



2024 Schedule NIIT, Net Investment Income Tax

Taxpayer Name _____

FEIN, SSN, or ITIN _____

Minnesota Tax ID _____

Part 1 — Net Investment Income Calculation

- 1 Enter the total investment income from your federal Form 8960, line 8. **1** ■ _____
- 2 Total net gain included in line 1 relating to dispositions of Class 2a property (*see instructions*) **2** ■ _____
- 3 Net interest and mutual fund dividends from U.S. bonds **3** ■ _____
- 4 Add lines 2 and 3. **4** ■ _____
- 5 **Total Minnesota Investment Income.** Subtract line 4 from line 1 **5** ■ _____
- 6 Enter the total deductions and modifications from your federal Form 8960, line 11 **6** ■ _____
- 7 Total deductions and modifications included in line 6 relating to the Class 2a property reported on line 2. **7** ■ _____
- 8 **Total Minnesota Deductions and Modifications.** Subtract line 7 from line 6 **8** ■ _____
- 9 **Minnesota Net Investment Income.** Subtract line 8 from line 5. **9** ■ _____

Part 2 — Individual Tax Computation

- 10 Minnesota net investment income (*from line 9 above*). **10** _____
- 11 Subtract \$1,000,000 from line 10. If the result is less than zero, enter zero and stop. **11** ■ _____
- 12 Multiply line 11 by one percent (0.01) **12** ■ _____
- 13 Amount of line 10 allocated to Minnesota. (*see instructions*) **13** ■ _____
- 14 Divide line 13 by line 10. Carry to five decimal places **14** ■ _____
- 15 **Minnesota Net Investment Income Tax.** Multiply line 12 by line 14. Enter here and on line 14 of Form M1 . . . **15** ■ _____

Part 3 — Estate and Trust Tax Computation

- 16 Minnesota net investment income (*from line 9 above*). **16** _____
- 17 Amount of line 16 that is distributed to beneficiaries or charities. **17** ■ _____
- 18 **Undistributed Minnesota Net Investment Income.** Subtract line 17 from line 16 **18** ■ _____
- 19 Subtract \$1,000,000 from line 18. If the result is less than zero, enter zero and stop. **19** ■ _____
- 20 Multiply line 19 by one percent (0.01) **20** ■ _____
- 21 Amount of line 18 allocated to Minnesota. (*See instructions*). **21** ■ _____
- 22 Divide line 21 by line 18. Carry to five decimal places **22** ■ _____
- 23 **Minnesota Net Investment Income Tax.** Multiply line 20 by line 22. Enter here and on line 12 of Form M2 . . . **23** ■ _____



2024 Schedule NIIT Instructions

Who Should File Schedule NIIT

You must complete Schedule NIIT if you are an individual, estate, or trust taxpayer with over \$1,000,000 of investment income. When completing this schedule, you will determine your Minnesota net investment income (see below) and if you owe Minnesota net investment income tax. The Minnesota net investment income tax does not apply to corporate taxpayers.

If you are a nonresident alien of the United States and not subject to the federal net investment income tax, you may still be subject to the Minnesota net investment income tax. Complete a pro-forma federal Form 8960 and include it with your Schedule NIIT.

Minnesota Net Investment Income

Minnesota net investment income is federal net investment income as defined under Internal Revenue Code (IRC) section 1411 that is sourced to Minnesota. Federal net investment income includes, but is not limited to:

- Interest
- Dividends
- Capital gains
- Rental and royalty income
- Non-qualified annuities
- Income from businesses involved in trading of financial instruments or commodities and businesses that are passive activities to the taxpayer (within the meaning of IRC section 469)
- Deductions allocated to the items of gross investment income

Federal net investment income does not include any amount of gain that is excluded from gross income for regular income tax purposes. For example, IRC section 121 exempts the first \$250,000 (\$500,000 if married and filing a joint return) of gain recognized on the sale of a principal residence from gross income for regular income tax purposes.

Minnesota net investment income does not include net gains attributable to dispositions of property classified as class 2a property under Minnesota Statute section 273.13, subdivision 23.

Class 2a Property

Class 2a agricultural land consists of parcels of property, or portions thereof that are agricultural land and buildings. If the property has multiple property classifications and the county assessor can practically separate the acreage of each classification type, then only the acreage that is attributable to class 2a may be excluded from the Minnesota net investment income tax. See lines 2 and 7 for more details.

You may identify a property's classification on its property tax statement for the year of the disposition or by contacting the county assessor. Flow-through entities will include whether a gain is from a disposition of class 2a property on:

- Lines 21 and 22 of Schedules KPI and KS
- Lines 23 and 24 of Schedule KPC
- Lines 30 and 31 of Schedule KF

Investments and Mutual Fund Dividends from U.S. Bonds

Stocks and obligations of the U.S. Government are exempt from taxation by states under IRC section 3124. Any stocks and obligations exempt under this federal law are not subject to the Minnesota net investment income tax. See line 3 for more details.

Flow-through entities will include whether interest is from a U.S. bond on:

- Line 14 of Schedules KPI and KS
- Line 17 of Schedule KPC
- Line 16 of Schedule KF

How to File

Schedule NIIT is included with Form M1 or Form M2 as a supplemental schedule. The tax amount from Schedule NIIT will be reported on:

- Line 14 of Form M1
- Line 12 of Form M2

Composite Tax or Pass-Through Entity (PTE) Tax

Schedule NIIT may **not** be included with Form M3 or Form M8. Any partner or shareholder electing composite income tax or PTE tax to satisfy their filing requirement must file Schedule NIIT with Form M1. In these situations, the Form M1 will only report the net investment income tax due on line 14 and will not report any other tax lines or tax benefits. The composite income tax or PTE tax can still satisfy the partner's or shareholder's tax for the distributive share of the entity's business income.

Estimated Payments

The Minnesota net investment income tax is subject to the same estimated tax provisions as other individual, estate, or trust taxes. If you expect to be subject to the Minnesota net investment income tax, you should adjust your income tax withholding or estimated payments to account for the tax increase in order to avoid underpayment penalties.

Continued

Line Instructions

Part 1. Net Investment Income Calculation

All taxpayers that may be subject to Minnesota net investment income tax must complete Part 1.

Line 1

Include the amount of total investment income from line 8 of your federal Form 8960 regardless of the source of the income.

Line 2

Include any net gain reported within line 8 of your federal Form 8960 that relates to dispositions of class 2a property located in Minnesota. The amount reported on this line cannot exceed the amount reported on line 1.

See **Class 2a Property** above, for more information.

Line 3

Include federally taxable interest reported within line 8 of your federal Form 8960 that you received from:

- U.S. bonds, bills, notes, savings bonds, and certificates of indebtedness
- Sallie Mae bonds
- Dividends paid to you by mutual funds that are attributable to these bonds
- U.S. Government interest and dividends you received as partner of a partnership, shareholder of an S corporation, or beneficiary of a trust

Reduce these amounts by any related investment interest and other expenses deducted within line 11 of your federal Form 8960. Do not include interest or dividends attributable to Ginnie Mae, Fannie Mae, or Freddie Mac bonds. If you received interest from a government source not listed, see Income Tax Fact Sheet 13, U.S. Government Interest.

The amount reported on this line cannot exceed the amount reported on line 1.

See **Investments and Mutual Fund Dividends from U.S. Bonds** above, for more information.

Line 6

Include the amount of deductions and modifications from line 11 of your federal Form 8960 regardless of the source of the income. Reduce this amount by the deductions already included in the calculation for line 3.

Line 7

Include the amount of deductions and modifications reported within line 11 of your federal Form 8960 that relate to dispositions of class 2a property located in Minnesota reported on line 2 of this schedule. The amount reported on this line cannot exceed either the amount reported on line 2 or line 6 of this schedule.

Line 9

Subtract line 8 from line 5. If the result is less than zero, enter zero.

This is your Minnesota net investment income. Also include this amount on either line 10 or line 16 of this schedule.

Part 2. Individual Tax Computation

Complete Part 2 if you are an individual taxpayer that files Form M1. You will not need to complete Part 3.

Line 10

Include on line 10 the amount of Minnesota net investment income calculated on line 9.

Line 11

Subtract \$1,000,000 from line 10 and enter the result on line 11.

If the result on line 11 is more than \$0, continue with line 12. If line 11 is \$0 or less, stop. You are not subject to the Minnesota net investment income tax.

Line 12

Multiply the amount on line 11 by the one percent tax rate and include the result on line 12.

Line 13

Include on line 13 the amount of line 9 that is allocated to Minnesota according to Minnesota Statute section 290.17. Minnesota residents allocate 100% of income to Minnesota. For part-year residents or nonresidents of Minnesota, use the guidance within the instructions for Schedule M1NR, *Nonresidents/Part-Year Residents*, lines 1 through 8, to determine the amount allocated to Minnesota. Include an attachment with the calculation of the amount reported on this line.

Line 14

Divide the amount allocated to Minnesota on line 13 by the total Minnesota net investment income tax on line 10 and include the result on line 14. Carry the result to five decimal places.

Line 15

Multiply the tax amount on line 12 by the allocation ratio on line 14. Include the result on line 15 and on line 14 of Form M1.

Continued

Part 3. Estate and Trust Tax Computation

Complete Part 3 if you are an estate or trust taxpayer that files Form M2. You will not need to complete Part 2.

Line 16

Include on line 16 the amount of Minnesota net investment income calculated on line 9.

Line 17

Include on line 17 the amount of line 16 that was distributed to a beneficiary or charity.

Line 18

Subtract line 17 from line 16. This is the undistributed Minnesota net investment income retained by the estate or trust.

Line 19

Subtract \$1,000,000 from line 18 and include the result on line 19.

If the result on line 19 is more than \$0, continue with line 20. If line 19 is \$0 or less, stop. You are not subject to the Minnesota net investment income tax.

Line 20

Multiply the amount on line 19 by the one percent tax rate and include the result on line 20.

Line 21

Include on line 21 the amount of line 18 that is allocated to Minnesota according to Minnesota Statute sections 290.17, 290.191, and 290.20. Use the guidance within the instructions for Schedule M2NM, *Non-Minnesota Source Income and Related Expenses*, lines 1 through 8 and 17 through 25, to determine the amount allocated to Minnesota. Include an attachment with the calculation of the amount reported on this line.

Line 22

Divide the amount allocated to Minnesota on line 21 by the total Minnesota net investment income tax on line 18 and include the result on line 22. Carry the result to five decimal places.

Line 23

Multiply the tax amount on line 20 by the allocation ratio on line 22. Include the result on line 23 and on line 12 of Form M2.