 1 of Form M1 on line 22 of this schedule.

When you file Form M1, be sure to follow the steps on page 5 of the M1 instructions. You must also complete and include Schedule M1W, Form MWR and a copy of your home state tax return.

To avoid having Minnesota tax withheld in the future on wages covered by reciprocity, be sure to file Form MWR each year with your employer.

When to complete Schedule M1NR: If your gross income assignable to Minnesota (other than from the performance of personal services covered under reciprocity) is \$9,350 or more, you are subject to Minnesota tax on that income. File Form M1 and Schedule M1NR. You are not eligible to take the reciprocity subtraction on Schedule M1M.

Line 23
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 on line 23, to the extent the income is federally taxable.

If you are eligible to subtract reservation source income, you must apportion any working family or child care credit you claim based on your income taxable to Minnesota.

Line 24
Federal active duty military pay received by residents

If you are a Minnesota resident who is a member of the United States or United Nations armed forces, enter the military pay you received for federal active duty performed outside Minnesota, either within or outside the United States, to the extent the income is federally taxable. This includes any National Guard and Reservist members who have been called up to federal active duty.

Line 25
National Guard members, Reservists
Members of the Minnesota National Guard and Reserves are allowed a subtraction, to the extent the income is federally taxable, for pay received for training and certain types of qualifying active service within Minnesota.

- Training includes annual training and drill weekends.
- State active service includes natural disaster emergency response and missing person searches.
- Federally funded state active service includes airport security duty and active duty for special work (ADSW).

If you received pay for federal active duty performed outside of Minnesota, report this amount on line 24 instead of line 25.

Do not include pay for service performed under the Active Guard Reserve (AGR) program.

Line 27
Organ donor

If, while living, you, your spouse (if filing a joint return), or a dependent donated a human organ to another person, you may be able to subtract your qualified expenses. An organ may include all or part of a liver, pancreas, kidney, intestine, lung or bone marrow.

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

Worksheet for line 28, Income taxes paid to a subnational level of a foreign country

| | | |
|---|--|-------|
| 1 | Foreign taxes paid from line 9 of federal Form 1116 | _____ |
| 2 | Federal foreign tax credit from line 21 of Form 1116 for the subnational level of a foreign country other than Canada | _____ |
| 3 | Subtract step 2 from step 1 | _____ |
| 4 | Tax paid to a subnational level of a foreign country, other than Canada, on income you received while a Minnesota resident | _____ |
| 5 | Amount from step 3 or step 4, whichever is less. Also enter this amount on line 28 of Schedule M1M. | _____ |

subtract is your actual qualified expenses or \$10,000, whichever is less.

Line 28
Income taxes paid to a subnational level of a foreign country

If you paid taxes to a subnational level of a foreign country *other than Canada*, you may be able to subtract the amount you did not use to claim a federal foreign tax credit. A subnational level is the equivalent of a state of the United States. See *Worksheet for line 28* above.

Line 29
JOBZ subtractions

Individuals who invest in or operate a qualified business in a Job Opportunity Building Zone (JOBZ) may be able to subtract certain types of income, to the extent that the income would otherwise be taxable.

Complete Schedule JOBZ, *JOBZ Tax Benefits*, if in 2009 you received:

- income from operating a qualified business in a zone,
- income for renting real or tangible personal property used by a qualified business located in a zone,
- gains from the sale or exchange of real or tangible personal property used by a qualified business located in a zone, or
- gains from the sale of an ownership interest in a qualified business.

If you received JOBZ income as a partner, shareholder or beneficiary, these amounts are shown on the Schedule KPI, KS or KF you received from the entity. There is no need for you to complete Schedule JOBZ.

Line 30
Gain from the sale of farm property

You can reduce your taxable income if you received a gain from the sale of farm property in 2009 and:

- you owned and operated the farm,
- your debts were greater than the fair market value of your assets immediately before the sale,
- you included the gain from the sale in your federal adjusted gross income on line 37 of federal Form 1040, and
- you applied the proceeds from the sale of the property to paying off the mortgage, contract for deed, or lien on the property.

See *Worksheet for line 30* below.

Line 31
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 2009 for service in the AmeriCorps program, you can subtract the amount you included in your federal taxable income. On line 31, fill in 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 pay for a student loan, and you deducted the student loan interest on line 33 of Form 1040 or line 18 of Form 1040A, you must reduce your subtraction by the interest attributable to the award.

Worksheet for line 30, Gain from the sale of farm property

| | | |
|---|--|-------|
| 1 | Amount of your debts immediately before the sale | _____ |
| 2 | Amount of debt forgiveness that you were permitted to exclude from your income when you completed your Form 1040 | _____ |
| 3 | Subtract step 2 from step 1 | _____ |
| 4 | Fair market value of your assets immediately before the sale | _____ |
| 5 | Subtract step 4 from step 3 | _____ |
| 6 | Gain from the sale included on line 37 of Form 1040 | _____ |
| 7 | Step 5 or step 6, whichever is less. Also enter this amount on line 30 of Schedule M1M. | _____ |