

Residency

1

Income Tax Fact Sheet 1

Fact Sheet

This fact sheet explains Minnesota residency and how income is taxed by Minnesota.

Minnesota residents must pay Minnesota tax on taxable income received from all sources, regardless of where it's earned. Exceptions include:

- Individuals who are nonresidents under the Servicemembers Civil Relief Act
- Individuals eligible for reciprocity

You are required to file a Minnesota income tax return if your Minnesota gross income meets the minimum filing requirement (\$10,350 for 2016)*. File electronically or use Form M1, *Individual Income Tax* to file your return. For more information, see Fact Sheet 12, *Filing Past Due Returns*.

*You should file a Minnesota return to claim a refund if you had any Minnesota tax withheld, made estimated tax payments, or qualify for any refundable credits even if your Minnesota gross income is less than the minimum filing requirement.

Your Minnesota Residency Status

Minnesota residency is generally defined by domicile (permanent residency) or the 183-day rule.

In determining residency, we consider both your words and actions, but your actions carry more weight than words.

Domicile (Permanent Residency)

Your "domicile" is the place you intend to make your home permanently or for an indefinite period of time.

Once you establish a domicile in Minnesota, it continues until you take action to change it. If you move out of Minnesota but do not intend to permanently remain in another state or country, you continue to be a Minnesota resident.

Criteria Used to Determine Domicile

Your domicile, or permanent residence, is determined by the following factors. No single factor will determine your domicile.

Physical Presence

- Where you spend a majority of your time

Family and Community Connections

- Location of your spouse*, children, dependents, and other relationships
- Location of keepsakes
- Location of memberships, clubs, and other organizations
- Where you attend church

- Where you or family members attend school (face-to-face or online)

Professional and Business

- Location and status of professional licenses
- Location of union membership
- Location of employment (permanent or temporary)
- Location of real and personal property
- Business relationships

Housing

- Location of newly acquired living quarters
- Status of former living quarters
- Size and value of residences
- Address change notifications

Statements and Declarations of Legal Residence

- Location of domicile for prior years
- State that issued driver's license
- Voting registration and history
- Location where financial transactions occur
- Address on military records
- Address on legal documents
- Statements to insurance companies
- Where resident or nonresident hunting/fishing licenses were purchased
- Location of jury duty
- Statements to other taxing authorities

Note: Your donations to charities are not considered in determining your residency. The department will not ask for this information and you do not have to provide it.

*Spousal Presumption

Your spouse is generally assumed to be a resident of the same state as you, except in the following situations:

- You're legally separated or divorced
- You're a member of the military
- There is evidence to the contrary

Example: You moved to another state for work. Your spouse remained in Minnesota to sell your house and to see your children through the rest of the school year. The intent is they will join you.

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Income Tax and Withholding Division
Phone: 651-296-3781 or 1-800-652-9094 (toll-free)
Email: individual.incometax@state.mn.us

This fact sheet is intended to help you become more familiar with Minnesota tax laws and your rights and responsibilities under the laws. Nothing in this fact sheet supersedes, alters, or otherwise changes any provisions of the tax law, administrative rules, court decisions, or revenue notices. Alternative formats available upon request.

The 183-Day Rule

You're considered a Minnesota resident for tax purposes (even if you have permanent residency in another state) if you meet both of the following conditions:

- You spend at least 183 days in Minnesota during the year (any part of a day counts as a full day)
- You or your spouse rent, own, maintain, or occupy a residence in Minnesota suitable for year-round use that is equipped with its own cooking and bathing facilities

If both conditions apply for the entire year, you must follow the filing requirements for a full-year Minnesota resident.

If you meet the first condition, but the second condition applies for less than the full year, you are considered a part-year resident for the time the second condition applies. You must follow the filing requirements for a part-year Minnesota resident.

Exceptions to the 183-Day Rule

The 183-day rule does not apply in the following situations:

- Members of the military (or their spouses) who are stationed in Minnesota but are permanent residents of other states
- Residents of Michigan and North Dakota (these states have tax reciprocity agreements with Minnesota)

Changing Residency

Changing legal residence requires both of the following:

- Physical presence in a new location
- Intent to remain there permanently or indefinitely

If you maintain a home in Minnesota, but claim residency elsewhere, you must keep adequate records to verify that you spent more than half of the year out of state. Records include planners, calendars, plane tickets, canceled checks, credit card statements, and other receipts.

Part-year Residents

You are considered a part-year resident, if, during the year, one of the following applies to you:

- You moved into Minnesota with the intention of remaining
- You moved out of Minnesota and have established a permanent residence elsewhere

See Fact Sheet 2, *Part-Year Residents*.

Nonresidents

You are considered a nonresident if you earn income in Minnesota, but are a permanent resident of another state or country. See Fact Sheet 3, *Nonresidents*.

Special cases

Reciprocity

Minnesota has reciprocity agreements with Michigan and North Dakota. These agreements cover only personal service income such as wages, salaries, tips, commissions, and bonuses. See Fact Sheet 4, *Reciprocity*.

Foreign Income

If you earned income in a foreign country, you may qualify for the federal foreign earned income exclusion. If you qualify and your foreign earned income is excluded on your federal return, this income will not be taxed by Minnesota. However, you must still file a Minnesota return.

Some taxpayers (such as federal employees) may not qualify for the federal earned income exclusion. Others may have earned income above the federal threshold or have unearned income that doesn't qualify for the federal exclusion.

If you are one of these individuals, you may be able to exclude income on your Minnesota return by qualifying as a nonresident. You are considered a nonresident if both of the following apply to you:

- You do not homestead property in Minnesota
- You have been outside the United States for at least 330 days during a 12-month period

You will pay tax only if you have income derived from Minnesota sources. For details on what kinds of income Minnesota taxes, see Fact Sheet 2, *Part-Year Residents*, or Fact Sheet 3, *Nonresidents*.

Military Personnel

Members of the military and their spouses remain permanent residents of the state where they have established permanent residency until they take the necessary steps to change their residency. See Fact Sheet 5, *Military Personnel - Residency*.

Students

Students remain residents of the state in which they have established permanent residency (even if they attend school full-time in another state) unless they take steps to establish a new residency. If you are a resident of another state attending school in Minnesota, you may be considered a Minnesota resident under the 183-day rule. **Note:** The 183-day rule does not apply to students who are residents of a reciprocity state – Michigan or North Dakota. See Fact Sheet 4, *Reciprocity*.

If you are a nonresident, you must pay Minnesota tax on any income earned from work performed in Minnesota. See Fact Sheet 3, *Nonresidents*.

Information and Assistance

Additional forms and information, including fact sheets and frequently asked questions, are available on our website.

Website: www.revenue.state.mn.us

Email: individual.incometax@state.mn.us

Phone: 651-296-3781 or 1-800-652-9094 (toll free)

This document is available in alternate formats.

Part-Year Residents

This fact sheet explains what income is taxed by Minnesota if you are a part-year resident. For more information on residency, see Fact Sheet 1, *Residency*, or Fact Sheet 3, *Nonresidents*.

If you are a member of the military, see Fact Sheet 5, *Military Personnel - Residency*.

If you are a resident or nonresident alien, see Fact Sheet 16, *Aliens*.

Are you a part-year resident?

You're considered a part-year resident of Minnesota if either of the following is true:

- You moved to or from Minnesota during the tax year and established residency (domicile).
- You spent at least 183 days in Minnesota* and you rent, own, maintain, or occupy a residence suitable for year-round use that is equipped with its own cooking and bathing facilities. In this case, you are considered a Minnesota resident for income tax purposes for the length of time you maintained a residence in Minnesota, even if your permanent residence may be in another state for the full year.

*Exceptions to the 183 day rule

The 183-day rule does not apply in the following situations:

- Members of the military (or their spouses) who are stationed in Minnesota but are permanent residents of other states
- Residents of Michigan and North Dakota (These states have tax reciprocity agreements with Minnesota)

Filing Requirements

You are required to file a Minnesota income tax return if your Minnesota gross income meets the minimum filing requirement (\$10,350 for 2016)*. File electronically, or use Form M1, *Individual Income Tax*, and Schedule M1NR, *Nonresidents/Part-Year Residents*, to file your return. For more information, see Fact Sheet 12, *Filing Past Due Returns*.

*You should file a Minnesota return to claim a refund if you had any Minnesota tax withheld, made estimated tax payments, or qualify for any refundable credits even if your Minnesota gross income is less than the minimum filing requirement.

Follow the steps below to determine your Minnesota gross income:

Step 1:

Calculate the total income received while you were a Minnesota resident. Include income from all sources, as well as income received outside of Minnesota.

Step 2:

Calculate the total Minnesota income you received while you were a nonresident. This includes:

- Wages, salaries, fees, commissions, tips, and bonuses for work done in Minnesota
- Gross winnings from gambling in Minnesota
- Gross rents and royalties from Minnesota property
- Gains from the sale of land or other tangible property in Minnesota
- Gains from the sale of a partnership interest that had property or sales in Minnesota
- Gains on the sale of goodwill or income from a “non-compete” agreement connected with a business operating in Minnesota
- Minnesota gross income from a business or profession conducted partly or entirely in Minnesota

Note: For 2016, a partnership will find this amount on line 19 of Schedule KPI and an S corporation will find the amount on line 19 of Schedule KS.

Step 3:

Combine the totals from steps 1 and 2. If this amount meets the minimum filing requirement for the year (\$10,350 for 2016), you must file a Minnesota return using Form M1 and Schedule M1NR.

How Your Income is Taxed

For the portion of the year you are a Minnesota resident, you are taxed on all income, regardless of where you earned it. This means that when you live here, but work elsewhere, the out-of-state income is taxed by Minnesota. If the other state taxes the same income that is taxed by Minnesota, you may qualify for a credit on taxes paid to the other state, see Schedule M1CR, *Credit for Income Tax Paid to Another State*.

In addition, for the portion of the year you were a nonresident, you must pay tax on income derived from Minnesota sources, including wages earned for work performed in Minnesota.

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Filing Status

Your Minnesota filing status must be the same as your federal filing status. If you are filing a joint return and only one spouse has income that's taxable to Minnesota, you must file a joint Form M1 and Schedule M1NR. Enter your joint taxable income from the federal return on line 1 of your Form M1; do not modify the amount. Your income will be apportioned when you complete Schedule M1NR.

Eligibility for Minnesota Credits

Part-year residents may qualify for Minnesota credits. For general information on available credits, see the Minnesota Individual Income Tax instruction booklet. Some credits may be prorated for part-year residents. To find out if a credit needs to be prorated, see the instructions for each credit.

Estimated Tax

If you did not have Minnesota tax withheld from your income and you expect to owe more than \$500 of Minnesota tax, you may be required to pay quarterly estimated tax. For more information, go to www.revenue.state.mn.us and type **Individual Estimated Tax** in the Search box.

Minnesota Homestead Credit Refund (for Homeowners) and Renter's Property Tax Refund

As a part-year resident, you may be eligible for a homeowners or renters refund if you meet the requirements. See the Minnesota Homestead Credit Refund (for homeowners) and Renter's Property Tax Refund instruction booklet.

Homeowners: File using your household income for the entire year, including the income you received before moving to Minnesota.

Renters: File using your household income for the period you lived in Minnesota. If you were married, include your spouse's income for the period you lived in Minnesota. Enclose a note explaining how income was determined.

Information and Assistance

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This document is available in alternate formats.

Nonresidents

3**Income Tax Fact Sheet 3****Fact Sheet**

This fact sheet explains what income is taxed by Minnesota if you are a nonresident. For more information on residency, see Fact Sheet 1, *Residency*, or Fact Sheet 2, *Part-Year Residents*.

If you are a member of the military, see Fact Sheet 5, *Military Personnel - Residency*.

If you are a resident or nonresident alien, see Fact Sheet 16, *Aliens*.

Are you a nonresident?

You are considered a nonresident if your permanent residence (domicile) is in another state and you did not meet the 183-day rule for Minnesota. For information on domicile and the 183-day rule, see Fact Sheet 1, *Residency*.

Filing Requirements

You are required to file a Minnesota income tax return if your Minnesota gross income meets the minimum filing requirement (\$10,350 for 2016)*. Although gross income determines whether you must file a Minnesota return, only net income is ultimately taxed. File electronically, or use Form M1, *Individual Income Tax*, and Schedule MINR, *Nonresidents/Part-Year Residents*, to file your return. For more information, see Fact Sheet 12, *Filing Past Due Returns*.

*You should file a Minnesota return to claim a refund if you had any Minnesota tax withheld, made estimated tax payments, or qualify for any refundable credits even if your Minnesota gross income is less than the minimum filing requirement.

Minnesota gross income includes:

- Wages, salaries, fees, commissions, tips, and bonuses for work done in Minnesota
- Gross winnings from gambling in Minnesota
- Gross rents and royalties from Minnesota property
- Gains from the sale of land or other tangible property in Minnesota
- Gains from the sale of a partnership interest that had property or sales in Minnesota
- Gains on the sale of goodwill or income from a “non-compete” agreement connected with a business operating in Minnesota
- Minnesota gross income from a business or profession conducted partly or entirely in Minnesota

Note: For 2016, a partnership will find this amount on line 19 of Schedule KPI and an S corporation will find the amount on line 19 of Schedule KS.

If you need information on prior year losses or business income apportionment, visit our website at www.revenue.state.mn.us.

Types of income taxed by your home state that are not subject to Minnesota tax include:

- Interest income
- Dividends
- Alimony received
- Unemployment compensation
- State refunds
- Qualified pensions
- IRA distributions and annuities
- Capital gains and losses from the sale of intangible assets (such as stocks)

Filing Status

Your Minnesota filing status must be the same as your federal filing status. If you are filing a joint return and only one spouse has income that’s taxable to Minnesota, you must file a joint Form M1 and Schedule MINR. Enter your joint taxable income from the federal return on line 1 of your Form M1; do not modify the amount. Your income will be apportioned when you complete Schedule MINR.

Reciprocity

If you are a resident of Michigan or North Dakota, you do not have to include your Minnesota wages or other personal service income when determining whether you meet the minimum filing requirements. For more information, see Fact Sheet 4, *Reciprocity*.

Telecommuting

Nonresidents who telecommute may need to apportion their income based on the number of days they work from home. For Minnesota income tax purposes, nonresidents will need to divide the number of days worked in Minnesota by the total number of days worked.

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Eligibility for Minnesota Credits

Nonresidents may qualify for Minnesota credits. For general information on available credits, see the Minnesota Individual Income Tax instruction booklet. Some credits may be prorated for nonresidents. To find out if a credit needs to be prorated, see the instructions for each credit.

Generally, only Minnesota residents may qualify to claim a credit for taxes paid to another state (Schedule M1CR), the Working Family Credit (Schedule M1WFC), or a Homestead Credit Refund for Homeowners and Renter's Property Tax Refund (Form M1PR).

Estimated Tax

If you did not have Minnesota tax withheld from your income and you expect to owe more than \$500 of Minnesota tax, you may be required to pay quarterly estimated tax. For more information, go to www.revenue.state.mn.us and type **Individual Estimated Tax** in the Search box.

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