

TY2023 Minnesota Income Tax TSO Navigation

Rev 12/20/2023

Most Common Minnesota Income Tax Issues – Where MN taxation is different from Federal and the [Volunteer must make adjusting entries](#) (most automatic TSO entries will not be discussed here).

Minnesota Tax return starts with the Federal AGI and then makes Additions and Subtractions to that income to determine the Minnesota taxable income. Minnesota also has Refundable and Non-refundable credits for Minnesota tax. Page numbers are referenced to the TY2023 [MnTTT annotated Minnesota Volunteer Manual](#).

Note where there are *federal* entries that are critical to proper data flow to the Minnesota module.

Additions to Income	Page	Where in TSO
Dividends from Mutual Funds investing in bonds of another state	26	Manual – <i>Federal</i> >1099-DIV>Edit Dividend Items
Interest from Bonds of Another State	26	Manual – <i>Federal</i> >1099-INT>Edit Interest Items
Nonqualified withdrawals from first-time homebuyer savings account	27	Manual – MN>Additions>First-Time Homebuyer Savings Account
Distributions from 529 plan accounts used for K-12 tuition	27	Manual – MN>Additions>Distributions from higher education savings acct used for K-12

Subtractions & Itemized Deductions:		Where in TSO
<ul style="list-style-type: none"> Medical itemized deduction– limited by 10% of AGI 	28	Automatic – <i>Federal</i> >Deductions>Itemized deductions
<ul style="list-style-type: none"> Charitable contributions over \$500 if not itemizing 	29	Enter all possible itemized deductions for both Federal and State and those that apply to MN will carry over and be ignored or limited for MN as applicable.
<ul style="list-style-type: none"> Unreimbursed Employee expenses may be deductible 	29	Automatic – <i>Federal</i> >Deductions>Itemized Deductions (even if taking standard deduction)
<ul style="list-style-type: none"> Income taxes paid to MN state are not deductible in MN 	29	See notes in volunteer manual
<ul style="list-style-type: none"> Interest on Home Equity loans is not deductible 	29	Manual - for Home Equity Loan Interest that is included in Federal Home Mortgage Interest itemized deduction. MN>Subtractions>Itemized Deductions: Home equity loan interest
529 plan contributions <i>Note: TSO will default to the credit which has income limits.</i>	34	Manual – MN>Subtractions>Education Savings Account Contribution Subtraction
Active Duty Military pay (requires Military certification)	39	Manual – MN>Subtractions>Active Duty Military Pay

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Age 65 or Totally Disabled (see restrictions)	34	Automatic for over 65, Disabled: <i>MN>Subtractions>Deduction for Age 65 or Older/Disabled</i>
American Indian reservation income	37	Manual – <i>MN>Subtractions>Enter the amount earned on an Indian Reservation</i>
AmeriCorps post-Service Education Awards	41	Manual - <i>MN>Subtractions>Enter the Post service education awards...AmeriCorps...</i>
Interest or Dividends from US Bonds	32	Manual – enter on <i>Federal>1099-INT or DIV>Taxable State Int/Div>Amt of Interest on US Bonds to be subtracted</i>
K-12 Education expense – expenses have dollar limits based on grade (K-12 Credit is usually better but the Credit has AGI limits)	32	Manual – <i>MN>Subtractions>K-12 Education Expense Subtraction</i>
Military Pension	40	Manual – <i>MN>Subtractions>Military Pension</i>
Interest earned from First-Time Homebuyer Savings Account	41	Manual – <i>MN>Subtractions>First-Time Homebuyer</i>
Minnesota National Guard (requires military certification)	39	Manual – <i>MN>Subtractions>Enter the federally taxable National Guard/Reservists Comp...</i>
One-time Refund for TY2021	42	Manual – <i>MN>Subtractions>Subtraction for one-time refund for tax year 2021</i>
Organ Donor	39	Manual – <i>MN>Subtractions>Enter unreimbursed expenses..donated human organ</i>
Part-Year and Nonresidents	42	Choose Part-year or Nonresident status when first choosing to add the state module in TSO
Qualified Public Pension	41	Manual – <i>MN>Subtractions>Qualified Retirement Benefits</i>
Railroad Retirement Board Benefits (tier 1 and tier2)	35	Tier 2 pension is automatic, Tier 1 Social Security Equivalent is manual <i>MN>Subtractions>Tier 1 Railroad Benefits</i>
Residents of Michigan or North Dakota employment income	37	<i>MN>choose Non-Resident status>Resident of MI & ND>enter FAGI and select the correct state</i>
Volunteer Driver Mileage Reimbursement less than business mileage rate	40	Manual – <i>MN>Subtractions>Volunteer mileage reimbursement subtraction</i>

Credits:

Page

Where in TSO

Credits:	Page	Where in TSO
Attaining Master's Degree in Licensure Field (non-refundable)	47	Manual – <i>MN>Credits>Credit for Attaining Master's Degree...</i>
Child and Dependent Care (refundable)	50	Automatic from <i>Federal>Deductions>Child Care Credit</i> . Manual if American Indian living on a Reservation <i>MN>Credits>Child and Dependent Care</i>
Child Born during Tax Year (refundable)	51	See MnTTT tip sheet <i>Child Born in Tax Year</i>
Child and Working Family Credit	51	Automatic
Contributions to 529 plan (non-refundable, see also 529 Subtraction)	47	Manual – <i>MN>Credits>Education Savings account Contribution Credit</i>

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K-12 Education Credit (refundable, see also K-12 Subtraction)	53	Manual – MN>Credits>K-12 Education Credit
Long-Term Care Insurance premiums (non-refundable)	46	If itemizing: <i>Federal</i> >Deductions>Itemized Deductions, If not itemizing: Manual – MN>Subtractions>Long Term Care Ins Credit (only the federally authorized premium amounts can be used)
Parents of Stillborn Children (refundable)	54	Manual – MN>Credits>Credit for Parents of Stillborn Children
Past Military Service (non-refundable, see also Military subtraction)	46	Manual – MN>Credits>Credit for Past Military Service
Student Loan Credit (non-refundable)	48	Manual – MN>Credits>Student Loan Credit
Taxes paid to another state (non-refundable)	46	Manual – MN>Credits>Credit for Taxes Paid to Another State
Taxes paid to Wisconsin (refundable)	54	Manual - MN>Credits>Credit for Taxes Paid to Another State – special entry for Wisconsin

Out of Scope:

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Expenses deducted on Federal, not taxed by MN	27
Capital Gain portion of lump-sum distribution	27
Investment Interest expense	29
Casualty or theft losses	29
Alternative Minimum Tax	42
Distribution from 1 st Time Homebuyer acct not used for qualified expenses	45
Withdrawal from 529 plan not used for higher education expenses	45
Employer Transit Pass Credit	47
Licensed Family Day Care Operators	51
Business use of Home on M1PR	76

Income Tax Fact Sheets: <https://www.revenue.state.mn.us/income-tax-fact-sheets>

See also [2023 Volunteer Reference Chart](http://www.taxaide-mn.org) at www.taxaide-mn.org