



# 2020 Schedule M4NC, Federal Adjustments

Minnesota has not adopted the federal law changes made after December 31, 2018, that affect federal taxable income for tax year 2020. This schedule allows for any necessary adjustments required to file a state tax return.

Tax year beginning (MM/DD/YYYY) \_\_\_\_ / \_\_\_\_ / \_\_\_\_ ,and ending (MM/DD/YYYY) \_\_\_\_ / \_\_\_\_ / \_\_\_\_

\_\_\_\_\_  
 Name of Corporation/Designated Filer FEIN Minnesota Tax ID Number

*Before you complete this schedule, read the instructions which are on a separate sheet.*

**Enter amounts as a positive or negative. Round amounts to nearest whole dollar.**

**Adjustments to Federal Taxable Income (FTI)**

- 1 Paycheck Protection Program (CARES Act Sec. 1102, 1106) ..... 1 ■ \_\_\_\_\_
- 2 Charitable contribution deduction limitation (CARES Act Sec. 2205) ..... 2 ■ \_\_\_\_\_
- 3 Exclusion for employer payments of student loans (CARES Act Sec. 2206) ..... 3 ■ \_\_\_\_\_
- 4 Refundable credit equal to 50% COVID wages (CARES Act Sec. 2301). ..... 4 ■ \_\_\_\_\_
- 5 Modification of business interest limitation (CARES Act Sec. 2306) ..... 5 ■ \_\_\_\_\_
- 6 Qualified improvement property technical fix (CARES Act Sec. 2307) ..... 6 ■ \_\_\_\_\_
- 7 Employer credit for paid medical leave and Employer payroll credit for required paid family leave (FFCRA Sec. 7001, 7003) ..... 7 ■ \_\_\_\_\_
- 8 TCDTR basis and depreciation provisions (TCDTR Sec. 114, 115, 116, 117, 118, 130, 131, 132). ..... 8 ■ \_\_\_\_\_
- 9 TCDTR credit provisions impacting basis and depreciation (TCDTR Sec. 122, 124, 125, 126, 129) ..... 9 ■ \_\_\_\_\_
- 10 TCDTR credit provisions impacting business expenses (TCDTR Sec. 111, 113) ..... 10 ■ \_\_\_\_\_
- 11 Look-through rule for related controlled foreign corporations (TCDTR Sec. 145). ..... 11 ■ \_\_\_\_\_
- 12 Employee retention credit for employers affected by qualified disasters (TCDTR sec. 203) ..... 12 ■ \_\_\_\_\_
- 13 Temporary suspension of limitations on charitable contributions (TCDTR sec. 204(a)) ..... 13 ■ \_\_\_\_\_
- 14 Other adjustments to federal taxable income ..... 14 ■ \_\_\_\_\_
- 15 This line intentionally left blank ..... 15 ■ \_\_\_\_\_
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Name of Corporation/Designated Filer \_\_\_\_\_ FEIN \_\_\_\_\_ Minnesota Tax ID Number \_\_\_\_\_

- 22 This line intentionally left blank ..... 22 ■ \_\_\_\_\_
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- 24 This line intentionally left blank ..... 24 ■ \_\_\_\_\_
- 25 Total lines 1-24. If the result is positive, enter it on Form M4I, line 2i.  
If the amount is negative, enter it as a positive number on Form M4I, line 4o. .... 25 ■ \_\_\_\_\_

You must include this schedule when you file Form M4.



# Nonconformity Adjustment Instructions

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**For taxpayers affected by federal tax law passed after December 31, 2018.**

## Purpose of This Schedule

Minnesota defines net income as federal taxable income (FTI) as defined by the Internal Revenue Code, as amended through December 31, 2018 (referred to as “2018 IRC”). Since that date, Congress has enacted the following:

- Taxpayer Certainty and Disaster Tax Relief (TCDTR) 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 No: 116-147 (S.4116) of 2020

These acts contain changes affecting FTI for tax year 2020. Because Minnesota has not adopted these federal changes, adjustments are required to correctly determine your Minnesota taxable income.

## Who Must File Schedule M4NC?

You must adjust FTI on your 2020 Minnesota return if any of the following federal provisions affect the amount of taxable income reported on your 2020 federal Form 1120, U.S. Corporation Income Tax Return.

Use the Schedule M4NC and these instructions to complete your Minnesota return. The adjustment for each line should reflect the change to FTI due to the difference between the item calculated on your 2020 federal return and the item calculated under 2018 IRC. Each line will also include the net adjustments received from Schedule(s) KPCNC for your pro rata share in a partnership(s).

If the change results in a reduction of your FTI, enter the adjustment as a negative number. If the change results in an increase of your FTI, enter the adjustment as a positive number. For purposes of calculating the adjustment, any federal regulation, ruling, or other guidance issued under 2018 IRC applies.

Save your entire 2020 Minnesota Form M4, Schedule M4NC, and all worksheets you use in determining the adjustments.

## Line Instructions

### Line 1 - Paycheck Protection Program (CARES Act Sections 1102, 1106)

If you claimed Paycheck Protection Program loan forgiveness on your federal return, take the amount that was excluded from gross income for federal purposes and subtract the amount that would have been deductible as a business expense if you had not claimed the loan forgiveness treatment. Include the amount as a positive number.

Incorporate the modifications included in the PPPFA and S.4116 in the above described adjustments made as a result of Section 1106 of the CARES Act.

### Line 2 – Charitable Contribution Deduction Limitation (CARES Act Section 2205)

If your federal deduction for charitable contributions exceeds the deduction allowed under 2018 IRC, include the excess as a positive number.

### Line 3 – Exclusion for Employer Payments of Student Loans (CARES Act Section 2206)

If you were not allowed to deduct business expenses as a result of this provision on your federal return, include the amount of the disallowed employee student loan payments as a negative number.

### Line 4 – Refundable Credit Equal to 50% COVID Wages (CARES Act Section 2301)

If you were not allowed to deduct wages due to claiming the refundable payroll tax credit on your federal return, include the amount of the disallowed wages as a negative number.

### Line 5 – Modification of Business Interest Limitation (CARES Act Section 2306)

#### For entities with a different Minnesota combined group and federal consolidated group

If your Minnesota combined group is different than your federal consolidated group, enter 0 on line 5 and include the adjustment required due to CARES Act Section 2306 in the calculation of Form M4I, line 1b. See page 8 of the M4 instructions for details.

#### For entities with the same Minnesota combined group and federal consolidated group

If your Minnesota combined group is the same as your federal consolidated group, review the following instructions to determine if an adjustment is needed due to CARES Act Section 2306.

The CARES Act created a special rule increasing the amount of business interest that can be deducted for the tax year for federal purposes from 30% to 50%. The Minnesota limitation has not changed. You must calculate a nonconformity adjustment if:

- Your business interest expense deduction exceeds the sum of 30% of your adjusted taxable income, your business interest income, and your floor plan financing interest; or
- You have Minnesota-only excess business interest expense carried forward from your 2019 Minnesota return.

# Nonconformity Adjustment Instructions

Determine the difference between your federal deduction and the deduction allowable using 30% of your adjusted taxable income. Use the federal Form 8990 as a worksheet to recalculate the Minnesota interest expense limitation under 2018 IRC. Write “Minnesota” at the top of this Form 8990 (referred to as Minnesota Form 8990) and include it with your return.

If your interest expense allowable under 2018 IRC is less than your federal interest expense, enter the difference as a positive number on line 5. If your interest expense allowable under 2018 IRC is more than your federal interest expense, enter the difference as a negative number on line 5.

## **Line 6 – Qualified Improvement Property Technical Fix (CARES Act Section 2307)**

If you claimed federal bonus depreciation on qualified leasehold improvement property, qualified restaurant property, or qualified retail improvement property, determine the difference between the federal bonus depreciation you claimed on this property, and the cost recovery deduction or expensing method you would have been able to claim prior to the CARES Act. Include the result as a positive number.

If you claimed bonus depreciation on this property on your 2019 return and made a nonconformity adjustment on your 2019 return to addback the amount not allowed for Minnesota purposes, you may calculate the depreciation you would have been able to claim prior to the CARES Act for 2020. Include this amount as a negative number.

## **Line 7 – Employer Credit for Paid Medical Leave (FFCRA Section 7001) and Employer Payroll Credit for Required Paid Family Leave (FFCRA Section 7003)**

### **Section 7001. Employer Credit for Paid Medical Leave**

If you were not allowed to deduct wages due to claiming the Employer Credit for Paid Medical Leave on your federal return, include the amount of the disallowed wages as a negative number.

### **Section 7003. Employer Payroll Credit for Required Paid Family Leave**

If you were not allowed to deduct wages due to claiming the Employer Payroll Credit for Required Paid Family Leave on your federal return, include the amount of the disallowed wages as a negative number.

## **Line 8 – TCDTR Basis and Depreciation Provisions (TCDTR Sections 114, 115, 116, 117, 118, 130, 131, 132)**

### **Section 114. Classification of Certain Race Horses as 3-year Property**

If you own race horses and you claimed a 3-year recovery period on your federal return, calculate the difference between the 3-year recovery period and the recovery period you would have been allowed under 2018 IRC. If your recovery period reported on your federal return is greater than the recalculated amount, include the difference as a positive number. If your recovery period reported on your federal return is less than the recalculated amount, include the difference as a negative number.

### **Section 115. 7-year Recovery Period for Motorsports Entertainment Complexes**

If you have a motorsports entertainment complex and you claimed a 7-year recovery period on your federal return, calculate the difference between the 7-year recovery period and the recovery period you would have been allowed under 2018 IRC. If your recovery period reported on your federal return is greater than the recalculated amount, include the difference as a positive number. If your recovery period reported on your federal return is less than the recalculated amount, include the difference as a negative number.

### **Section 116. Accelerated Depreciation for Business Property on Indian Reservations**

If you have qualified Indian reservation property and claimed accelerated depreciation, calculate the depreciation you would have been allowed under 2018 IRC. If your depreciation reported on your federal return is greater than the recalculated amount, include the difference as a positive number. If your depreciation reported on your federal return is less than the recalculated amount, include the difference as a negative number.

### **Section 117. Expensing Rules for Certain Productions**

If you were allowed to deduct instead of capitalize expenditures related to a qualified film, television, and theatrical productions on your federal return, subtract the capital expenditures allowed under 2018 IRC from the amount deducted on your federal return, and include that difference as a positive number.

### **Section 118. Empowerment Zone Tax Incentives**

If you had a tax change relating to an empowerment zone that impacted your FTI on your federal return, reverse the tax impacts to your FTI.

### **Section 130. Special Allowance for Second Generation Biofuel Plant Property**

If you were allowed to deduct the additional first-year 50-percent bonus depreciation for cellulosic biofuel facilities on your federal return, include the additional depreciation as a positive number.

### **Section 131. Energy Efficient Commercial Buildings Deduction**

If you claimed an energy efficient commercial buildings deduction on your federal return that impacted your FTI, reverse the tax impacts to your FTI.

### **Section 132. Special Rule for Sales or Dispositions to Implement FERC or State Electric Restructuring Policy for Qualified Electric Utilities**

If you elected to recognize gain from qualifying electric transmission transactions ratably over an eight-year period on your federal return, include the amount of the deferred gain as a positive number.

# Nonconformity Adjustment Instructions

## Line 9 – TCDTR Credit Provisions Impacting Basis and Depreciation (TCDTR Sections 122, 124, 125, 126, 129)

### Section 112. Railroad Track Maintenance Credit

No nonconformity adjustment is needed because Minnesota requires a subtraction on line 4c of the Minnesota Form M4I.

### Section 122. Second Generation Biofuel Producer Credit

If you claimed the Second Generation Biofuel Producer Credit on your federal return that impacted your FTI, reverse the tax impacts to your FTI.

### Section 124. Qualified Fuel Cell Motor Vehicles

If you claimed the credit for Qualified Fuel Cell Motor Vehicles on your federal return that impacted your FTI, reverse the tax impacts to your FTI.

### Section 125. Alternative Fuel Refueling Property Credit

If you claimed the Alternative Fuel Refueling Property Credit on your federal return, adjust the property's basis without regard to the basis reduction required under current federal law. Include any adjustments to FTI as a result of this Minnesota change in basis.

### Section 126. 2-Wheeled Plug-in Electric Vehicle Credit

If you claimed the 2-Wheeled Plug-In Electric Vehicle Credit on your federal return, adjust the vehicle's basis without regard to the basis reduction required current federal law. Include any adjustments to FTI as a result of this Minnesota change in basis.

### Section 129. Energy Efficient Homes Credit

If you claimed the Energy Efficient Homes Credit on your federal return, adjust the property's basis without regard to the basis reduction required under current federal law. Include any adjustments to FTI as a result of this Minnesota change in basis.

## Line 10 – TCDTR Credit Provisions Impacting Business Expenses (TCDTR Sections 111, 113)

### Section 111. Indian Employment Credit

No nonconformity adjustment is needed because Minnesota requires a subtraction on line 4c of the Minnesota Form M4I.

### Section 113. Mine Rescue Team Training Credit

If you were not allowed to deduct expenses due to the Mine Rescue Team Training Credit on your federal return, include the amount of the disallowed expenses as a negative number.

## Line 11 – Look Through Rule for Related Controlled Foreign Corporations (TCDTR Section 145)

If you excluded dividends, interest, rent, or royalties received or accrued from a related controlled foreign corporation (CFC) as foreign personal holding company income (FPHCI) as a result of this provision, include the amount of excluded income from FPHCI as a positive number.

## Line 12 – Employee Retention Credit for Employers Affected by Qualified Disasters (TCDTR Section 203)

If you were not allowed to deduct wages due to claiming the Employee Retention Credit on your federal return, include the amount of the disallowed wages as a negative number.

## Line 13 – Temporary Suspension of Limitations on Charitable Contributions (TCDTR Section 204(a))

If your federal deduction for charitable contributions exceeds the deduction allowed under 2018 IRC, include the excess as a positive number.

## Line 14 – Other Adjustments to Federal Taxable Income

If any provision within any federal acts enacted since December 31, 2018 impacts the calculation of FTI and is not included as an adjustment on another line of this schedule, enter an adjustment incorporating the change(s) to FTI on line 14. Common examples of adjustments to FTI are capital contributions limitations, capital loss limitations, basis adjustments, and gain or loss from sales.

Attach a schedule showing the calculation of any amount entered on line 14.

## Lines 15 through 24

These lines are intentionally left blank.

## Line 25 - Total of lines 1 through 24

Add lines 1 through 24. If the result is positive, enter it on Form M4I, line 2i. If the result is negative, enter it as a positive number on Form M4I, line 4o.