
Individual and Business Income Tax

Short Course Manual

Tax Year 2020

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The information in this manual is based on the laws in effect when it was written. It does not supersede or alter any provisions of Minnesota laws, administrative rules, court cases, or revenue notices. It does not provide tax advice.

If you have questions or need clarification on this manual's information, contact the Minnesota Department of Revenue's tax professional outreach coordinator.

Email: taxpro.outreach@state.mn.us

Phone: 651-556-6606

This manual is available online in the [Other Short Course Resources](#) section of the University of Minnesota [Income Tax Short Course](#) page. The online version has active hyperlinks to enhance the printed information.

Department Contact Information

Address: 600 N. Robert St.
St. Paul, MN 55101

General Phone: 651-556-3000 or 1-800-657-3666

Website: www.revenue.state.mn.us

Division	Phone Number	Email Address
Business Income Taxes	651-556-3075	businessincome.tax@state.mn.us
Business Registration	651-282-5225 1-800-6574-3605	business.registration@state.mn.us
Collection	651-556-3003 1-800-657-3909	mdor.collection@state.m.us
Criminal Investigation	651-296-0811	tax.fraud@state.mn.us
Electronic Filing Technical Support	651-556-4818	efile.prepsupport@state.mn.us
Individual Income Tax and Property Tax	651-296-3781 1-800-652-9094	individual.incometax@state.mn.us
Power of Attorney	651-556-3003 1-800-657-3909	mndor.poa@state.mn.us
Sales and Use Tax	651-296-6181 1-800-657-3777	salesuse.tax@state.mn.us
Special Taxes		special.taxes@state.mn.us
Alcohol	651-556-3036	
Cigarette and Tobacco	651-556-3035	
Environmental	651-282-5770	
Lawful Gambling	651-297-1772	
Insurance	651-556-3024	
Mortgage and Deed	651-556-4721	
Minerals	218-744-7424	
MinnesotaCare	651-282-5533	
Petroleum	651-296-0889	
Unrelated Business Income Tax	651-297-5199	
Taxpayer Rights Advocate	651-556-6013	dor.tra@state.mn.us
Withholding Tax	651-282-9999 1-800-657-3594	withholding.tax@state.mn.us

Message from the Assistant Commissioner

Hello! My name is Sarah Bronson and I am a newly appointed assistant commissioner at the Minnesota Department of Revenue. I want to welcome you to the start of the 2021 tax filing season and thank you for all the work you do to assist Minnesota taxpayers.

As you may already know, Assistant Commissioner Cyndi Rowley retired from Revenue in September after 18 years of service to the State of Minnesota. Her dedication to serving Minnesota taxpayers led to many improvements in our tax administration. I took over as the Assistant Commissioner overseeing Income Tax and Withholding, Property Tax, Special Taxes, and Tax Operations. I first began my work at Revenue in 2017 as the Taxpayer Rights Advocate. Prior to that, I directed the Low Income Taxpayer Clinic at Mid-Minnesota Legal Aid, providing free legal representation to taxpayers with IRS controversies. I am very excited for this new role and to continue the great partnership with our tax professional community.

Additionally, Revenue Commissioner Cynthia Bauerly announced her departure from the agency in October. Throughout her six-year tenure as Commissioner, Bauerly improved the state's taxpayer outreach efforts, provided continued relief to Minnesotans during COVID-19, and protected the health care of more than 1.2 million Minnesotans by preserving the Health Care Access Fund. A search for Bauerly's replacement is currently underway.

The Minnesota Department of Revenue's vision is: "Everyone reports, pays, and receives the right amount: no more, no less." We know that our partnership with you is essential to provide the information and resources Minnesota taxpayers need to make our vision a reality.

We know that COVID-19 has affected you, the department, and Minnesota taxpayers this year. As we move through this unique situation together, we are ready to help with the tax-related services you and your clients need. We provided some relief to taxpayers in response to COVID-19, including:

- Providing a grace period to July 15, 2020, for 2019 Minnesota Individual Income Tax returns and return payments originally due April 15
- Allowing more time to file or pay certain Minnesota business taxes
- Expanding options to calculate 2020 estimated tax payments
- Waiving the Underpayment of Estimated Tax penalty for tax year 2019
- Accepting abatement requests for those negatively affected by the COVID-19 pandemic

For more details on the relief we provided, I encourage you to visit the [Our Response to COVID-19 page](#) on our website.

Federal tax bills passed in 2019 and 2020 may affect some of your clients. Minnesota has not adopted federal laws enacted after December 31, 2018, which include:

- Taxpayer Certainty and Disaster Tax Relief Act of 2019
- Setting Every Community Up for Retirement Enhancement (SECURE) Act
- Families First Coronavirus Response Act
- Coronavirus Aid, Relief, and Economic Security (CARES) Act
- Paycheck Protection Program Flexibility Act of 2020

Since Minnesota did not adopt these laws, we have been adjusting 2017 and 2018 Minnesota returns. There are roughly 1,000 remaining 2017 returns and 12,000 2018 returns left to adjust. We plan to adjust most of these returns by the end of 2020. If we have not yet adjusted your clients' 2017 or 2018 returns for these law changes, you may amend their return to reflect those changes. We provided this guidance in an email to tax preparers and a letter to affected taxpayers.

We continue to monitor Minnesota legislative sessions for tax law changes that may affect your clients. To stay up to date with the latest information and answers to your questions, [subscribe to our Tax Law Changes email list](#). We also have a [Tax Law Changes page](#) with Frequently Asked Questions to help advise your clients in planning and filing returns. If you have a question not on our FAQ page, email us at TaxLawChanges@state.mn.us. We will do our best to provide answers and update FAQs on our site.

We are always looking for ways to improve the systems and services we provide you. As such, we will be upgrading our online services with a more intuitive and user-friendly design. We will upgrade applications such as:

- e-Services for Business
- Where's My Refund?
- Payment Voucher System
- 1099-G Lookup

You can still complete the same tasks, but the look and feel will be upgraded for better usability. Be sure to explore these tools before the filing season begins.

Many Minnesota taxpayers rely on you to help them file their returns. We truly appreciate the work that you do to help your clients. Let me join everyone at the department in wishing you a successful tax season. Thank you for your continued partnership.

Best wishes,

Sarah Bronson
Assistant Commissioner

Chapter 1. Department Updates

e-Services Upgrade

Our e-Services system will receive a significant upgrade in November 2020. The upgrade will change the look and feel of e-Services, but functionality will not change much. Be sure to familiarize yourself with the new look and feel before starting the 2021 filing season.

Online Filing for Form M99, Credit for Military Service in a Combat Zone

Form M99 will be available for free electronic filing on our website beginning in 2021. If an individual is claiming the credit for a deceased military member, they must file by paper along with Form M23, Claim for a Refund for a Deceased Taxpayer.

To check the status of this refund, call us at 651-296-3781 or 1-800-652-9094.

2017 and 2018 Tax Return Corrections for Conformity

Due to Minnesota tax law changes enacted in 2019, there are about 1,000 returns for tax year 2017 and 12,000 returns for tax year 2018 needing adjustments for conformity as of October 2020.

We are automatically adjusting 2017 and 2018 Minnesota income tax returns affected by these tax law changes. If you have not received an adjustment from us, you may file amended 2017 and 2018 Minnesota returns incorporating the law changes.

Chapter 2. Individual, Fiduciary, and Business Income Tax Updates

This chapter covers the main nonconformity impacts to individual, fiduciary, and business taxpayers for tax years 2017, 2018, 2019, and 2020.

Definitions used in determining Minnesota taxable income are based on the Internal Revenue Code, as amended through December 31, 2018. Since that date, Congress has enacted the following:

- Taxpayer Certainty and Disaster Tax Relief Act (TCDTR) of 2019
- Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019
- Families First Coronavirus Response Act (FFCRA) of 2020
- Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020
- Paycheck Protection Program Flexibility Act (PPPFA) of 2020
- Public Law 116-147 (S.4116) of 2020

Disclaimer: The information in this chapter is based on the Minnesota and federal laws enacted as of the publication date.

Federal Nonconformity Impacts

TCDTR Act and SECURE Act

The TCDTR Act and SECURE Act were enacted in December 2019. Minnesota forms and instructions for 2019 were updated before the filing season. Forms and instructions for 2017 and 2018 were impacted and were updated in February 2020. Common required state adjustments include:

- Extension of the discharge of principal residence indebtedness
- Deduction for tuition and fees
- Expansion of eligible distributions for 529 higher education savings plans
- Certain federal credits that impact depreciation and expenses.

FFCRA and CARES Act

The FFCRA was enacted in March 2020. The FFCRA included federal tax credits for employer-paid medical leave due to COVID-19.

The CARES Act was enacted in March 2020 and included a variety of provisions. Common required state adjustments include:

- Changes to the excess business loss limitations of non-corporate taxpayers
- research loss carryovers
- A charitable contribution deduction for taxpayers that do not itemize deductions
- An adjustment to the business interest limitation

Several years of forms and instructions were impacted by the FFCRA and CARES Act:

- 2017, 2018, and 2019 Minnesota forms and instructions were updated
- Instructions for Form M1X, Amended Minnesota Income Tax, and Form M2X, Amended Income Tax Return for Estates and Trust, for tax years 2013 through 2016, were updated due to the CARES Act provision that requires net operating losses to be carried back five years. See instructions on Form M1X for more information on the treatment of net operating loss carryovers.

PPPFA and S.4116

The PPPFA was enacted in March 2020 and S.4116 was enacted in June 2020. Both acts modified the Paycheck Protection Program provision from the CARES Act.

The 2019 and 2020 forms and instructions are impacted. More information about the adjustments and an expanded list can be found on the appropriate tax type forms and instructions for the specific years.

Amending Prior Year Returns

If you are amending your 2017, 2018, or 2019 federal returns solely due to the Acts listed in the beginning of this chapter, the Minnesota adjustment will offset the change to your federal taxable income or federal adjusted gross income.

For these amended returns, write **TCDTRA, FFCRA, CARES Act, PPPFA, or S.4116** in red at the top of your amended Minnesota return. Include all that are applicable.

If you amend your individual or fiduciary income tax return for tax years 2013 through 2017 because of a net operating loss carryback, see instructions in Forms M1X or M2X to determine your allowable net operating loss deduction. On Form M1X, write **CARES Act** in red at the top of the form. Provide copies of the federal amended return with your Minnesota amended return.

Revenue Response to COVID-19

As Minnesota responds to COVID-19, the Minnesota Department of Revenue is ready to help with tax-related services.

You may ask us to cancel or reduce penalties, additional tax charges, and interest for late filing or payment if you have a reasonable cause or are negatively affected by the COVID-19 pandemic.

You may request this relief, called an abatement, after we notify you of a penalty. See [Penalty Abatement for Individuals](#) or [Penalty Abatement for Businesses](#).

You should pay your tax by the due date unless you are financially unable to make the payment.

For the most up-to-date information about our services and links to other resources, see [Our Response to COVID-19](#) on our website.

Minnesota Tax Law Changes

For the most up-to-date changes on state tax laws, see [Tax Law Changes](#) on our website.

Chapter 3. Information about Filing Returns

Filing Past Due or Amended Individual Returns

Amended Tax Returns

If you find errors on your client's Minnesota individual income tax return after filing it, you **must** file [Form M1X, Amended Minnesota Income Tax](#), to correct them. Do **not** write "amended" on the top of [Form M1, Individual Income Tax](#), and use it to amend a return.

Deadline for Amending

To claim a refund, you must file Form M1X within 3 ½ years of the original due date of the return. For example, to receive a refund for amending a 2017 income tax return, you must file a 2017 Form M1X by October 15, 2021.

Reporting Federal Changes

If you amend your client's federal return or the IRS changes or audits it, you must notify Revenue or amend the Minnesota return within 180 days. If you do not, we will charge a 10% penalty on any additional tax your client owes.

- **If the federal changes affect your client's Minnesota tax return:** File Form M1X and include a copy of the federal amended return or correction notice. Mail to:

Minnesota Amended Individual Income Tax
Mail Station 1060
600 N. Robert St.
St. Paul, MN 55145-1060

- **If the changes do not affect your client's Minnesota tax return:** Send us a letter of explanation and include a copy of the federal amended return or correction notice. Mail to:

Minnesota Revenue
Mail Station 7703
600 N. Robert St.
St. Paul, MN 55146-7703

Preventing Processing Delays

Income Tax

- Confirm the amount of estimated taxes your clients are claiming. Do not assume your clients paid what they were told to pay.
- If you carried forward your clients' prior year refunds to the current year, ask them if we adjusted this refund. If so, our adjustment may affect the refund carried forward to the current year. Our adjustment notice will indicate if the changes affected the refund carried forward.

- The subtraction for military pay should not be more than the total military pay. Do not subtract National Guard pay and then subtract it again as federal active-duty pay.
- When claiming the Credit for Income Tax Paid to Another State (Schedule M1CR), include the income taxed by the other state in Minnesota source income on [Schedule M1NR, Nonresidents/Part-Year Residents](#).
- To see who qualifies for the federal Earned Income Credit, review [federal Form 8867](#).
- When claiming the Alternative Minimum Tax Credit ([Schedule M1MTC](#)), complete [Schedule M1MT, Alternative Minimum Tax](#), and Schedule M1MTC for every year since your client paid alternative minimum tax.
- On [Schedule M1M, Income Additions and Subtractions](#), enter the amount on the correct line of the schedule. Do not enter notations, such as “see statement,” “other subtraction,” or “K1 subtraction.”
- When Form M1 has amounts coming from a Minnesota schedule, be sure to attach the schedule or include it with the electronic return.
- When claiming withholding from one of these schedules, include pages 1 and 2:
 - [Schedule KS, Shareholder’s Share of Income, Credits and Modifications](#)
 - [Schedule KPI, Partner’s Share of Income, Credits and Modifications](#)
 - [Schedule KF, Beneficiary’s Share of Minnesota Taxable Income](#)
- When claiming the [Credit for Increasing Research Activities \(“R&D Credit”\)](#) from a flow-through entity, submit Schedule KS or Schedule KPI with Form M1.
- When using software to prepare a paper return, make sure your client’s Social Security number is **not** masked on the return. This is especially important if the return contains [Schedule M1WFC, Minnesota Working Family Credit](#).

Property Tax Refund

- For [Homestead Credit Refund returns \(Form M1PR\)](#), use the correct property tax statement. For 2020 returns, this would be your client’s Statement of Property Taxes Payable in 2021.
- If your client has multiple [Certificates of Rent Paid \(CRPs\)](#), only file one Renter’s Property Tax Refund return (Form M1PR) and combine the line 3 amounts from the CRPs.
- When computing the special property tax refund on Schedule 1 of Form M1PR, only use the previous year’s special refund on line 31.
- When using software to prepare paper returns, make sure your client’s Social Security number is **not** masked on the return.

S Corporation and Partnership Returns

- If the activity of the business is 100% in Minnesota, you must complete the Minnesota and everywhere columns on the apportionment schedule.

Electronic Filing Threshold ([Minnesota Statute 289A.08, subdivision 16](#))

As a tax preparer, you must file Minnesota individual income, corporate franchise, S corporation, partnership, and fiduciary income tax returns electronically if both of the following apply:

- You are required to file federal returns electronically
- You reasonably expect to prepare more than 10 Minnesota tax returns of the types listed above in any combination

If you do not file electronically when required, you must pay a paper filing fee of \$5 per paper return filed. This fee does not apply to returns we require you to file by paper. For more information about this fee, see [Income Tax Fact Sheet 17, Preparer's Paper-Filing Fee](#).

Tax Return Acknowledgements and Error Rejection Codes

Software providers send an acknowledgement of acceptance as evidence of receiving and accepting your clients' returns. If a return is rejected, you'll receive a rejection notice including the [Error Rejection Code \(ERC\)](#) explaining why the return was not accepted. Explanations of these error codes are located in the [Tax Professionals](#) section of our website.

For more information, go to our website and type **ERCs** into the Search box or call our Electronic Filing Technical Support team at 651-556-4818.

Driver's Licenses and State ID Cards

Minnesota does not require state driver's license or state ID card information on income tax returns. This information will not affect return processing times.

Refund Timing and Direct Deposit

You can check the status of your client's refund online using our [Where's My Refund?](#) system. Our system is updated overnight, Monday through Friday, and provides the most accurate and timely information available. It's also the same information our phone representatives have.

Each tax return is different. We review every return to verify the information on the return and take the time necessary to make sure the right refund goes to the right person.

Direct deposit is the easiest and most secure way for your clients to get their refunds.

Note: We issue paper checks if a bank rejects the direct deposit information.

Payment Options

We encourage you and your clients to make payments electronically. If your clients have a balance due, you may file their returns electronically with a direct debit authorization for electronic payment. Funds are withdrawn in the amount and on the date your clients specify.

This method is a convenient way for your clients to postpone payment until April 15 while ensuring they pay their balance on time. You and your clients can also set up all four estimated income tax payments at once using our [e-Services system](#).

You and your clients can also use other payment options.

- Pay online from a bank account
- Pay online with a credit or debit card (3rd party processing fees apply)
- Pay with a check and payment voucher

Note: When your clients provide a check, it is considered an authorization to make a one-time electronic fund transfer from that account.

For more information on [making a payment](#), go to our website and type **Make a Payment into the Search box or call **1-800-570-3329 (toll-free)**. **Copies of Returns****

You may request a copy of a client's return using [Form M100, Request for Copy of Tax Return](#). We provide a copy of the state return and all submitted attachments. We have copies of returns for the last six years available. If you need a certified copy, you must check the appropriate box on Form M100.

There is a \$5 processing fee per copy of a return, and you must pay it by check or money order before we send copies.

If your clients want to authorize you to receive their tax return information, you must include a completed Form [REV185, Authorization to Release Tax Information](#), with the request. [Federal Form 8821](#) is also acceptable if it specifies the state tax information being released.

Make your check or money order payable to Minnesota Revenue. Send your request to:

Minnesota Revenue
Mail Station 7703
600 N. Robert St.
St. Paul, MN 55146-7703

Return Verification Letters

When reviewing returns, we may take extra steps to protect an individual's identity. To confirm the identity on some returns filed, we may send your clients a letter asking them to verify their return before processing can continue.

The letter directs your clients to our website where they enter the last name on the tax return and a verification code provided in the letter. They also must indicate whether or not you filed the return we received.

Filing Situations for the Property Tax Refund

Below are some special situations you may encounter when filing property tax refund returns.

- 1. Your client owns or lives in a “relative homestead.”** Neither the owner nor the related occupants of a “relative homestead” property are eligible for a property tax refund. The occupants are not eligible because they do not own the property. The owner is not eligible because they do not live in the property.
- 2 Your client wants to claim rent paid for more than 12 months.** Your client rents two units during 2019, and the CRPs show rent paid in both units during the same period of time. You should include rent for only one of the units in the overlapping time. Use the CRP for where your client actually lived at the time.
- 3. Your client owns a home, sells it in 2019, and becomes a renter during the year.** Your client must file as a renter using their total income for the year and rent paid during the rental period. Your client cannot file as a homeowner because they did not own and occupy the home on January 2, 2020.
- 4. Your client rents and then buys a homestead during the year.**
 - You should file one return checking both the renter and homeowner boxes.
 - Calculate the Renter’s Property Tax Refund on lines 16, 17, and 18 of Form M1PR. Then, calculate the Homestead Credit Refund on lines 19 through 22. Add the two refunds on line 23 and report the total refund amount on line 25.
- 5. Your client rents a mobile home and mobile lot from two different landlords.**
 - Both CRPs will cover the same time period. Add the line 3 amounts from the CRPs and list the total on line 16 of Form M1PR.
 - Check the “Mobile Home” and “Mobile Home Lot” boxes.
 - Enclose an explanation so we do not disallow one of the CRPs due to rent paid for an overlapping period of time.
- 6. Your client owns a mobile home but rents the lot on which it’s located.** Your client will file the return as a mobile homeowner. Complete Worksheet 1 in the Form M1PR instructions to compute the amount for line 19.
- 7. A third party paid rent on behalf of your client.** If another party (parents, church, nonprofit organization, etc.) pays your client’s rent, your client may receive credit for the rent on a CRP if the other party paid the funds to your client first. If the other party paid the rent directly to the landlord and your client did not control the funds, your client may not receive credit on a CRP.
- 8. Your client lives in a cooperative (co-op).** Residents of co-ops are considered homeowners for the purpose of this credit. Your client will file as a homeowner, and they should receive a statement from their association allocating the property taxes to each of the residents. Your client must contact their association if they have not received a statement.
- 9. Your client co-owns a mobile home.** Mobile homeowners are treated the same as homeowners. If there are two co-owners, they cannot split the CRP and Property Tax Statement. Only one may file for the property tax refund, and the filer must include the other owner’s income on line 5 of the M1PR. If each owner received a CRP for half of the lot rent, the filer will combine both CRPs and include an explanation.
- 10. Your client has an agricultural homestead.** For the purpose of this credit, your client’s qualifying tax on an agricultural homestead (on line 1 of the property tax statement) is limited to the taxes on the house, garage, and one acre of land.

- 11. Your client has a life estate.** Elderly homeowners may transfer their property to a relative or friend but continue to occupy the property under a life estate. If your client occupies this property and retains an ownership interest in the home, they may qualify for the property tax refund.
- 12. Your client is married but maintains a separate household.** If a married couple lives apart and maintains separate households for an indefinite period of time, they may each file their own property tax refund using only their own income. You must include the other spouse's income for any time the couple lived together. The couple should also include letters with their returns explaining the situation.
- 13. Multiple tenants occupy your client's rental unit.** A landlord must give each tenant a separate CRP and split the rent equally among them, regardless of how much rent each tenant pays.
- Note:** Married couples must receive separate CRPs showing they each paid an equal portion of the rent. They are no longer considered one person when completing a CRP.
- 14. Your client is married, lives with their spouse, and owns a home. Your client has a Social Security number and their spouse has an Individual Taxpayer Identification Number (ITIN).** Since your client has a valid Social Security number and is listed as the property owner, the couple can homestead the property. The couple qualifies for the Homestead Credit Refund.
- 15. Your client rents a unit with transient renters.** If your client rents a unit but has additional people staying there who come and go during the year (transient renters), the landlord should issue a CRP to only the known tenants - usually your client or others listed on the lease.
- Transient renters who did not receive a CRP should request one from the tenants on the lease because it is a sublease situation.
 - If your client issued a CRP to the transient renter, you must reduce their CRP by the amount of rent the transient renter paid. Write this amount in the lower figure on the CRP.
- 16. Your client is a renter with an adult dependent.** If your client's dependent received a CRP splitting the amount of rent, your client should ask the landlord to reissue a corrected CRP. The landlord can write "corrected" at the top of the new CRP. If the landlord will not issue a corrected CRP, add the dependent's CRP information to your client's CRP and include an explanation with their return.
- 17. Your client resides in campgrounds, travel trailers, or campers.** Your clients do not receive a CRP for residing in campgrounds, travel trailers, and campers, even for extended periods of time. This is true even if your client does not have a permanent residence elsewhere. Also, your clients do not receive CRPs for the land rented for a trailer.
- 18. Your client is a part-year resident homeowner.** You must include your client's household income for the entire year. Homeowners include their entire household income because the Statement of Property Taxes Payable reflects the entire year's taxes.
- 19. Your client is a part-year resident renter.** Include only the income your client received while a Minnesota resident. Renters only include their part-year income because the CRP will only reflect part-year rent.
- Note:** If your client rented for part of the year and bought and homesteaded a home by January 2 of the following year, you must use their household income for the entire year.

Chapter 4. Tax Preparer Oversight

Oversight of Tax Preparers

Minnesota law establishes high standards of conduct for paid tax preparers and imposes civil penalties when these standards are not met. (See [Minnesota Statute 270C.445](#).)

Those who are regulated by licensing boards – including attorneys, certified public accountants, and enrolled agents – are not subject to penalties under this section of the law. Instead, these individuals are subject to penalties for willful or reckless understatement of tax. (See [Minnesota Statute 289A.60, subdivision 13](#).)

Standard of Conduct

The following standards of conduct apply to the paid preparers governed by Minnesota Statute 270C.445.

The law states that tax preparers must:

- Act in the best interest of the client
- Promptly complete a client's tax return
- Sign a client's tax return when transaction is complete
- Give a client a copy of any document requiring the client's signature
- Retain a copy of individual income tax returns for at least four years
- Maintain a confidential relationship with clients and former clients
- Safeguard a client's nonpublic personal information
- Safeguard and account for any money handled for the client
- Disclose all information that affect the client's rights and interests

Tax preparers must not:

- Get a client's signature on an incomplete form
- Be dishonest in any aspect of tax preparation
- Require a client to agree to a loan arrangement to complete a tax return
- Charge or accept a fee based on a percentage of an anticipated refund for tax preparation services
- Falsely claim credits or deductions on a client's tax return
- Violate any provision of Minnesota Statute 332.37
- Withhold a document provided by the client for use in preparing the client's tax return
- Create an account to receive a client's refund without the client's name on the account
- If making, providing, or facilitating a refund anticipation loan, fail to provide all disclosures required by the federal Truth in Lending Act, United States Code, title 15, in a form that may be retained by the client
- Include any of these in any documents:
 - A hold harmless clause
 - A confession of judgment or a power of attorney to confess judgment against the client or appear as the client in any judicial proceeding
 - A waiver of the right to a jury trial in any action brought by or against a debtor

- An assignment of or an order for payment of wages or other compensation for services
- A provision stating the client agrees not to assert any claim or defense otherwise available
- A waiver of any provision of this section or a release of any obligation required to be performed on the part of the tax preparer
- A waiver of the right to injunctive, declaratory, or other equitable relief or relief on a class basis

Direct Deposit Limits

Beginning in January 2020, we will only deposit up to five Minnesota tax refunds into a single bank account or debit card. The limitation may affect families who deposit parents' and children's refunds into a family bank account.

The limit applies to financial accounts such as bank checking or savings. If an account or card entered on a tax return exceeds this limit, we will send the refund as a paper check. We will send clients a letter if we make this change to their refund.

We made this change to:

- Prevent criminals from stealing state tax refunds
- Protect clients from tax preparers who deposit client refunds into their own bank accounts

We still encourage your clients to use direct deposit. It is the easiest, most convenient, and most secure way for them to receive their refund. Clients can check the status of their refund by visiting www.revenue.state.mn.us and selecting **Where's My Refund?** under Top Tasks.

Note: As a tax professional, you may not deposit refunds into bank accounts your clients do not own.

Tax Preparer Penalties

If you prepare returns with reckless disregard of laws and rules or willfully attempt to understate tax liabilities or overstate refund claims, we can assess a \$500 penalty per violation. Because we collect this liability like an income tax, we can apply this penalty to your income tax or property tax refund filings. (See Minnesota Statute 289A.60, subdivision 13.)

If you violate the standards of conduct in Minnesota Statute 270C.445, subdivisions 3 and 5, or Minnesota Statute 270C.4451, we can assess a penalty of up to \$1,000 per violation.

See Chapter 13 for more information on tax preparer penalties.

Electronic Filing Requirement

You must electronically file individual income, corporation franchise, S corporation, partnership, and fiduciary tax returns you have prepared if you expect to file more than 10 of these returns in any combination.

You must pay a \$5 fee for each return you do not file electronically. This fee does not apply to returns we require you to file by paper. Payments for this fee are due by:

- **June 15** for paper returns filed between January 1 and April 15

- **January 15 of the following year** for paper returns filed between April 16 and December 31

You may pay this fee by check or electronically in e-Services. For more information, see [Income Tax Fact Sheet 17, Preparer's Paper-Filing Fee](#).

Oversight of Return Preparers - Cease and Desist

We may issue an administrative order requiring you to cease and desist from committing specified violations.

A cease and desist order will:

- Describe the act, conduct, or practice committed and include a reference to the law violated
- Provide notice that you may request a hearing

Within 30 days after we issue the order, you may send a written request for a hearing to review the order. If you do not request a hearing within 30 days, the order becomes final.

If you request a hearing on time, the hearing must begin within 10 days after we receive your request. An administrative law judge has 10 days to issue a report detailing findings of fact, conclusions of law, and a recommended order. You then have five days to submit arguments to us.

Within 15 days of receiving the administrative law judge's report, we must either vacate, modify, or finalize the administrative order. An order issued through this process is in effect until we or an appellate court modify or vacate it. The deadlines and time limits for review of a cease and desist order can be lengthened if you and the department agree to do so.

If you are subject to a cease and desist order and violate the order, we may assess up to a \$5,000 penalty per violation and may revoke your authority to transmit returns electronically to the state. A court may assess up to a \$10,000 penalty for each violation of the cease and desist order.

The standards of conduct, the administrative cease and desist order, and civil actions will apply to tax preparers who are licensed professionals and otherwise exempt if they have:

- Had a professional license suspended or revoked for cause
- Been convicted of any crime of dishonesty or breach of trust
- Been censured, suspended, disbarred under United States Treasury Department Circular 230
- Been sanctioned by a court relating to any client's tax liability or their own liability for
 - Instituting or maintaining proceedings primarily for delay
 - Advancing frivolous or groundless arguments
 - Failing to pursue available administrative remedies
- Failed to file either of the following
 - A required annual return for two of the three preceding tax periods
 - A required return for three of the six preceding tax periods

Publication of Names

We must [publish](#) the names and business addresses of tax preparers who have incurred certain penalties if the preparer is:

- Convicted for identity theft for a return filed with the commissioner, the IRS, or another state

- Assessed a penalty in excess of \$1,000 related to reckless disregard of laws and rules or a willful attempt to understate liability for tax
- Assessed a penalty in excess of \$1,000 related to violating the required standards of conduct
- Subject to a cease and desist order that has become final
- Assessed a penalty for violating a cease and desist order

We provide tax preparers a notice before publishing their names and business addresses.

For more information, see [Tax Preparers Subject to Sanctions](#) on our website and [Minnesota Statute 270C.446](#).

Preparer Tax Identification Numbers (PTINs)

If you have a valid PTIN and do not include it on a return you file, we can assess a \$50 penalty for each failure to include a PTIN on returns you filed. If you are required to have a PTIN but do not have one, we can assess a \$500 penalty for each failure to include a PTIN on returns you filed. For more information, visit [PTIN requirements for Tax Return Preparers](#) on the IRS website.

Reporting a State Tax Crime

If you suspect someone of breaking state tax laws, you can call, email, or write us. You may remain confidential, but it's helpful to provide your contact information in case we need more details or clarification. When reporting a state tax crime, provide the following:

- The name and address of the suspect (or their business)
- What makes you believe they are committing a tax crime
- How you know about the offense, how long it's been going on, and how much money is involved
- Any details you know about the suspect concealing assets or using unreported income
- What records you know about, or have access to, that would show a violation occurred
- The names of anyone else who might be able to provide information or confirm your suspicion
- Other information about the suspect or their financial accounts or assets, such as date of birth, Social Security Number or tax ID number, bank account locations or numbers, etc.

To report violations of federal tax laws, call the IRS at 1-800-829-1040 or go to www.irs.gov.

Note: There is no reward for reporting tax crimes. Under state privacy laws, we cannot disclose what action we take, if any, based on information you provide.

To report a state tax crime:

- **By phone:** Leave a voicemail on our tip line at 651-297-5198 or 1-800-657-3500
- **By email:** Email tax.fraud@state.mn.us
- **By mail:** Send to:
 - Minnesota Department of Revenue
 - Mail Station 6590
 - 600 N. Robert St.
 - St. Paul, MN 55416-6590

Chapter 5. Protecting You and Your Clients from Fraud

Tax professionals continue to be a prime target of cybercriminals. We must all take responsibility for protecting client data from theft. To provide you guidance on data security, the IRS joined with state agencies and the tax industry to form the [Security Summit](#). The summit created a [Taxes-Security-Together Checklist](#) as part of their Taxes-Security-Together campaign.

[IRS Publication 5293, Data Security Resource Guide for Tax Professionals](#), provides basic steps you and your firm can take to protect client data. This step-by-step guide makes data security achievable for tax professionals and firms of all sizes.

Secure Your Systems

The Financial Services Modernization Act of 1999, also known as Gramm-Leach-Bliley Act, requires certain entities – including tax return preparers – to create and maintain a security plan for protecting client data.

According to the Federal Trade Commission (FTC), each company, as part of its plan, must:

- Designate one or more employees to coordinate its information security program
- Identify and assess the risks to customer information in each relevant area of the company's operation and evaluate how effectively current safeguards control these risks
- Design and implement a safeguards program with regular monitoring and testing
- Select service providers that can maintain appropriate safeguards, ensure the contract requires them to maintain safeguards, and oversee their handling of customer information
- Evaluate and adjust the program in light of relevant circumstances, including changes in the firm's business or operations or results from security testing and monitoring

Note that the FTC is re-evaluating the Safeguards Rule and has proposed new regulations. Watch for any changes in the Safeguards Rule and their effect on the tax preparation community.

These publications will help you get started:

- [IRS Publication 4557, Safeguarding Taxpayer Data](#) outlines your obligations to protect taxpayer information. It also has a step-by-step checklist for how to create and maintain a security plan for your digital network and office.
- [FTC Cybersecurity for Small Business](#) includes practical tips for business on creating and implementing a plan for safeguarding personal information.
- [NIST's Small Business Information Security – The Fundamentals \(NISTIR 7621, Revision 1\)](#) provides small businesses with an overview of five principles to secure data: identify, protect, detect, respond, and recover.

Spot Data Theft

You or your firm may be a victim of data theft and not even know it. Here are some common clues to data theft:

- Your clients' e-filed tax returns begin to be rejected because returns with their Social Security Numbers were already filed
- The number of returns filed with your firm's Electronic Filing Identification Number (EFIN) exceeds your number of clients
- Tax professionals or clients respond to emails you or your firm did not send
- Your network computers slow down
- Computer cursors move or numbers change without your input
- Network computers lock you out
- Your clients receive any of the following:
 - IRS authentication letters (Letters 5701C, 4883C, or 5747C) for returns they did not file
 - Refunds for returns they did not file
 - Tax transcripts they did not request
 - IRS online services account emails stating an account was created when they did not create one
 - IRS online services account emails stating their account was accessed or disabled when they did not request it

Create a Data Theft Response Plan

Tax professionals who experience a data theft should report the crime immediately to protect their clients and their firm. The Security Summit recommends you create a response plan so that actions can be taken quickly, and contact information is readily available.

If you fall victim to data theft, immediately:

- **Report it to the local IRS stakeholder liaison.** Stakeholder liaisons will notify IRS Criminal Investigation and others within the agency. Speed is critical. If reported quickly, the IRS can take steps to block fraudulent returns in the clients' names and will assist through the process.
- **Email the Federation of Tax Administrators at StateAlert@taxadmin.org.** Get information on how to report victim information to the states. Most states require that the state attorney general be notified of data breaches. This notification process may involve multiple offices.
- **Call the Minnesota Department of Revenue** at 651-296-3781 or 1-800-652-9094. We will connect you with a fraud coordinator who can assist with determining whether you are a victim and which clients' or tax professionals' information was accessed. We can take steps to block fraudulent returns in your clients' names.
- **Submit an identity theft affidavit for businesses and other entities.** Starting August 6, 2020, federal [Form 14039-B](#) will make it easier for businesses, estates, trusts, and tax-exempt organizations to report identity theft to the IRS. Submitting this form will quickly let the IRS help entities who are victims of identity theft. To access the form, see [Report Identify Theft for a Business](#) on the IRS website.

Find [Data Theft Information for Tax Professionals](#) on the IRS website.

Stay Vigilant

Stay ahead of the thieves by taking certain actions daily or weekly to ensure your clients and your business remain safe:

- **Track your daily e-file acknowledgements.** If there are more acknowledgements than returns you know you filed, dig deeper.
- **Track your weekly Electronic Filing Identification Number (EFIN) usage.** The IRS posts the number of returns filed with your EFIN weekly.
 - Access your [IRS e-Services account](#) and your EFIN application
 - Select “EFIN Status” from the application
 - Contact the IRS e-help Desk if your return totals exceed your number of returns filed
 - Keep your EFIN application up-to-date with all phone, address, or personnel changes
- **Track your weekly Preparer Tax Identification Number (PTIN) usage.** If you are an attorney, CPA, enrolled agent, or [Annual Filing Season Program participant](#) and file 50 or more returns, you can check your PTIN account for a weekly report.
 - Access your [online PTIN account](#)
 - Select “View Returns Filed Per PTIN”
 - Complete federal [Form 14157](#) to report excessive use or misuse of your PTIN
- **If you have a Centralized Authorization File (CAF) Number,** keep your authorizations up-to-date. Remove authorizations for taxpayers who are no longer your clients. For more information, see [IRS Publication 947](#).
- **Create your IRS online accounts using the two-factor Secure Access authentication** to help prevent account takeovers. Go to the [IRS’s Secure Access page](#) to review necessary steps.

Recognize Phishing Scams

A common way cybercriminals steal data is by using phishing scams. The thief may pose as your tax software provider, your data storage provider, your bank, the IRS, or even a prospective client. Thieves may even pose as colleagues whose email accounts were compromised. For tips on defending yourself from phishing scams, see [Don’t Take the Bait](#) from the IRS.

Educate all employees in your office on the dangers of phishing scams. These scams can result in cybercriminals taking over your computer or accounts to steal client data.

- Thieves may hijack your email account to send spam emails under your name, tricking your colleagues and clients into disclosing information
- An even more successful tactic is spear-phishing, where a thief specifically targets you or your firm, perhaps from seeing your email address online
- Generally, phishing or spear-phishing emails have an urgent subject line, enticing you to open a link or attachment such as “Update Your Account Now”
 - **Link:** The link may take you to a fake webpage designed to look like a familiar website such as IRS e-Services. There may also be a call to action, such as “Click Here Now.” You may be asked to enter your username and password for an account, but you are actually disclosing your credentials to thieves.
 - **Attachment:** The attachment may contain software that can infect your computer and network systems (malware). A common malware is keystroke tracking, which allows the criminal to see the

words you type on your device, including your username and password to various accounts. This malware gives them access to your tax software, bank, or encrypted client files.

- A legitimate business will never email and request personal or sensitive information be sent to them via email, unless through a secured mail service.

Guard Against Phishing Emails

Educated employees are the key to avoiding phishing scams, but these simple steps can also help protect you:

- Use separate personal and business email accounts protected with strong passwords and two-factor authentication
- Install an anti-phishing toolbar, which may be included in security software products, to help identify known phishing sites
- Use security software to help protect systems from malware and scan emails for viruses
- Never open or download attachments from unknown senders, including potential clients; try calling them first
- If you must email files with clients, send only encrypted and password-protected documents
- Do not respond to suspicious or unknown emails; if suspicious emails are IRS-related, forward them to phishing@irs.gov

Be Safe on the Internet

Data security takes an ongoing awareness about the threats posed from a variety of sources, including browsing the internet. Here are some general steps for staying safe while using the internet.

- Keep your web browser software up-to-date so it has the latest security features
- Scan files using your security software before downloading them
- Delete web browser cache, temporary internet files, cookies, and browsing history regularly
- Look for the “S” in “HTTPS” connections for web addresses (<https://www.irs.gov>)
- Avoid accessing business emails or information from public Wi-Fi connections
- Disable stored password features offered by some operating systems
- Enable your browser’s pop-up blocker and do not call numbers from pop-ups
- Do not download files, software, or applications from unknown websites
- Note instances where your browser’s home page changes; this could be a sign of malware or intrusion

Stay Connected

We alert tax professionals as quickly as possible when we learn of new scams, which are especially common during the filing season. Sign up for our email updates so you can stay up-to-date with the latest alerts and tax administration issues:

1. Go to www.revenue.state.mn.us and select the gray envelope on the bottom right
2. Enter your email address
3. Check the Tax Scam and Fraud Alerts box under Tax Professionals
4. Select Submit

Chapter 6. Power of Attorney

Access to Information

Your clients have the right to receive and inspect their own private or nonpublic return information. They can also authorize other people (appointees) to obtain their return information from the Minnesota Department of Revenue.

Your clients may grant you [power of attorney](#) (POA) authorization by submitting one of these forms:

- [REV184i, Individual or Sole Proprietor Power of Attorney](#)
- [REV184b, Business Power of Attorney](#)
- [REV185i, Authorization to Release Individual or Sole Proprietor Tax Information](#)
- [REV185b, Authorization to Release Business Tax Information](#)
- [Federal Form 2848](#), if it specifies a Minnesota tax type and tax year
- Any legally sufficient form (e.g., [Minnesota Statutory Short Form Power of Attorney](#))

Your clients' verbal approval is sufficient to disclose return information over the phone, but only if we follow appropriate identity verification procedures and you are on the call with your client.

Verification procedures include, but are not limited to, asking for your clients' personal information:

- Name
- Address
- Social Security or identification number
- Filing status on the return
- Date of birth

Your clients' verbal approval is valid for a one-time release of information and must be obtained again if the call ends or is disconnected.

Mail Correspondence

In the Additional Powers section, your clients can elect to have most of their mail sent to you. The authority states, "Receive all mail except refunds." You will not receive your clients' refunds and some refund correspondence, including:

- Notice of Refund
- Notice of State Tax Refund
- Refund Offset letter
- Refund Warrant Inquiry
- Tribal Agreement Refund
- Unclaimed Property

We will send all other correspondence to the appointees.

Revision Dates

We accept Form REV184 with a revision date of 12/2014 or 01/2017 or Forms REV184i and REV184b with a revision date of 11/2019.

We reject old forms with a revision date of 10/2012 or earlier.

Email Authorization

When communicating with the department through email, we will always send encrypted emails. If you or your client wants you to receive unencrypted emails, submit [Form REV187, Email Authorization](#).

Note: Form REV187 does not grant us authority to release private and nonpublic data. You still need a POA on file to release that information.

Barred or Suspended Professionals

We review POA forms to identify [professionals who have been barred or suspended](#) from practicing before the department because they failed to follow the required standards of ethics and conduct. We cannot process POA forms for these individuals and will reject the form until they have been removed from the ineligible list.

Appointees

You and your clients may only list individuals as appointees. For additional appointees, fill out page two of Form REV184i and Form REV184b.

We reject forms that name a firm or company.

Limited Power of Attorney

We offer several ways for your clients to grant you limited access to their tax information. They must do one of the following:

- Complete Form REV184i or REV184b, check the box granting limited authority, and fill in the tax type or issue and periods
- Complete Form REV185i, REV185b, or REV185 for a one-time release of information
- Check the box on the bottom of certain Minnesota tax returns
 - Checking this box allows disclosure to preparers and associates of the preparer about information from that year's return only. It is valid for one year after the due date for original returns, and one year from the date the form was submitted for amended returns.
 - If you are the third-party designee identified on the federal return and know the federal PIN, we may disclose Minnesota return information.
 - We will not disclose information about post-processing audits of returns.
 - Disclosure covers:
 - Information in and about the return
 - Issues or adjustments we made while processing the return
 - Refund information, including the date and amount of the refund and if there was an offset (except for collection details such as offset amount or which debts the offset paid)
 - Balance due information
 - Documents provided relating to return processing

We will contact tax preparers to discuss issues involved with processing the return, such as clarifying an entry or requesting more information. If you are the designated appointee on your clients' return, we will contact you first to resolve return-related issues. If you do not return our call within three days, we will contact your clients directly.

If your client authorizes you, we will send you all correspondence regarding their return. If we send a letter requesting information or action and you are unresponsive, we will send the letter to your clients.

Third-Party Authorization Limited (Tiered Power of Attorney)

If you are the client's appointee, you may not appoint others to act for them or access their records unless your client provides explicit permission to do so. Your client must document this permission in one of these forms:

- Minnesota Forms REV184i or REV184b
 - Check the box for adding additional appointees in the Additional Powers section
- Minnesota Statutory Short Form Power of Attorney
- Federal Form 2848, Section 5
 - Check the box for substitute or add representatives

Note: Any authority you grant to third parties cannot exceed your authority granted on the original power of attorney form.

Remove Power of Attorney

You or your client can submit a written request or complete [Form REV184r, Revocation of Power of Attorney](#) to remove yourself as a power of attorney. Form REV184r specifically states what is needed to remove the authority.

Chapter 7. Collection Process

The Minnesota Department of Revenue collects past due tax and other state agency debt for the State of Minnesota. To find information about [collection topics](#), go to www.revenue.state.mn.us and enter **Collections** into the Search box.

How does the department notify my clients about debts?

We send written notice (bills) to your clients' last known address. The bill requests payment and notifies your clients of the:

- Amount due
- Reason for the debt
- Breakdown of the debt
- Date the payment is due
- Taxpayer's rights
- Enforced collection actions we can take

How can my clients make a payment?

Businesses and individuals can make payment through any of these methods:

- Electronic bank transfer
- Credit card or debit card
- ACH credit
- Check and voucher
- Money order and voucher
- Cash (in-person only)
- Bank wire transfer

For more information on [making a payment](#), go to www.revenue.state.mn.us and enter **payment options** into the Search box. You may also call us at 651-556-3003 or 1-800-657-3909.

What if my clients cannot pay in full with one payment?

Your clients may request a payment agreement, which allows them to pay in installments. We review each case individually and base our decision to accept the payment agreement on your clients' financial situation. When deciding to accept or deny, we may consider:

- Ability to pay in full and employment condition
- Total amount owed and amount offered per payment
- Length of the agreement and frequency of payments (monthly, biweekly, or weekly)
- Total household income and expenses, which may require a completed financial statement

Note: If your client has an active liquor license, they are **not** allowed to have a payment agreement.

We reserve the right to deny payment agreement requests. If we accept the proposal:

- Your client will make payments by electronic funds transfer (EFT) directly from a bank account.
- We will add a \$50 nonrefundable fee if the payment agreement includes tax debt.
- We may revoke a business' sales tax permit if they do not meet the terms of the payment agreement.

For more information about [payment agreements](#), go to www.revenue.state.mn.us and enter **payment agreement** into the Search box. In the How do I request a Payment Agreement section, select the Payment Plan Agreement System link, and complete the application process.

Your clients may also call us at 651-556-3003 or 1-800-657-3909 to set up a payment agreement.

What happens if my clients do not respond to bills?

If your clients do not respond by the due date on the bill, we may:

- Levy (take) up to 25% of their disposable earnings (wages)
- Levy (take funds from) their bank account
- Seize (take) their property and sell it to pay their debt
- Revoke or deny renewal of their business or professional license
- Offset (take) any vendor payment owed to them by a state agency

We may also file a lien at any time.

What if my client cannot pay the entire amount?

Your clients have the option to request a compromise, which is a written agreement to settle unpaid tax debt for less than the full amount, including penalty and interest. We only consider offers if they are in the state's best interest. When considering an offer, we review your clients' long-term ability to pay the debt.

If your clients would like to request a compromise, they must contact us at 651-556-3003 or 1-800-657-3909 to request a compromise application. We apply different factors than the IRS when considering a compromise offer. We may not approve a compromise the IRS agrees to.

For more information on [compromise](#), go to www.revenue.state.mn.us and enter **compromise** into the Search box.

Chapter 8. Taxpayer Rights Advocate

History and Purpose

Established in 1990, the [Taxpayer Rights Advocate Office](#) is a place for your clients to receive an independent review of their tax situation while promoting and upholding the Minnesota Department of Revenue's fair and equitable application of tax laws. The Advocate Office also reviews policy and procedure issues affecting your clients.

Contact the Taxpayer Rights Advocate Office by:

Phone: 651-556-6013 or 1-855-452-0767

Email: dor.tra@state.mn.us

Mail: Minnesota Revenue
Mail Station 7102
600 N. Robert St.
St. Paul, MN 55145-7102

The advocate helps:

- Ensure fair and consistent application of Minnesota tax law and department policies
- Promote taxpayer issues and concerns to department policymakers and state legislators
- Provide a fresh look at individual tax situations that have exhausted all other administrative avenues
- Suggest solutions to client dilemmas
- Provide a second point of contact if standard lines of communication within the department did not answer all your questions
- Advocate for individual taxpayer concerns when significant hardship occurs
- Intervene if department actions create or will create an unjust and inequitable result for your client

The advocate cannot:

- Change Minnesota tax law for individual situations
- Interfere with normal processing systems unless a documented hardship situation exists
- Change time limits for filing, payment, or refunds
- Act as legal counsel for individual situations
- Help with federal income tax or taxes paid to other states

Case Reviewer (Minnesota Statute 16D.10)

The duties of a case reviewer for the collection of nontax debts have been assigned to the Taxpayer Rights Advocate. The advocate may issue debtor assistance orders if they determine the way the state debt collection laws are administered will create an unjust and inequitable result for your client.

Significant Hardship

We define significant hardship as not being able to provide basic necessities for you and your family. Examples include the inability to:

- Supply appropriate shelter
- Pay for utilities in your home
- Buy essential medication
- Get critical medical treatment for yourself or an immediate family member

Enforcement actions by the department, such as deducting money from wages or bank accounts, do not necessarily constitute a significant hardship. This is true even if these actions might prevent your client from paying bills considered to be as important as the tax bill.

In most cases, the person assigned to your client's case can help resolve the problems. If that person appears unable or unwilling to help in time to avoid a significant hardship, your client may ask for a prompt review by the Taxpayer Rights Advocate Office. If your client has a problem resolving a tax issue with the department and has exhausted all other administrative remedies, the Taxpayer Rights Advocate may be able to help.

Generally, assistance for a financial hardship is limited to one per lifetime for your client.

Chapter 9. How the Department Protects Your Clients' Information

Generally, state tax returns and return information, including information received from the IRS, are classified as private data on individuals or as nonpublic data (or what is considered “confidential” under federal law). This means that the Minnesota Department of Revenue can only disclose information to your clients, to individuals your clients authorize, or as allowed by law.

Data Classifications

All government data are public unless statute or other applicable law classifies them otherwise.

Data related to these taxes are private (for individuals) or nonpublic (for businesses):

- Individual Income
- Withholding
- Corporate Franchise
- Property Tax Refund
- Sales and Use
- MinnesotaCare
- Estate and Fiduciary
- Solid Waste Management
- Motor Vehicle Sales
- Dry Cleaning
- Political Contribution Refunds
- Video Display Device Manufacturer’s Registration Fee (eWaste)
- Prepaid Wireless E911 and Prepaid Telecommunications Access Minnesota Fees

Data related to these taxes are restricted:

- Sports Bookmaking
- Marijuana and Controlled Substances

These taxes are reported and paid anonymously. Information is available only to department employees with specific business reasons for access. We cannot use this information for criminal prosecution or other purposes except for cases involving nonpayment of the tax.

Most data related to these taxes are public:

- Lawful Gambling
- Petroleum and Other Fuels
- Cigarettes and Tobacco
- Liquor
- Real and Personal Property
- Deed and Mortgage Registry

- Insurance
- Hazardous Waste Generator
- Metropolitan Solid Waste and Landfill Fee*
- Minerals*
- Sustainable Forest Incentive*

*Certain limitations or exceptions apply. See Minnesota Statutes for more details.

Access to Information

Your clients, and anyone they authorize, have the right to receive and inspect their tax return information. They may authorize you or another person to obtain information for them. To learn how your client can authorize you to receive information, see **Chapter 6. Power of Attorney** in this manual.

Taxpayer Rights Notifications

We must prepare and distribute statements explaining the following:

- The rights and obligations of your clients and the department during an audit
- Administrative and judicial appeal procedures
- The process for filing refund claims and complaints
- Our enforcement procedures, including assessment, jeopardy assessment, levy and distraint, and liens

We must provide the notice to all taxpayers we contact about the determination or collection of a tax. Failure to receive these statements, however, does not change our time limit to assess or collect taxes or your clients' time limit for filing refund claims.

For details on taxpayer rights notifications, [see Minnesota Statute 270C.28](#).

Chapter 10. Recent Court Cases

YAM Special Holdings, Inc., Supreme Court of Minnesota, A20-0021, August 12, 2020

The Minnesota Supreme Court agreed with the tax court decision that the sale of a partial interest in operating subsidiaries generating income for a unitary business is subject to Minnesota income taxation.

The Court held that taxation of the gain from the sale is business income of a unitary business. It does not violate the due process clauses of the United States and Minnesota constitutions “because it is business income of a unitary business and that unitary business has a sufficient connection to Minnesota to satisfy due process principles.”

In this case, YAM Special Holdings, Inc. (YAM), an Arizona S corporation, sold a majority interest in the operating subsidiaries of the internet-based business GoDaddy. YAM reported the gain from the sale as nonbusiness income, which it claimed was not subject to Minnesota income taxation.

The commissioner of Revenue assessed tax on an apportioned share of the gain. On appeal, the tax court concluded that although YAM did not own or lease real or tangible personal property in Minnesota and did not have an employee working from Minnesota during the relevant period, the income from the sale was business income subject to Minnesota income taxation.

The Minnesota Supreme Court affirmed the ruling. The Court reasoned that the income generated from the sale of the majority interest was business income of a unitary business, subject to apportionment because the “value of the operating subsidiaries was based, in part, on the success of YAM’s business operations, which includes YAM’s revenue generated from Minnesota sales.”

Chapter 11. Penalties under Minnesota Law

Tax Preparer Penalties

Penalty for Failure to Provide Federal ID

If you prepare Minnesota income tax returns, you must provide the same Preparer Tax ID Number (PTIN) on the Minnesota return as on the federal return. If you do not, we can assess a \$50 penalty for each failure.

If you are required to have a PTIN but do not have one, we can assess a \$500 penalty each time you do not include a PTIN on returns you filed. (See [Minnesota Statute 289A.60, subdivision 28.](#))

Reckless Disregard

If you prepare returns with reckless disregard of laws and rules or willfully attempt to understate tax liabilities or overstate refund claims, we can assess a \$500 penalty per return. We can apply this penalty to income tax or property tax refund filings. (See [Minnesota Statute 289A.60, subdivision 13.](#))

Violation of Standards of Conduct

If you violate the standards of conduct in [Minnesota Statute 270C.445, subdivision 6](#), we can assess a penalty of up to \$1,000 per violation.

Individual Income Tax Penalties

Penalty for Fraudulent Claim of a Refundable Credit

If your clients file a false or fraudulent return claiming a refund, we will assess a penalty based on the refund attributable to fraud. In addition, we will also assess a penalty if the return was filed with the intent to evade or defeat a tax or payment of tax.

The penalty is 50% of the claimed refund attributable to the fraud. This penalty applies to both income tax and property tax refund returns, including refunds based on refundable credits. (See [Minnesota Statute 289A.60, subdivision 6.](#))

The penalty for filing a false or fraudulent return with the intent to evade or defeat a tax or payment of tax is 50% of the tax due for the period to which the return related.

Frivolous Return Penalty

This penalty applies if your clients:

- File what purports to be a tax return or a claim for refund that is substantially incorrect due to a position that is frivolous or a desire to delay or impede tax law administration
- File what purports to be a tax return or a claim for refund, but does not contain information for us to use to determine the return's substantial correctness due to a position that is frivolous or a desire to delay or impede tax law administration

The penalty is \$1,000 or 25% of the amount of tax required to be shown on the return, whichever is greater. (See [Minnesota Statute 289A.60, subdivision 7.](#))

Late Payment Penalty

If your clients pay all or part of the Individual Income Tax due after the due date of their income tax returns (April 15, 2021, for most individuals), we will assess a penalty of 4% of the unpaid tax. We will not assess a late payment penalty if your Individual Income Tax clients do both of these:

- Pay at least 90% of their tax liability on or before the due date
- File their return and pay any remaining balance due by October 15

For more information, see [Minnesota Statute 289A.60, subdivision 1](#).

Late Filing Penalty

There is no late filing penalty if your clients file their tax returns within six months of the due date. If they do not file within six months, we will assess a late filing penalty equal to 5% of their unpaid tax. (See [Minnesota Statutes 289A.60, subdivision 2](#).)

Extended Delinquency Penalty

If your clients file Individual Income Tax returns and do not pay the tax due within 180 days after the date of filing the return, assessment date, or final resolution of an appeal, we will assess a 5% extended delinquency penalty.

We impose an additional penalty for failure to file a tax return within 30 days after providing your clients with written requests for missing returns. The penalty is \$100 or 5% of the tax not paid prior to our written request, whichever amount is greater. This penalty also applies to requests which result in a refund. (See [Minnesota Statute 289A.60, subdivision 2\(a\)](#).)

Underpayment Penalty

Note: These provisions are for tax year 2020. Special rules were implemented for tax year 2019.

If your clients do not make required payments timely (through estimated tax or withholding), they will owe an underpayment penalty or Additional Tax Charge (ATC).

You calculate this penalty by applying our interest rate for that tax year to the amount underpaid for each payment period. You must complete Schedule M15, *Underpayment of Estimated Income Tax*, and file it with the income tax return. We do not charge penalties or interest on the unpaid ATC. (See [Minnesota Statute 289A.25, subdivision 2](#).)

Your clients are not subject to the underpayment penalty if any of the these apply:

- Tax due with the income tax return is less than \$500 (after subtracting withholding and credits)
- Withholding, refundable credits, and required, timely estimated tax payments equal 90% of their current-year tax liability
- Withholding, refundable credits, and required, timely estimated tax payments equal 100% of their prior-year tax liability* (or 110%, if last year's AGI was greater than \$150,000)
- For Minnesota residents, their prior-year tax liability was zero and last year included all 12 months
- They meet the IRS exceptions to the penalty; in this case, attach a copy of federal request to Form M1, *Individual Income Tax*, and do not file Schedule M15, *Underpayment of Estimated Income Tax*.

**Part-year and nonresidents must have had at least \$1 in Minnesota tax liability on their prior year return to use this clause.*

We consider one-fourth of your clients' withholding and refundable credits to be paid on each of the payment due dates, regardless of when the amounts were actually withheld. Your clients may establish the dates these amounts were actually withheld if they choose to do so. (See [Minnesota Statute 289A.25, subdivision 8.](#))

If your clients receive income unevenly or skewed toward the latter half of the year, they should use the annualized income installment worksheet on Schedule M15. Completing this worksheet may reduce or eliminate the penalty if your clients made larger estimated tax payments in later payment periods. We assume your client received their income evenly throughout the year unless they file this worksheet to show otherwise.

Substantial Understatement of Liability Penalty

If your Individual Income Tax clients understate their tax by at least \$5,000 or 10% of the tax they must show on their returns, we will assess a 20% penalty on the amount of any underpayment attributable to the understated amount.

If your clients show that they acted in good faith and had reasonable cause for the understatement, we may reduce or cancel (abate) all or part of the penalty. (See [Minnesota Statute 289A.60, subdivision 4.](#))

Intentional Disregard of Law or Rules Penalty

If all or part of an additional tax assessment is due to negligence or intentional disregard of the tax law or rules without intent to defraud, we will assess a 10% penalty on the additional tax. (See [Minnesota Statute 289A.60, subdivision 5.](#))

Failure to Provide Correct Identification Number

We can assess a penalty if both of these apply:

- The commissioner notifies a partnership or S corporation that an identification number is incorrect
- The partnership or S corporation provides an incorrect Social Security Number on an information return

The penalty is \$50 for each incorrect identification number. (See [Minnesota Statute 289A.60, subdivision 8\(b\).](#))

Penalty for Filing a Claim Against Minnesota Department of Revenue Employees

We assess this penalty when your clients file "nuisance" liens or documents against department employees. Examples of nuisance documents would be fictitious documents filed outside normal channels that are not recognized as an official court and made to look like official legal documents.

The penalty is \$1,000 per document filed. Clients must file official court records when filing a lien against a department employee for damages resulting from their duties. (See [Minnesota Statute 270C.26.](#))

Property Tax Refund Penalties

- If a claim for a property tax refund is excessive and the return was negligently prepared, we will assess a 10% penalty based on the amount disallowed. We may assess this penalty even if we reduce the refund to zero.
- If landlords fail to give a Certificate of Rent Paid to a renter (without reasonable cause), we will assess a

penalty of \$100 for each failure.

- If owners or managing agents knowingly give Certificates of Rent Paid exaggerating the amount of rent, we will assess a penalty of \$100 or 50% of the excess amount reported, whichever is greater. We presume that these individuals knowingly exaggerated the rent paid if the overstatement is 10% or more of the actual rent paid.

For more information, see [Minnesota Statute 289A.60, subdivision 12](#).

Abatement of Penalty and Interest

Abatement is a reduction or cancellation of a penalty or interest. Examples of penalties you can ask us to abate may include penalties for:

- Filing tax returns late
- Paying tax debts late
- Failing to make estimated deposits as required
- Failing to file or pay by electronic funds transfer

We generally abate penalties for reasonable cause. “Reasonable cause” is considered circumstances beyond your clients’ control preventing them from filing or paying tax on time. You may ask us to cancel or reduce penalties, additional tax charges, and interest for late filing or payment if you have a reasonable cause or are negatively affected by the COVID-19 pandemic.

You must submit abatement requests in writing and postmark them within 60 days of our first written notice of penalty. Include an explanation of the specific events or circumstances preventing your clients from filing or paying on time. (See [Minnesota Statute 270C.34](#).)

You may request this relief, called an abatement, after we notify you of a penalty. See [Penalty Abatement for Individuals](#) or [Penalty Abatement for Businesses](#).

You should pay your tax by the due date unless you are financially unable to make the payment.

Appendix. Individual Income Tax Resources

Fact Sheets

The following is a [list of Individual Income Tax fact sheets](#) available on the Minnesota Department of Revenue website. We update these fact sheets annually.

Income Tax Fact Sheet Title	Fact Sheet Number
Aliens	16
Credit for Parents of Stillborn Children	24
Filing on Behalf of a Deceased Taxpayer	9
Filing Past-Due Returns	12
K-12 Education Subtraction and Credit	8
Military Personnel – Residency	5
Military Personnel – Subtractions, Credits, and Extensions	5a
Municipal Bond Payment Reporting Information	19
Nonresidents	3
Part-Year Residents	2
Preparer’s Paper Filing Fee	17
Qualifying Home School Expenses for K-12 Education Subtraction and Credit	8a
Reciprocity	4
Residency	1
Seniors	6
Taxpayers with Disabilities	20
U.S. Government Interest	13

Other Facts Sheets

- [Nonresident Wage Income Assigned to Minnesota \(Withholding Fact Sheet 19\)](#)
- [Senior Citizen Property Tax Deferral \(Property Tax Fact Sheet 7\)](#)

Informational Handouts Available in Other Languages

These handouts [are available in Spanish, Hmong, and Somali](#):

- Working Family Credit ... Get Credit for Working!
- I owe the Minnesota Department of Revenue. Now What?
- How do I make a payment?
- What are my rights as a taxpayer?
- Minnesota Revenue is auditing (reviewing) my tax return. Now what?
- How to Select a Tax Preparer
- Free Tax Preparation Sites
- What should I bring with me?
- Penalty and interest
- K-12 Education Subtraction and Credit

Revenue Notices

Revenue notices are policy statements we may publish to provide interpretation, details, or supplementary information concerning Minnesota tax laws or rules. (See [Minnesota Statute 270C.07](#).) We publish them for the information and guidance of taxpayers, local government officials, the department, and others concerned.

For a [list of current revenue notices](#), go to our website and type **Revenue Notice** into the Search box. The first two digits of each revenue notice indicate the year we issued the notice. You can sort revenue notices by title, tax type, and Revenue Notice type.

If you have ideas for Revenue Notice topics, contact us at 651-556-6606 or taxpro.outreach@state.mn.us.

Legislative Bulletins

[Legislative bulletins](#) are annual information notices we prepare. At the end of each legislative session, the bulletins summarize and highlight many of the significant tax-related law changes enacted during that session. If there are questions about the impact of a particular law change, consult the [Minnesota Statutes](#).

Tax and Interest Rates

2020 Interest Rate

The interest rate for 2020 is 5%.

Interest Paid and Received

We assess and pay interest in some circumstances.

- We pay interest on income tax refunds of original returns starting 90 days after the due date. If your clients file a return late, we pay interest starting 90 days after the return is filed.

- If your clients owe delinquent taxes, they must pay interest on both the amount of penalty owed and the amount of tax owed. We calculate interest from the date the tax is due. The income tax due date is April 15, 2021.

2020 Individual Income Tax Rates

This table shows the tax rate applied based on your filing status and income range.

Tax Rates	5.35%	6.80%	7.85%	9.85%
Single	\$0 - \$26,960	\$26,961 - \$88,550	\$88,551 - \$164,400	\$164,401 +
Head of Household	\$0 - \$33,190	\$33,191 - \$133,360	\$133,361 - \$218,540	\$218,541 +
Married Filing Jointly	\$0 - \$39,410	\$39,411 - \$156,570	\$156,571 - \$273,470	\$273,471 +
Married Filing Separately	\$0 - \$19,705	\$19,706 - \$78,285	\$78,286 - \$136,735	\$136,736 +