



2023 Tax Pro Annual Webinar – Questions and Answers

Here are questions received and answers provided from our December 11, 2023, webinar covering what’s new for the 2024 filing season and beyond.

Note: We received several questions about the availability of updated tax forms. We posted these forms to our website, including:

- [2024 Form W-4MN, Minnesota Withholding Allowance / Exemption Certificate](#)
- [2024 Form W-4MNP, Minnesota Withholding Certificate for Retirement Account, Pension, or Commercial Annuity Payments](#)
- [Instructions for 2023 Form M1, Individual Income Tax](#)
- [Instructions for 2023 Form M1PR, Homestead Credit Refund \(for Homeowners\) and Renter’s Property Tax Refund](#)

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Pass-Through Entity (PTE Tax)

Can I amend a Minnesota S corporation or Partnership return after the original due date to elect PTE?

Yes. You must make the election by the due date or extended due date of the entity's income tax return. The election may be made on an amended return filed on or before the extended due date for the entity's return.

Can I revoke my PTE tax election?

It depends. If the original due date has not passed, you may file another return to revoke the election. The election cannot be revoked after the original due date.

How do I make PTE tax estimated payments in e-Services?

PTE estimated tax payments are made in our e-Services system using the same method as estimated tax payments for nonresident withholding, composite income tax, and other entity level income taxes. See [our PTE webpage](#) for more details.

When are PTE tax estimated payments due for tax year 2023?

Clients must make PTE estimated tax payments in four equal installments by the applicable due date. For a calendar year filer, the estimated payments are due on:

- April 15, 2024
- June 17, 2024
- September 16, 2024
- January 15, 2025

Can a client carry over estimated PTE tax payments to the next tax year?

Yes. If there is an overpayment of estimated payments for an entity that elected PTE tax, the entity may have that amount refunded when the entity's original return is filed, or have it carried forward to the next year.

Once an owner claims the PTE tax credit, a refund of PTE tax is not allowed at the entity level.

How did the May 2023 tax bill change refunds of PTE tax?

The owner may claim a refund if they amend their personal return and make the appropriate change to income. Once an owner claims the PTE tax credit, a refund of PTE tax is not allowed at the entity level.

Was the federal State and Local Tax (SALT) deduction limitation removed as a requirement for PTE tax?

Yes. Beginning with tax year 2023, it is not required that one or more owners be subject to the federal SALT deduction limit.

What is the special rule for federal adjusted gross income (FAGI) calculation for individual qualifying owners?

If individual qualifying owners had their FAGI reduced by claiming a deduction for state income taxes paid at the entity level, they must add those deductions back to their FAGI. This adjusted FAGI is used to determine eligibility for credits and deductions on the Minnesota Individual Income Tax return.

Do accrual basis clients have to pay their PTE tax by the end of the year?

Reporting questions regarding cash versus accrual basis are federal questions. For more information, call the IRS at 1-800-829-4933.

Business Tax Credits

Do clients have to pay the State Housing Tax Credit contribution with the application? Where do they report the State Housing Tax Credit?

The State Housing Tax Credit Program and Contribution Fund is administered by the Minnesota Housing Finance Agency. For application questions, see [Minnesota Housing's program webpage](#).

Once a credit certificate is received, clients may report and claim the State Housing Tax Credit on their 2023 income tax return.

How is a manufactured home park defined for the Credit for Sales of Manufactured Home Parks to Cooperatives?

A manufactured home park is a Class 4c(5)(i) or 4c(5)iii property physically located in Minnesota.

When did the beginning farmer credit programs begin?

The Beginning Farmer Incentive Credit and Beginning Farmer Management Credit were enacted during Minnesota's 2017 legislative session. The credits are effective for tax years beginning after December 31, 2017, and expire for taxable years beginning after December 31, 2030.

What is the definition of a beginning farmer and an emerging farmer?

A beginning farmer is an individual who:

- Is a Minnesota resident who is seeking entry, or has entered into farming within the last 10 years
- Is renting or buying as an individual (**not** an LLC or other business entity)
- Provides the majority of labor and management on a farm that is located in Minnesota.
- Has some farming experience and knowledge
- Provides positive projected earnings
- Has a net worth that does not exceed \$979,000 for tax year 2023
- Is enrolled in or has completed an [approved farm business management program](#) within ten years of their first year of farming

An emerging farmer is a farmer or aspiring farmer who is any of these:

- A woman
- A veteran
- A person with disabilities
- An American Indian or Alaskan Native
- A member of a community of color
- Young, as defined by the Commissioner of Agriculture
- Lesbian, gay bisexual, transgender, queer, intersex, or asexual (LGBTQIA+)
- Urban, as defined by the Commissioner of Agriculture
- Any other emerging farmer as determined by the Commissioner of Agriculture

Are the Beginning Farmer Incentive Credit and Beginning Farmer Management Credit for emerging farmers only?

No. Both credit incentives are for beginning farmers and asset owners who sell or rent farmland to beginning farmers. An emerging farmer is a type of beginning farmer. For more information, see the [Department of Agriculture's website](#).

Do clients have to receive a credit certificate before they can claim the Beginning Farmer Incentive Credit or Beginning Farmer Management Credit on their tax return?

Yes. You must receive a credit certificate from the Minnesota Department of Agriculture (MDA) to be eligible for a tax credit. If you have questions about the credit certificate, see the [MDA's Beginning Farmer Tax Credit webpage](#).

Net Investment Income Tax (NIIT)

Will capital gains be subject to Minnesota NIIT?

Minnesota net investment income is based on the definition in the Internal Revenue Code. If the capital gains are included on federal Form 8960, they may be subject to Minnesota NIIT. Dispositions of Class 2a property are not subject to Minnesota NIIT.

Are broker fees removed in the calculation of Minnesota NIIT?

Minnesota net investment income is based on the definition in the Internal Revenue Code. If the broker fees are allowed as a federal deduction for federal NIIT, they would be allowed as a deduction for Minnesota NIIT.

Conformity

What are the charitable contribution limits for tax years 2020 and 2021?

For tax years other than 2021, the general limitation is 60%.

For tax year 2021 only, Minnesota conformed to the federal provision allowing deduction of 100% of charitable donations.

Did Minnesota conform to the five-year carryback of net operating losses generated in tax years 2018 through 2020 under the CARES Act?

No. If clients carried back net operating loss from these years, the deduction would be disallowed. For Minnesota purposes, clients may carry forward the loss as a subtraction.

How do clients subtract a net operating loss carryback that was disallowed due to nonconformity to the five-year carryback allowance under the CARES Act?

For tax years 2019 through 2022, use the worksheet in Schedule M1NC, Federal Adjustments, to determine a client's Minnesota net operating loss subtraction.

Beginning in tax year 2023, this subtraction is claimed on [Schedule M1MB, Business Income Additions and Subtractions](#).

Did Minnesota conform to the federal Employee Retention Credit (ERC)?

No, but there is a retroactive Minnesota modification to state income. Clients may still subtract the related businesses expenses used to calculate the federal ERC.

Withholding

Are retirement plan administrators required to offer pension recipients the option to withhold Minnesota taxes?

Yes. Beginning with payments made on or after January 1, 2022, Minnesota requires withholding on annuity and pension payments unless the recipient asks the payer not to withhold.

Recipients should use [2024 Form W-4MNP](#) to set the rate or amount of withholding, or opt out of withholding on these payments.

Do pension and annuity recipients need to complete a new Form 2024 W-4MNP?

It depends. If the recipient has a current withholding arrangement in place, they do not have to complete a new Form W-4MNP. The plan administrator must not change existing arrangements without contacting the recipient.

If the recipient does not have a withholding arrangement and has not specified that they do not want withholding on their distributions, the administrator must reach out to the recipient to have them complete [Form W-4MNP](#). If the administrator is unable to obtain a completed Form W-4MNP, they must withhold at the default rate of 6.25%.

Can a pension or annuity recipient specify a flat percentage or amount of withholding?

Yes. A recipient may choose a specific withholding rate or amount per distribution or opt out of withholding.

One-Time Rebates

Will one-time rebate recipients receive a federal Form 1099 for the amount?

Yes. All recipients will receive a Form 1099-MISC.

Will one-time rebate recipients receive a Form 1099-MISC even if they did not cash the check?

Yes.

Is there a way to check on Revenue’s website whether or not a client received a one-time rebate?

No, but you may call us at 651-296-3781 or 1-800-652-9094 or [send us an email](#) to check on this.

If a client did not receive a rebate check but did receive Form 1099-MISC showing the amount of the rebate, what should they do on their federal return?

The client must still report the one-time rebate amount on their federal return. Refer to the Form 1040 instructions and IRS Publication 538 on how to report the amount. You or the client may call us at 651-296-3781 or 1-800-652-9094 or [send us an email](#) to check the amount.

If a client was a Minnesota resident in 2021 but was a nonresident when they received the one-time rebate in 2023, how should this be reported on their return?

Since they were a nonresident when they received the payment, the payment is not included in Minnesota income. They must still report the payment on their federal income tax return.

Social Security and Public Pension Subtractions

If a client has both nonqualified public pension income and qualified public pension income, how do they determine the new qualified retirement benefits subtraction?

The client must separate the eligible benefits from the non-eligible benefits in calculating the subtraction. They would only use the portion of benefits eligible for the subtraction in calculating the subtraction. They may need to reach out to the plan administrator for help in determining which benefits qualify and which do not.

Are Social Security benefits included in adjusted gross income when determining the simplified Social Security subtraction?

Yes. Both federal and Minnesota adjusted gross income include taxable Social Security benefits as determined on the federal return.

Do Social Security disability benefits qualify for the new simplified Social Security subtraction?

No. The subtraction is for retirement benefits only.

How is provisional income calculated for purposes of the traditional Social Security subtraction?

Begin with gross income, add any tax-exempt interest received, and add half of Social Security and Tier 1 Railroad Retirement benefits.

Does a pension earned for state service in another state qualify for the qualified retirement benefit subtraction?

Sometimes. A pension paid under another state's plan may qualify if the other state allows a similar subtraction or exemption to the qualifying Minnesota pension plans.

Do federal employee pension plans qualify for the qualified retirement benefit subtraction?

A federal pension plan may qualify if clients did not also earn Social Security benefits for the same service.

What is the adjusted gross income limit for the simplified Social Security benefit subtraction?

The income limit for the simplified Social Security subtraction is:

- \$136,000 for Married Filing Jointly and Qualifying Surviving Spouse
- \$114,000 for Single and Head of Household
- \$68,000 for Married Filing Separately

Certificates of Rent Paid (CRPs)

How and when will the recipient receive their CRP?

Landlords must provide CRPs to renters by January 31 in the year after they paid rent. After submitting a CRP in e-Services, landlords can download a PDF to print or email to tenants.

e-Services does not send CRPs to renters or allow them viewing access.

Do you have to register with e-Services to submit CRPs even if you only rent a room in your home?

Yes. You have the option to create a business or individual account. Use an e-Services account associated with your rental property.

For more information, see [e-Services Account Types for CRPs](#) on our website.

What will happen in January 2025 when a landlord mails a renter their CRP and it does not have an Electronic Certification Number (ECN)? Can the renter file Form M1 without the renter's credit and then amend their return later?

Beginning with 2024 CRPs, all CRPs must be created using e-Services. CRPs created in e-Services will have an Electronic Certification Number (ECN).

While we have not finalized how renters will report their credit on Form M1, they may amend their return to provide corrected CRP information.

What about tax professionals who submit CRPs for clients? Will third-party access be available for creating CRPs?

Third-party access is not available for CRPs. If you have a business e-Services account, you can use that account to create CRPs for your clients. For more information, see [e-Services Account Types for CRPs](#) on our website.

Are notices being sent out directly to landlords and management companies that they will be required to comply with the CRP e-file requirements?

We include the e-Services requirement for 2024 CRPs in our communication about the updated CRP system in e-Services. We plan to continue communication throughout 2024 to audiences including businesses, tax professionals, individual landlords, and more.

If you have clients who own rental property, share information about the new requirement with them. We may not be able to reach every landlord, so we appreciate your help.

Property Tax Refund

Can a separated couple that filed a joint Minnesota income tax return file a separate property tax return?

Yes. A client would use their income for the entire year plus their spouse's income for the time they were married and living together during the year.

For Renters: Each person will use line 3 of the CRP for the unit they rented after the divorce or separation. Only one person may include the amounts from line 3 of the CRPs for the rental unit lived in together prior to the divorce or separation.

For Homeowners: Only the spouse who owned and lived in the home on January 2, 2024, can apply as the homeowner for the home. Enter the full amount from line 1 of the 2024 Statement of Property Taxes Payable on line 19 of the 2023 Form M1PR.

In 2024, will homeowners still file Form M1PR to claim the Homestead Credit Refund?

Yes. Only the Renter's Property Tax Refund is moving to Form M1. Homeowners, including mobile homeowners who pay lot rent, use Form M1PR to claim a homestead credit refund.

For tax year 2024, how does a part-year renter and a part-year homeowner claim a renter credit and homestead refund?

If they owned and occupied the home on January 2, 2025, they may be eligible to claim both the Homestead Credit Refund and a Renter's Property Tax Refund. They must file a 2024 Form M1 to claim the renter's refund and a 2024 Form M1PR to claim the homeowner's refund.

Will renters have to file an amended return if they do not have their CRP when they file for tax year 2024?

Yes. Renters must have a CRP to claim the Renter's Property Tax Refund. If a renter does not claim the credit on Form M1 and receives their CRP later, they must file Form M1X to claim it.

If a client missed filing a 2022 Form M1PR, will they qualify for 2023?

Yes. Clients may file Form M1PR regardless of whether they filed the previous year.

When was the special refund adjusted from 6% to 12% for tax year 2022?

The increase was enacted in the 2023 Minnesota Omnibus Bill. We updated our forms and instructions on June 15, 2023, to reflect this change. We also adjusted clients' 2022 Forms M1PR already on file. For more information, refer to [HF 1938](#) enacted in May 2023.

Is it possible to see the refund amount a client received to verify the correct amount was calculated?

If you have power of attorney on file with us, you may call us at 651 296-3781 or 1-800-652-9094, or [send us an email](#) for this information.

If a client did not file Form M1PR, are they still eligible to claim the credit?

Clients have one year from the original due date to claim the credit. For example, the 2022 Form M1PR was due August 15, 2023, but clients have until August 15, 2024, to claim the credit.

Will nontaxable Social Security benefits be considered household income on 2023 Form M1PR?

Yes. Clients will report this amount on line 2 of the 2023 Form M1PR.

Note: All Social Security benefits may not qualify for the Minnesota income tax subtraction depending on a client's income level. For phaseout information, see our [Tax Law Changes](#) webpage.

When should homeowners amend 2022 Form M1PR for the special refund adjustment?

Homeowners should amend 2022 Form M1PR by February 15, 2027, if they filed it before the special refund was changed.

Can Revenue offset a Renter's Property Tax Refund to cover income tax liabilities when it moves to Form M1?

Yes. It will be treated like other Minnesota income tax credits and can be offset to cover amounts due. This has not changed from prior years.

Will homeowners continue to use household income for 2024 even though renters can now use adjusted gross income?

Yes. Beginning with tax year 2024, the Renter's Property Tax Refund will begin with adjusted gross income. The 2024 Homestead Credit Refund will continue to use household income.

Do clients need to file a federal Form 1040 when claiming the 2024 Renter's Property Tax Refund on Form M1?

Yes. Clients must include their federal Form 1040 and calculate their federal adjusted gross income for the renter's credit calculation.

Are there any extenuating circumstances under which a client can file Form M1PR over one year after the due date?

No. There are no exceptions or extensions.

For tax year 2024, will mobile home owners who pay lot rent file Form M1PR or Form M1 to claim a property tax refund?

Mobile home owners will use Form M1PR to claim the Homestead Credit Refund.

Child Tax Credit and Working Family Credit

Does a client need to have earned income to qualify for the Child Tax Credit?

No. Clients with no earned income may still be eligible for the Minnesota Child Tax Credit if they meet the other qualifications.

What is the income limit for the Minnesota Child Tax Credit?

The Minnesota Child Tax Credit begins to phase out when the greater of earned income or adjusted gross income exceeds \$29,500 (or \$35,000 for Married Filing Jointly). The maximum income clients can have to claim the credit depends on their number of qualifying children for the Child Tax Credit and any additional Credit for Qualifying Older Children or Working Family Credit.

Can a client with an Individual Taxpayer Identification Number (ITIN) claim the Child Tax Credit and the Working Family Credit?

Yes. They may claim both Minnesota credits if they meet the qualifications.

Does a qualifying child need a Social Security Number to qualify for the Child Tax Credit or Credit for Qualifying Older Children?

No. A qualifying child may have a Social Security Number, Individual Taxpayer Identification Number (ITIN), or Adoption Taxpayer Identification Number (ATIN).

Other Filing Questions

Can I upload documents into e-Services for a client if they checked the tax preparer authorization box on the tax return?

Yes. Checking the tax preparer box authorizes us to:

- Discuss the return for the tax period
- Discuss documents received or sent for the tax period
- Discuss payments, credits, and refunds for the tax period
- Submit an abatement request

The authority granted by a marked return checkbox is valid for one year after the due date for the current original returns, or one year from the date the form was submitted for amended and noncurrent original returns - whichever is later.

Checking the box does **not** give you authority to:

- Sign any tax documents
- Represent your client for any audit or appeals conference
- Discuss a client's abatement process with us

Will Revenue contact preparers if they use an incorrect or invalid Preparer Tax Identification Number (PTIN)?

Yes. We will send a letter to the preparer, and if the error is not corrected, may assess a penalty.

If I have a valid PTIN with the IRS, can I use it for Minnesota filings?

Yes.

Am I required to enter my PTIN if I'm preparing a return for a relative at no cost?

No, but we recommend using your PTIN on all returns filed. If you do not, we may contact you to ask why you are not using it.

Do clients need to paper file 2023 Forms M1X, Amended Minnesota Income Tax?

Yes.

Does a client need to file a 2023 business income tax return if their business had no income?

No. When the business begins to generate Minnesota gross income, they must start filing business income tax returns.

What is the maximum volunteer mileage subtraction for tax year 2023?

It is 51.5 cents per mile.

Where can I find information about Nongame Wildlife donations?

The Nongame Wildlife Program is administered through the Minnesota Department of Natural Resources (DNR). You can find more information on to the [DNR's Nongame Wildlife Program webpage](#).