

IMPORTANT INFORMATION REGARDING LOWER INCOME MOTOR FUEL TAX CREDIT (LINE 30-FORM M-1):

The lower income motor fuel tax credit which is reported on line 30 of the form M-1 is **NOT** out of scope; however, the MN VITA/TCE manual on page 82 states "refer to a paid practitioner." Our manual was sent to print before we had the additional information necessary to determine how to calculate the credit. Therefore, now that we have this additional information, as counselors, you are able to determine this credit for eligible taxpayers. I also realize that a large portion of taxpayers that you prepare returns for will qualify for this credit. That is why I would like to stress this credit.

Tax Wise for MN will automatically calculate the credit as long as you indicate that the taxpayer (or spouse if filing jointly) is a U.S. citizen or lawfully present in the U.S. by checking the box below Line 30.

I have attached an updated handout regarding the lower income motor fuel tax credit. Please review this.

There is one new important aspect that I would like to address, which deals with those claiming the **Native American and/or Railroad Retirement benefits subtraction**. If you look at the handout that I have attached for you, it has a section which states:

"Important: The subtraction for American Indians and Railroad Retirement benefits on lines 21 and 23 of Schedule M1M must be included as part of Minnesota taxable income on line 10 of the Minnesota Income Tax return for purposes of calculating this credit."

The Native American and Railroad Retirement benefits subtraction on lines 21 and 23 of Schedule M1M only need to be added back for determining the lower income motor fuel tax credit.

Example: If a single individual has a MN Taxable Income on line 10 of Form M-1 of \$20,000, however \$20,000 was subtracted on line 21 of Schedule M1M because it was American Indian income earned on the reservation while she was living on the reservation (and an enrolled member), her MN Taxable Income for purposes of determining the lower income motor fuel tax credit would be \$40,000. This puts her over the MN taxable income threshold for a single taxpayer (\$22, 730) and therefore, she is not entitled to claim the credit.

The worksheet on page 17 of the M-1 booklet and **Tax Wise does not reflect this issue**, nor do I think they will be changed before filing season begins, so that is why I am letting you know in case any of your sites deal with Native Americans or Railroad Retirees. So please make sure that this income is added back for determining this credit. Quality reviewers may want to make sure to check for this before the return is e-filed. A volunteer brought this issue up in Bemidji, and until a week or so ago, it was not addressed by the Department of Revenue. I apologize that it was not addressed sooner, but am very grateful that this volunteer addressed this issue before filing season started.

Sorry for the long email, I just want to make sure that this credit is understood because of the large volume of taxpayers that you prepare returns for that may qualify for the credit. If you or any of the volunteers have any questions, please let me know.

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