



# 2017 Schedule M1NC, Federal Adjustments

On May 30, 2019, Minnesota law was updated to recognize the Internal Revenue Code as amended through December 31, 2018.

The law disallows the tax effect of the federal provisions on this schedule.

Your First Name and Initial \_\_\_\_\_

Last Name \_\_\_\_\_

Social Security Number \_\_\_\_\_

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

Round amounts to the nearest whole dollar.

## Adjustments to federal adjusted gross income (FAGI)

- 1 This line intentionally left blank. . . . . 1 ■ \_\_\_\_\_
- 2 This line intentionally left blank. . . . . 2 ■ \_\_\_\_\_
- 3 This line intentionally left blank. . . . . 3 ■ \_\_\_\_\_
- 4 Tuition and fees deduction and other adjustments under the TCDTR and CARES Act (see instructions) . . . . . 4 ■ \_\_\_\_\_
- 5 This line intentionally left blank. . . . . 5 ■ \_\_\_\_\_
- 6 This line intentionally left blank . . . . . 6 ■ \_\_\_\_\_
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This line intentionally left blank. . . . . 8 ■ \_\_\_\_\_
- 9 Enter amount from line 4. If you are claiming a child and dependent care credit, include this amount on line 1 of Schedule M1CD. If you are claiming a K-12 education credit (M1ED), or a property tax refund (M1PR), include this amount on line 5 of the appropriate schedule or form. . . . . 9 ■ \_\_\_\_\_
- 10 This line intentionally left blank  
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This line intentionally left blank. . . . . 10 ■ \_\_\_\_\_
- 11 This line intentionally left blank  
This line intentionally left blank. . . . . 11 ■ \_\_\_\_\_
- 12 Mortgage insurance premiums deducted on line 13 of federal Schedule A . . . . . 12 ■ \_\_\_\_\_
- 13 Add lines 4 and 12 . . . . . 13 ■ \_\_\_\_\_
- 14 If you were required to include deferred foreign income on your federal return, enter the amount on line 14. See instructions if deferred foreign income was reported on Schedules KPI, KS, and KF. . . . . 14 ■ \_\_\_\_\_
- 15 Subtract line 14 from line 13. If the result is positive, enter it on Schedule M1M, line 16. If the amount is less than zero, enter it as a positive number on Schedule M1M, line 43. . . . . 15 \_\_\_\_\_

You must include this schedule when you file Form M1.



# 2017 Schedule M1NC Instructions

On May 30, 2019, Minnesota law was updated to recognize the Internal Revenue Code as amended through December 31, 2018. The law disallows the tax effect of the federal provisions on this schedule.

## Purpose of This Schedule

Rules used in determining Minnesota individual income tax are based on the Internal Revenue Code. Federal tax law was enacted and contained provisions affecting tax year 2017. Minnesota tax law enacted on May 31, 2019 disallows the tax effect of the provisions listed on this schedule.

If you are affected by the provisions listed below, you will need to use Schedule M1NC, Federal Adjustments, to make needed adjustments when filing Form M1, Individual Income Tax.

Under current law, definitions used in determining Minnesota taxable income are based on the Internal Revenue Code (IRC), as amended through December 31, 2018 (2018 IRC). Since that date, Congress has enacted the Taxpayer Certainty and Disaster Tax Relief Act (TCDTR) and the **Coronavirus, Aid, Relief and Economic Security (CARES) Act**, which contains changes affecting businesses for tax year 2017. Because Minnesota has not adopted these federal changes, adjustments are required to correctly determine your Minnesota taxable income. Use the instructions on line 4 to calculate nonconformity adjustments relating to the TCDTR and CARES Act.

**If you are amending your 2017 federal return solely for federal changes under the TCDTR or CARES Act, write “TCDTR” or “CARES” in red at the top of the Minnesota Form M1X.**

## Who Must File Schedule M1NC

You must complete Schedule M1NC if any of the following apply:

- You claimed a deduction for tuition and fees on line 34 of federal Form 1040 or line 19 of Form 1040A.
- You deducted mortgage insurance premiums on line 13 of federal Schedule A.
- You recognized deferred foreign income under Internal Revenue Code, section 965.

## Line Instructions

### Lines “This line intentionally left blank”

Do not enter amounts for lines labeled “This line intentionally left blank.” These lines were required prior to Minnesota tax law changes enacted on May 31, 2019.

### Line 4

#### Tuition and Fees Deduction

The federal deduction for tuition and fees is

allowed for tax year 2017 on your federal return. This deduction is not allowed for Minnesota purposes. Include the amount from line 34 of Form 1040 or line 19 of Form 1040A, on line 4 of this schedule.

### Other adjustments under the TCDTR of 2019

#### How to Report the Federal Adjustments

If any of the federal provisions that are included in the TCDTR affect the amount of taxable income reported on your 2017 federal return, you must make an adjustment to income on your 2017 Minnesota return. To determine the adjustment amount, compute your federal taxable income based on 2018 IRC. Report the difference between this amount and the amount allowed under 2019 IRC as an adjustment to income.

Subtotal all nonconformity adjustments (positive and negative) calculated from the provisions listed below. If the net of all adjustments results in an increase of your federal taxable income (FTI), enter the net adjustment as a positive number on line 4. If the net of all adjustments results in a reduction of your FTI, enter the net adjustment as a negative number on line 4.

If you received Schedule KPI or Schedule KS with code 17, include the amount from line 8b as a positive amount or the amount from line 10b as a negative amount on line 4. If you received Schedule KF with code 17, include the amount from line 8b as a positive amount or the amount from line 16b as a negative amount on line 4.

For purposes of calculating adjustments, use any federal regulation or ruling issued by the Internal Revenue Service prior to the passage of the TCDTR which governs the referenced provisions.

To report the differences for Minnesota tax purposes, you must attach to your Form M1 or Form M1X a list of the federal provisions affecting your taxable income by section number and show how you calculated each adjustment amount.

### Provisions that May Require an Income Adjustment

The following provisions may require an income adjustment for Minnesota tax purposes. This list includes the most common adjustments; you must make adjustments as needed for all provisions included in the TCDTR.

#### Section 111. Indian Employment Credit

If you were not allowed to deduct expenses due to the Indian Employment Credit on

your federal return, include the amount of the disallowed expenses as a negative number.

#### Section 112. Railroad Track Maintenance Credit

If you were not allowed to deduct expenditures due to the Railroad Track Maintenance Credit on your federal return, include the amount of the disallowed expenditures as a negative number.

#### 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.

#### 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, include the excess expense deducted 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 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 2019 IRC. 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 under 2019 IRC. 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 2019 IRC. Include any adjustments to FTI as a result of this Minnesota change in basis.

#### **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.

#### **Section 303. Employee Retention Credit for Employers Affected by Qualified Disasters**

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

#### **Adjustments under the CARES Act**

#### **Section 2303. Allowance of Net Operating Loss Carrybacks and suspended 80% limitation**

The CARES Act allowed net operating losses from tax years 2018 through 2020 to be carried back five years and up to 100% of taxable income. For Minnesota purposes, If you are carrying back a net operating loss generated in any of those years, your carryback is limited to two years and only if the loss is generated by a farming activity. All net operating losses that are not from a farm activity must be included as a positive number. If the loss is from a farm activity, you must include the amount of your federal deduction that exceeds 80% of taxable income as a positive amount number.

#### **Net operating loss carryback from 2018**

If you are carrying back a net operating loss from 2018 (and it is not a farming loss eligible to be carried back under the IRC as amended through December 31, 2018), enter the full amount of the carryback you claimed from your federal return on line 4.

If you are carrying back a net operating loss from 2018 that is a farming loss, your state NOL deduction is limited to 80% of taxable income. If you carried a farm loss back to 2016, you must use the 2016 Minnesota instructions to determine your allowable NOL that is carried over into 2017. Include the amount of your net operating loss deduction from a farm activity that exceeds 80% of taxable income on line 4 as a positive amount.

#### **Section 2307. Qualified Improvement Property Technical Fix**

The CARES Act extended eligibility for federal bonus depreciation to qualified leasehold improvement property, qualified restaurant property, and qualified retail improvement property effective with property placed in service after December 31, 2017. If you claimed federal bonus depreciation on this type of property, determine the difference between the federal bonus depreciation you claimed on this property and the cost recovery or expensing method deduction you would have been able to claim prior to the CARES Act. This may include a Minnesota modification for section 179 expensing. Include the result as a positive number.

If you filed an amended federal return increasing your federal bonus depreciation as a result of this provision of the CARES Act, do not adjust your Minnesota addition for bonus depreciation on line 5 of Schedule M1M.

#### **Line 12**

The federal deduction for mortgage insurance premiums is allowed for tax year 2017 on your federal return. This deduction is not allowed for Minnesota purposes. Include the amount from line 12 of federal Schedule A on line 13 of this schedule.

#### **Line 14**

Enter the amount of deferred foreign income recognized on your federal return under section 965 of the Internal Revenue Code. This amount is the section 965(a) inclusion amount reduced by section 965(c).

If you received Schedule KPI and Schedule KS, include the amount from line 10 of those schedules.

If you received Schedule KF, include the amount from line 16 of that schedule.