What’s New at Revenue

December 2011

New Website Coming Soon!

The Department of Revenue is launching a new website in mid-2012. The redesigned website will feature simple navigation and better design to help users to get information they need as quickly as possible.

The new link is www.revenue.state.mn.us. Until the new site is launched both the new link (www.revenue.state.mn.us) and old link (www.taxes.state.mn.us) will direct visitors to the current site.

e-Services is Here!

The department’s new online filing and paying system is now up and running. By mid-January, all business taxpayers will be transitioned from e-File Minnesota to this new system. For information about our new system, including FAQ’s and video guides, visit our website and click on the banner titled “New and Improved e-Services” in the center of the home page.

File Electronically

If you expect to file more than 10 individual income tax returns for 2011, you must file your clients’ Minnesota returns electronically or be subject to a paper-filing fee of $5 for each original Form M1 you file on paper.

The department will begin accepting electronically filed individual income tax returns for 2011 on January 17, 2012. We’ll list approved online tax software products on our website as they become available. Continue to check our website for updates.

Minnesota Joins the Modernized Electronic Filing Program

In 2012, the state of Minnesota will begin its transition to the “Fed/State Modernized Electronic Filing” (MeF) program. This Internet-based filing platform will let you electronically submit both federal and state returns through the IRS system. The IRS will submit the state return to Minnesota after the federal return is accepted.

Minnesota will continue to accept legacy filings (as filed in the past) during the transition year. Under the new system, you’ll create returns using the same software as before. Once you create your returns, one of two things will occur:

- If the software company you have chosen has transitioned to MeF in 2012, both federal and state returns will be submitted to the IRS. Upon completion of acceptance checks, the IRS will approve and send the return to the state. You may file income tax returns on Forms 1040 and M1 when they are ready and, if you choose, submit Form M1PR later.
- If your software uses the legacy method, you’ll notice no change. Returns will be submitted as in the past. You should pay close attention to filing messages to ensure accurate filing of both the federal and state returns.

Note: You’ll continue to receive separate acknowledgements for federal and state returns no matter which filing method your software company uses.

What's New this Tax Season?

Welcome to the 2011 filing season! To give you a head-start in preparing for this busy season, here are some changes to note:

Federal Update Legislation

Minnesota has adopted all of the Internal Revenue Code (IRC) changes made to "federal taxable income" from March 18, 2010, through April 14, 2011, effective the same date as the federal changes.

Even though all the changes were adopted for the definition of federal taxable income — the starting point on the Minnesota return — the following modifications are needed to determine Minnesota taxable income:

- The increase in the federal standard deduction for married taxpayers — 2010 law extended the increase in the federal standard deduction for married taxpayers for tax years 2011 and 2012. Minnesota did not conform to this change. As a result, married clients who took the standard deduction on their federal return and are:
  - (1) married filing joint or a qualifying widow(er) must add back $1,950; or
  - (2) married filing separate, are required to add back $975.
- The limitation on itemized deductions — If your client's adjusted gross income exceeds the applicable threshold ($84,775 for married filing separate or $169,550 for all other filers), they are required to add back the amount that would have been limited under prior federal law for itemized deductions.
- The phase-out of personal and dependent exemptions — If your client's adjusted gross income exceeds the applicable threshold ($254,350 for married filing joint; $211,950 for head of household; $169,550 for single; and $127,175 for married filing separate), they are required to add back the amounts that would have been phased out when determining personal exemptions under prior federal law.

In addition, several modifications that Minnesota did not conform to in the past were fully adopted or no longer apply at the federal level. Beginning with tax year 2011, the following lines have been removed from Schedule M1M:

- the additional standard deduction for real estate taxes and/or motor vehicle sales tax;
- the educator expenses and college tuition and fees deduction; and
- discharge of indebtedness income addition.

Note: Minnesota continues to require an 80 percent addback for bonus depreciation and section 179 expensing of business property.

Marriage Credit Reported on New Schedule M1MA

Starting with tax year 2011, the marriage credit will be calculated and reported on Schedule M1MA, *Marriage Credit*. This schedule replaces the worksheet for calculating this credit that was previously included in the individual income tax instruction booklet.

Minnesota/Wisconsin Income Tax Reciprocity Benchmark Study

A 2011 law requires the Minnesota and Wisconsin revenue departments to conduct a study to determine:

- the number of residents of each state who earned personal service income in the other state;
- the total amount of personal service income earned in the other state; and
- the change in tax revenue in each state if an income tax reciprocity agreement were resumed between Minnesota and Wisconsin.

To help us gather the necessary information, a section has been added to Form M1 requesting information from your clients who are Minnesota or Wisconsin residents and worked in the other state. Instructions for this section will be included in the individual income tax instruction booklet.

To make room for the additional study information on Form M1, two subtraction lines have been moved from Form M1 to Schedule M1M. These two subtractions are:

- Net interest from U.S. bonds, and
- K-12 education subtraction.

Follow us on Twitter!!

You can get timely updates by following the department on Twitter. Visit our home page at www.revenue.state.mn.us and click on the “Follow us on Twitter” icon on the lower-right navigation bar. If you do not already have a Twitter account, you can follow the prompts to sign up for free!