



# 2018 Schedule M1NC, Federal Adjustments

Minnesota does recognize the tax effect of certain federal law changes enacted since December 31, 2018 that are listed in the instructions.




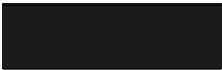
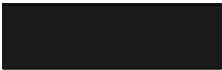










Your First Name and Initial \_\_\_\_\_ Last Name \_\_\_\_\_ Social Security Number \_\_\_\_\_

Before you complete this schedule, read the instructions which are on a separate sheet. Do not enter amounts in gray boxes.

	Additions	Subtractions
<b>Adjustments to federal adjusted gross income (AGI)</b>		
<b>1</b> Bicycle commuting expenses reimbursed by your employer . . . . . <b>1</b> ■		_____
<b>2</b> Moving expense deduction ( <i>enclose Schedule M1MOVE</i> ) . . . . . <b>2</b> ■		
<b>3</b> Excess reimbursements received from your employer reported on line 8 of Schedule M1UE . . . . . <b>3</b> ■	_____	
<b>4</b> Student loan forgiven due to death or permanent disability . . . . . <b>4</b> ■	_____	
<b>5</b> Earnings from an education savings account used for K-12 education tuition expenses or rolled over to an ABL account . . . . . <b>5</b> ■	_____	
<b>6</b> Casualty or theft gain ( <i>Enclose Schedule M1CAT</i> ) . . . . . <b>6</b> ■	_____	
<b>7</b> Distributed earnings from an ABL account attributed to excess contributions . . . . . <b>7</b> ■	_____	
<b>8</b> Tuition and fees deduction from line 34 of federal Schedule 1 . . . . . <b>8</b> ■	_____	
<b>9</b> Income from qualified stock received from your employer that is deferred for federal tax purposes . . . . . <b>9</b> ■	_____	
<b>10</b> This line intentionally left blank . . . . . <b>10</b> ■	_____	_____
<b>11</b> a. This line intentionally left blank		
This line intentionally left blank . . . . . <b>11a</b> ■	_____	_____
b. This line intentionally left blank . . . . . <b>11b</b> ■		
c. This line intentionally left blank . . . . . <b>11c</b> ■		
<b>12</b> a. This line intentionally left blank		
This line intentionally left blank . . . . . <b>12a</b> ■	_____	_____
b. This line intentionally left blank . . . . . <b>12b</b> ■		
c. This line intentionally left blank . . . . . <b>12c</b> ■		
<b>13</b> a. This line intentionally left blank		
This line intentionally left blank . . . . . <b>13a</b> ■		
b. This line intentionally left blank		
This line intentionally left blank . . . . . <b>13b</b> ■		_____
<b>14</b> This line intentionally left blank . . . . . <b>14</b> ■	_____	_____
<b>15</b> a. <b>Excess business loss and NOL deduction adjustments (<i>see instructions</i>)</b> . . . . . <b>15a</b> ■		
b. This line intentionally left blank . . . . . <b>15b</b> ■		
<b>16</b> Deduction for certain business expenses such as employee fringe benefits, meals and entertainment expenses, certain settlement payments, and lobbying ( <i>see instructions</i> ) <b>16</b> ■		_____
<b>17</b> a. This line intentionally left blank . . . . . <b>17a</b> ■	_____	_____
b. This line intentionally left blank . . . . . <b>17b</b> ■	_____	_____





18	This line intentionally left blank. . . . .	18 ■		_____
19	This line intentionally left blank. . . . .	19 ■		_____
20	Adjustment for tax treatment of Alaska Native Settlement corporations and trusts . . .	20 ■		
21	Adjustment for capital gains invested in Opportunity Zones . . . . .	21 ■	_____	
22	This line intentionally left blank. . . . .	22 ■		_____
23	a. Adjustment for Section 965 Deferred Foreign Income . . . . .	23a ■		
	b. Income excluded as previously taxed under section 965 or 951A . . . . .	23b ■		
24	Adjustment for Global Intangible Low Taxed Income . . . . .	24 ■		
25	Adjustment for Foreign Derived Intangible Income. . . . .	25 ■	_____	
26	Adjustments required under the Taxpayer Certainty and Disaster Relief (TCDTR) Act and Coronavirus, Aid, Relief and Economic Security (CARES) Act (see instructions) . . .	26 ■	_____	_____
27	Adjustment for related party amounts paid in hybrid transactions . . . . .	27 ■	_____	_____
28	This line intentionally left blank. . . . .	28 ■	_____	_____
29	<b>Additional Adjustments</b> (see instructions). . . . .	29 ■	_____	_____
30	Adjustments created by federal credits and tax incentives for businesses (see instructions). . . . .	30 ■	_____	_____
31	This line intentionally left blank This line intentionally left blank. . . . .	31 ■	_____	_____
32	If you have an adjustment to income subject to a rule involving AGI (such as 2018 IRA deductions, Social Security Income, student loan interest deduction or rental real estate losses), see instructions. . . . .	32 ■	_____	
33	<b>This line intentionally left blank.</b> . . . . .	33 ■	_____	
34	Add the amounts in the <b>Additions</b> column. . . . .	34 ■	_____	_____
35	Add the amounts in the <b>Subtractions</b> column . . . . .	35 ■	_____	_____
36	<b>If line 34 is more than line 35</b> , subtract line 35 from line 34. Enter the result here and on line 13 of Schedule M1M. <b>If line 35 is more than line 34</b> , subtract line 34 from line 35. Enter the result here and on line 40 of Schedule M1M. . . . .	36 ■	_____	_____
37	Enter the amount from line 1 of Form M1 . . . . .	37 ■	_____	_____
38	If line 34 is more than line 35, add line 36 to line 37. If line 35 is more than line 34, subtract line 36 from line 37. . . . .	38 ■	_____	_____

You must include this schedule when you file Form M1.



# 2018 Schedule M1NC Instructions

## For Taxpayers Affected by Federal Tax Law Passed After December 31, 2018

Under current law, definitions used in determining Minnesota income are based on the Internal Revenue Code (IRC), as amended through December 31, 2018. Since that date, Congress has enacted the Taxpayer Certainty and Disaster Tax Relief Act (TCDTR) and Coronavirus, Aid, Relief, and Economic Security (CARES) Act, which contained law changes affecting tax year 2018. Because Minnesota has not adopted these federal changes, adjustments are required to correctly determine your Minnesota taxable income. Use lines 8, 15a, 26, and the updated instructions to calculate any adjustments relating to these federal changes.

### Purpose of This Schedule

Rules used in determining Minnesota individual income tax are based on the Internal Revenue Code as amended through December 31, 2018. Since that date, federal tax law was enacted containing provisions affecting tax year 2018. Because Minnesota has not adopted these federal changes, you may need to adjust your Minnesota return.

If you are affected by any of the provisions described below, you must use Schedule M1NC, Federal Adjustments, and these instructions to complete your Minnesota return.

Save your entire 2018 Minnesota income tax return and all worksheets you use.

### Who must file Schedule M1NC?

If you are affected by any of the provisions included on this form, complete Schedule M1NC to make the necessary adjustments when you file Form M1. Refer to the line instructions below for more information about the adjustments and directions on how to make the adjustment for your Minnesota return. Do not enter amounts in gray boxes. Enter all amounts as positive numbers.

Individuals who do not have ownership interest in a business may need to complete lines 1 through 9. Lines 10 through 30 are used for certain business related adjustments such as allowable expenses and depreciation.

### Line Instructions

#### Lines "This line intentionally left blank"

Do not enter amounts for the lines labelled "This line intentionally left blank." These lines were required prior to Minnesota tax law changes enacted May 31, 2019.

#### Line 1 — Bicycle commuting expenses reimbursed by your employer

If you received reimbursements from your employer for bicycle commuting expenses, you may exclude these reimbursements from your income. Federal tax law changes require reimbursements for these expenses to be included in an individual's income. Enter the total reimbursements received from your employer included in your FAGI. Enter the amount in the Subtractions column as a positive number.

The maximum allowable exclusion for an individual is \$20 per qualified bicycle commuting month. A qualified bicycle-commuting month is any month you:

1. Regularly used the bicycle for a substantial portion of the travel between your place of residence and place of employment, and
2. Did not receive transportation in a commuter highway vehicle, any transit pass, or qualified parking benefits.

#### Line 2 — Moving expenses

If you completed Schedule M1MOVE, enter the amount from line 6 of Form M1MOVE in the Subtractions column as a positive number. You must include Schedule M1MOVE when you file Form M1.

Members of the armed forces do not use Schedule M1MOVE if your move was the result of a permanent change of station. Your eligible expenses were deducted on federal Form 1040.

#### Line 3 — Excess employee business expense reimbursements

If you completed Schedule M1UE and received reimbursements for more than your actual expenses, enter the amount from line 8 of Schedule M1UE in the Additions column. Do not include amounts included as wages in Box 1 of Form W-2 or included in your federal adjusted gross income. Include Schedule M1UE when you file Form M1.

#### Line 4 — Student loan forgiveness due to death or disability

Student loan indebtedness discharged and excluded from income due to death or disability must be included in Minnesota income. Enter the amount of forgiven or discharged student loan debt that was not included in your federal adjusted gross income in the Additions column. These amounts may be included in box 2 of Form 1099-C.

#### Line 5 — Non-qualified distributions or rollovers from education savings accounts

If you used distributions from a higher education savings account to pay tuition expenses at an elementary or secondary school, the distributed earnings must be added to Minnesota income. The earnings

portion may be included in Box 2 of federal Form 1099-Q. Only enter the earnings from box 2 if they were not included in your federal adjusted gross income. Enter the amount in the Additions column of line 5.

If you had a rollover from a higher education savings account into an ABL account, include the earnings portion of the rollover in the Additions column of this line.

If you claimed the Minnesota section 529 plan credit or subtraction on your 2017 Minnesota return, you may be required to repay some of the benefit you received. Complete Schedule M1529, Education Savings Account Contribution Credit or Subtraction to calculate any recapture tax you may be required to pay.

#### Line 6 — Casualty or theft gain

If you completed Schedule M1CAT, *Casualty and Theft*, and had a net gain on line 15 that was not included in your federal adjusted gross income, include the amount that was not in your federal adjusted gross income in the Additions column of line 6. Include Schedule M1CAT and this form when you file Form M1.

#### Line 7 — Distributed earnings from an ABL account attributed to excess contributions

The Minnesota contribution limit for ABL accounts is \$15,000 for 2018. If your total contributions exceeded the contribution limit and a distribution is made in 2018, the earnings portion of the distribution attributable to the excess contribution must be included in income. Enter the amount of earnings attributed to these excess contributions in the Additions column.

#### Line 9 — Income from qualified stock received from your employer that is deferred for federal tax purposes

If you elect to defer the income from a qualified equity grant from your employer, the amount not included in your federal income for 2018 must be included in your Minnesota income. Enter the amount from Box 12 of Form W-2 with code HH in the Additions column.

## Line 15a

### Excess business loss and NOL deduction adjustments

Minnesota does not currently recognize the net operating loss (NOL) provisions under the CARES Act. Your losses in 2018 may be subject to the excess business loss limits and carryover limits under the Internal Revenue Code, as amended through December 31, 2018. You must add to income any amount of a net operating loss exceeding the excess business loss limitations in the Worksheet for Excess Business Losses. You must also adjust your 2018 NOL deduction if it includes a carryover NOL originating from tax years after December 31, 2017.

If you had a net operating loss carryover from tax years beginning after December 31, 2017, your net operating loss deduction is limited to 80% of taxable income for losses originating in those years and only losses from a farming activity may be carried back to the previous two years. If you have a carryover of a net operating loss, use the instructions under Net Operating Loss Carryover below.

If you had net operating losses in 2018, complete the Worksheet for Excess Business Losses to determine your excess business loss and your carryover losses to 2019.

### Net Operating Loss Carryovers Carryforward from prior years

If you are carrying forward a net operating loss from 2017, you must complete 2017 Schedule M1NC line 4 before determining your allowable carryover NOL amount for tax year 2018.

Your Minnesota net operating loss deduction for 2018 is the sum of any unused NOLs from tax years beginning before 2017 plus the lesser of:

- The NOL from a tax year beginning after 2017; which includes any part of an NOL attributable to an excess business loss; or
- 80% of taxable income for the carryover year determined before any NOL deduction.

On line 15a, include any NOL deduction claimed on your federal return from tax years beginning after 2017 that exceeds the 80% limitation on taxable income. Include this amount in the Additions column.

### Net operating loss carryback from 2019

If you are carrying back a net operating loss from 2019 (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 in the Additions column of line 15a.

If you are carrying back a net operating loss from 2019 that is a farming loss, your state NOL deduction is limited to 80% of taxable

### Worksheet for Excess Business Losses

1	Enter amount from Form 1040 or 1040-SR, line 1	_____
2	Enter amount from Schedule 1 (Form 1040 or 1040-SR), line 12	_____
3	Enter amount from Schedule 1, (Form 1040 or 1040-SR) line 13	_____
4	Enter amount from Schedule 1 (Form 1040 or 1040-SR), line 14	_____
5	Enter amount from Schedule 1 (Form 1040 or 1040-SR), line 17	_____
6	Enter amount from Schedule 1 (Form 1040 or 1040-SR), line 18	_____
7	Enter amount from Schedule 1 (Form 1040 or 1040-SR), line 19	_____
8	Enter other income, gain, or losses from a trade or business not reported on steps 1 through 7	_____
9	Combine steps 1 through 8	_____
10	Net amount of nonbusiness income and losses. Include amounts from line 25 of Schedule KPINC, line 25 of Schedule KFNC, and line 25 of Schedule KSNC. If the total is less than zero, enter as a negative number	_____
11	If step 10 is a negative number, enter it here as a positive number. If step 10 is a positive number, enter it here as a negative number	_____
12	Add steps 9 and 11	_____
13	Enter \$250,000 (or \$500,000 if married filing jointly)	_____
14	Add steps 12 and 13. This is your excess business loss for 2018.	_____

Include the amount from step 14 in the Additions column of line 15a.

### Step instructions

**Step 1** — Enter any wages, salaries, and tips reported on line 1 of Form 1040 or line 8 of Form 1040NR.

**Step 2** — Enter any business income or loss reported on line 12 of federal Schedule 1 or line 13 of Form 1040NR.

**Step 3** — Enter any capital gains or losses reported on line 13 of federal Schedule 1 or line 14 of Form 1040NR.

**Step 4** — Enter any other gains or losses reported on line 14 of federal Schedule 1 or line 15 of Form 1040NR.

**Step 5** — Enter any supplemental income or loss reported on a Schedule E, such as income from rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc. This is reported on line 17 of federal Schedule 1 or line 18 of Form 1040NR.

**Step 6** — Enter any farm income or loss reported on line 18 of federal Schedule 1 or line 19 of Form 1040NR.

**Step 7** — Enter any unemployment compensation reported on line 19 of federal Schedule 1 or line 20 of Form 1040NR.

**Step 8** — Enter any other trade or business income, gain, or loss not reported on steps 1 through 7 that you reported on your tax return.

**Step 9** — Combine all entries from steps 1 through 8 on step 9. The resulting figure can be a positive or negative number.

**Step 10** — Combine the amount of income, gains, or losses on step 10 that were entered on steps 1 through 8 and are not from a trade or business. Include the amounts reported on line 25 of Schedule KPINC, line 25 of Schedule KFNC, and line 25 of Schedule KSNC.

**Step 11** — Enter the opposite of the amount from step 10 on step 11.

**Step 14** — Add steps 12 and 13. If the result is negative, you have an excess business loss. Include this amount in the Additions column of Schedule M1NC as a positive number. You will need to keep a record of your excess business loss from each tax year since it is treated as a net operating loss (NOL) carryover. Use this amount on step 3 of the net operating loss carryover to tax year 2019 worksheet. If the result is positive, you do not have an excess business loss.

### Trade or Business

An activity qualifies as a trade or business if your primary purpose for engaging in the activity is for income or profit and you are involved in the activity with continuity and regularity. The facts and circumstances of each case determine if an activity is a trade or business. The regularity of activities and transactions and the production of income are important elements. You do not need to actually make a profit to be in a trade or business as long as you have a profit motive. However, you do need to make ongoing efforts to further the interests of your business.

income. If you carried a farm loss back to 2017, you must use the 2017 Minnesota instructions to determine your allowable NOL that is carried over into 2018. Include the amount of your net operating loss deduction from a farm activity that exceeds 80% of taxable income on line 15a as a positive amount.

**Line 16 — Adjustment for certain business expense deductions**

The following deductions of certain business expenses are limited or not allowed for federal tax purposes:

- Allowable entertainment expenses
- Deduction for qualified transportation fringe benefits
- Deductions for settlements subjected to nondisclosure agreements
- Deduction for local lobbying expenses
- Employer deduction for qualified equity grants that have been deferred by the employee

If you received a Schedule KFNC, KPINC and KSNC, include the amount from lines 9 and 10 in the Subtractions column of line 16 as a positive number.

**Entertainment expenses**

Federal tax changes denied all deductions for entertainment expenses. For Minnesota tax purposes, these business deductions are allowed. If you had entertainment expenses directly related to or associated with the conduct of your trade or business, you may deduct 50% of the allowable expense. Include this amount in the Subtractions column of line 16.

**Deduction for qualified transportation fringe benefits**

For Minnesota purposes, a deduction is allowed for qualified transportation fringe benefits provided to employees. These include transportation in a commuter highway vehicle between the employee’s residence and place of employment, transit passes, qualified parking and qualified bicycle commuting reimbursements. If you provided these benefits to employees, include the amount of the Minnesota allowable expenses in the Subtractions column of line 16.

**Employer operated eating facilities**

Under federal tax law changes, an employer can no longer deduct the full cost of food and beverages offered as a de minimis fringe benefit. The employer must apply a 50% limit to the deduction of food or beverage expenses.

For Minnesota tax purposes, employers can deduct the full cost of food and beverages that are excludable from the employee’s income if they are provided for the convenience of the employer at an employer-operated eating facility as a de minimis fringe benefit.

**Net operating loss carryover to tax year 2019**

- 1 Enter the current year NOL as a negative. Do not include amounts federally carried back to 2018 from 2019 that are not losses from a farming business that you added back to income on line 15a of this form. . . . . \_\_\_\_\_
- 2 Enter the amount from step 1 that was federally carried back to 2016 or 2017 as a positive number. . . . . \_\_\_\_\_
- 3 Enter the amount from step 14 of the worksheet for excess business losses. Enter as a negative number. . . . . \_\_\_\_\_
- 4 Combine steps 1 through 3. This is your NOL carryover to 2019. . . . . \_\_\_\_\_

For Minnesota purposes, expenses for these facilities are not limited to 50% of the employer’s expense. Include the amount claimed for this expense from your federal return in the Subtractions column of line 16.

**Deduction for payments and settlements related to nondisclosure agreements**

Federal tax law currently denies a deduction for the following expenses:

- Any settlement or payment related to sexual harassment or sexual abuse if such settlement or payment is subject to a non-disclosure agreement, and
- Attorney’s fees related to such a settlement or payment.

If you incurred a business expense described above that qualifies as a deduction under 2016 I.R.C. section 162, include the expense in the Subtractions column of line 16.

**Deduction for local lobbying expenses**

Federal tax law changes do not allow a deduction for amounts paid or incurred in connection with local lobbying expenses. These expenses are allowed for Minnesota purposes if they are paid or incurred:

- In direct connection with an appearance, submission of statements or sending communication to committees or individual members of a committee in regards to legislation of direct interest to your business.
- In direct connection with communication of information between your business and an organization of which your business is a member regarding legislation of direct interest of your business
- You may deduct the portion of dues paid or incurred to an organization of which your business is a member for the activities listed above.

If you incurred local lobbying expenses, you may include those expenses in the Subtraction column of line 16.

**Employee Achievement awards**

Federal tax changes allow a deduction for the cost of employee achievement awards with certain limitations. The employee achievement award must be tangible personal property given in recognition of an employee’s length of service or safety and awarded as part of a meaningful presentation under specified conditions and circumstances.

Federal tax laws changed the definition of tangible personal property to exclude the following:

- Cash, cash equivalents, gift cards, gift coupons, or gift certificates
- Vacations, meals, lodging, tickets to theater or sporting events, stocks, bonds, other securities, and other similar items.

As a result, the above items are no longer deductible federally as an employee achievement award.

If you granted employee achievement awards consisting of tangible personal property described above and qualify for the deduction under 2016 I.R.C. section 274, include the amount paid or incurred during the taxable year in the Subtractions column of line 16.

**Line 20 — Adjustment for tax treatment of Alaska Native Corporations and Settlement Trusts**

Include amounts from line 13 of Schedules KFNC, KPINC, and KSNC. If you received multiple schedules, combine those amounts on this schedule. Include this adjustment in the Subtractions column of line 20.

Federal tax law changes require an Alaska Native Settlement Trust to report contributions from an Alaska Native Corporation (ANC) as income if I.R.C. 247(e) applies. These are not considered income for Minnesota purposes.

**Line 21 — Adjustment for special rules for capital gains invested in Opportunity Zones**

Include amounts from line 14 of Schedules KFNC, KPINC, and KSNC. If you received multiple schedules, combine those amounts on this schedule. Enter the amount in the Additions column.

Federal law changes allow a deferral for income received for two types of capital gains or losses. If you were allowed a temporary deferral for capital gains reinvestments in a qualified opportunity fund and a permanent exclusion of certain capital gains from the sale or exchange of an investment in the qualified opportunity fund, you will make an adjustment on line 21. Include the deferred or excluded amount from your federal return in the Additions column.

### **Line 23a — Section 965 repatriated foreign income (14103)**

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

Include amounts from line 15a of Schedules KFNC, KPINC and KSNC. If you received multiple schedules, combine those amounts on this schedule. Include the amount as a positive number in the Subtractions column.

### **Line 23b — Income excluded as previously taxed under section 965 or 951A**

If you received income excluded as previously taxed under IRC section 965 (deferred foreign income)(TCJA Section 14103) or 951A (global-intangible low taxed income) (TCJA Section 14201) in the current tax year, include the amount in the Additions column.

Include amounts from line 15b of Schedules KFNC, KPINC and KSNC. If you received multiple schedules, combine those amounts in the Additions column of line 23b.

### **Line 24 — Inclusion of Global Intangible Low-Taxed Income**

Enter the amount of global intangible low-taxed income included in gross income under section 951A of the Internal Revenue Code in the Subtractions column of line 24.

### **Line 25 — Deduction for Foreign Derived Intangible Income**

Federal tax law added a deduction for a percentage of foreign derived intangible income from a trade or business within the United States. For Minnesota purposes, this deduction is not allowed and must be added back to Minnesota taxable income.

Include the amount from line 17 of Schedules KFNC, KPINC and KSNC. If you received multiple schedules, combine those amounts on this schedule. Enter the amount in the Additions column.

### **Line 26 — Adjustments required under the TCDTR and CARES Act**

To report the differences for Minnesota tax purposes on line 26, you must attach to your Schedule M1NC a list of the federal provisions affecting your taxable income by section numbers listed below and show how you calculated each adjustment amount.

Subtotal all nonconformity adjustments (positive and negative) calculated from the provisions listed. If the net of all adjustments

result in an increase to income, enter as a positive amount in the Additions column on line 26. If the net of all adjustments result in a decrease, enter the amount as a positive in the Subtractions column on line 26.

Include the following amounts reported on Schedules KFNC, KSNC, and KPINC. If the amount is positive, include it in the Additions column. If the amount is negative, include it as a positive in the Subtractions column.

- Line 26 of Schedule KFNC
- Line 26 of Schedule KSNC
- Line 26 of Schedule KPINC

### **Provisions that May Require an Income Adjustment from the TCDTR Act**

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 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 203. 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.

## Provision that May Require an Income Adjustment under the CARES Act

The following provision may require an income adjustment for Minnesota tax purposes.

### Section 2307. Qualified Improvement Property Technical Fix

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 deduction or expensing method 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 3 of Form MIM.

### Line 27 — Related party amounts paid in hybrid transactions

Federal tax changes disallowed a deduction for disqualified related party amounts paid or accrued in a hybrid transaction or by, or to, a hybrid entity. For Minnesota purposes, these deductions are not disallowed. If you have disqualified related party amounts disallowed on your federal return, include the amount disallowed in the Subtractions column of line 27 as a positive number.

Include the amount from line 18 of Schedule KFNC, KPINC and KSNC. If you received multiple schedules, combine those amounts on this schedule. Enter the amount in the Subtractions column.

### Line 29 — Additional adjustments

Include amounts from lines 12, 20, 21, 22 and 24 of Schedules KPINC, KFNC and KSNC. Combine amounts if you received multiple schedules. If the combined total of these lines is a negative amount, enter as a positive number in the Subtractions column. Include a statement for the adjustment you are making on this line.

Include amounts on this line for the following changes to federal tax law:

- Treatment of certain capital contributions from governmental entities
- Repeal of the rollover gains from publicly traded securities into specialized small business investment companies
- Treatment of the sale of patents, inventions, models and secret formulas as capital assets
- Allocation and apportionment of gains, profits and income based on production activities
- Gain or loss caused by a mandatory basis

adjustments upon transfer of partnership interest

- Reporting income from life insurance due to changes in the transfer-for-value rule
- Changes to the deductibility of FDIC premiums
- Repeal of the exclusion from income for interest on bonds to advance refund another bond
- Repeal of the fair market value method to allocate interest expenses

If you were a member of Congress and had living expenses when away from home on Congressional business, include the amount of allowable expenses in the Subtractions column of line 29.

### Line 30 — Adjustments created by federal credits and tax incentives

Include the amount from line 23 of Schedules KFNC, KPINC and KSNC. If you received multiple schedules, combine those amounts on this schedule. If the amount is negative, include it as a positive number in the Subtractions column. If the amount is positive, include it in the Additions column.

If you received a federal credit or tax incentive, you may need to adjust your Minnesota income. These credits include:

- Credit for employers providing paid family leave
- Orphan Drug Credit

If you claimed the federal credit for providing paid family leave, the wages you used to claim the credit are a disallowed deduction on your federal return. Include the amount of wages in the Subtraction column of line 30, which were disallowed on your federal return because you claimed this federal credit.

If you claimed the federal Orphan Drug credit, you will need to make an adjustment for the deductible qualified clinical testing expenses use to calculate the credit. Federal tax law changes reduced the percentage of these expenses used in determining the credit. Include the amount of expenses that you would have used in determining the federal credit under the 2016 I.R.C. in the Additions column of line 30.

### Line 32 — Adjustments due to limitations based on adjusted gross income

The following items are limited based on your Minnesota adjusted gross income. If any of the following were reported on your federal return, you may need to make an adjustment on your Minnesota return. Complete the appropriate worksheet listed below and enter the adjustment on line 32 of this schedule.

**Rental Real Estate Losses.** Complete the **Worksheet for line 32 – Rental Real Estate Losses** on page 14 if line 7 of your federal Schedule 8582 was less than \$150,000.

**Social Security Income.** Complete the **Worksheet for Line 32 – Social Security Income** on page 14 if less than 85% of your Social Security benefits were included in your federal taxable income.

**IRA Deduction.** Complete the **Worksheet for Line 32– IRA Deduction** on page 15 if you deducted contributions to an IRA on your federal return. If you were required to complete a worksheet in IRS publication 590-A, complete that worksheet using Minnesota income amounts.

**Student loan interest.** Complete the **Worksheet for Line 32 – Student Loan Interest** on page 16, if you deducted student loan interest on your federal return.

**Worksheet for Line 32 – Rental Real Estate Losses**

Before you complete this worksheet, you will need to complete federal Form 8582. If you filed a 2017 Schedule M1NC and completed the Worksheet for Line 8 - Rental Real Estate Losses, you will need to complete a 2018 Form 8582 (Minnesota 8582) for Minnesota purposes. Include the result of step 15 from the 2017 worksheet as a prior year loss when completing your Minnesota 8582. Use the Minnesota 8582 to complete this worksheet.

- 1 Enter the amount from line 6 of your federal Form 8582. ....
- 2 Enter the amount from line 7 of your federal Form 8582. ....
- 3 Enter the total from the Additions column for lines 1 - 30 of Schedule M1NC. ....
- 4 Enter the total from the Subtractions column for lines 1-30 of Schedule M1NC. ....
- 5 Subtract step 4 from step 3. If the result is less than zero, enter as a negative. ....
- 6 Add step 2 and 5. ....
- 7 Subtract step 6 from step 1(if zero or less, enter 0 here and on step 15) ....
- 8 Multiply step 7 by 50% (0.5) Do not enter more than the amount on line 9 of your federal Form 8582. ....
- 9 Enter the lesser of line 5 of your federal Form 8582 or step 8 of this worksheet. If line 2c of your federal Form 8582 is negative, go to step 10. Otherwise, go to step 14. ....
- 10 Enter the amount from line 11 of your federal Form 8582. ....
- 11 Enter the amount from line 12 of your federal Form 8582. ....
- 12 Subtract step 9 from step 11. ....
- 13 Enter the smallest of line 2c (treated as a positive amount) from your federal Form 8582, step 10, or step 12. ....
- 14 Enter the amount from line 15 of your federal Form 8582. ....
- 15 Add steps 9, 13, and 14. ....
- 16 Enter the amount from line 16 of your federal Form 8582. ....
- 17 Subtract step 15 from step 16. If the result is positive, include it in the Additions column of line 32 of Schedule M1NC. If the result is negative, include it as a positive number in the Subtractions column of line 32 of Schedule M1NC. ....

**Worksheet for Line 32 – Social Security Income**

- 1 Amount from line 7 of your federal Social Security Benefits Worksheet. ....
- 2 Enter the total from the Additions column for lines 1 - 30 of Schedule M1NC. ....
- 3 Enter the total from the Subtractions column for lines 1-30 of Schedule M1NC. ....
- 4 Subtract step 3 from step 2. If the result is less than zero, enter as a negative. Also include the amount from step 17 of the Worksheet for Line 32 - Rental Real Estate Losses. ....
- 5 Add steps 1 and 4. ....
- 6 If you are: ....
  - Married filing jointly, enter \$32,000
  - Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2018, enter \$25,000
  - Married filing separate and you lived with your spouse at any time in 2018 skip lines 6 through 13; multiply line 5 by 85% (0.85) and enter the result on line 14. Then go to line 15
- 7 Subtract step 6 from step 5 (if zero or less enter zero on step 14) ....
- 8 If you are: ....
  - Married filing jointly enter \$12,000
  - Single, head of household, qualifying widow(er), or married filing separately and you lived apart from your spouse for all of 2018, enter \$9,000
- 9 Subtract step 8 from 7. If zero or less enter 0. ....
- 10 Enter the smaller of step 7 or 8. ....
- 11 Multiply step 10 by 50% (0.50) ....
- 12 Enter the smaller of 50% of your total amount from box 5 of all your Forms SSA-1099 and Forms RRB-1099 or step 11. ....
- 13 Multiply step 9 by 85% (0.85). if step 9 is zero, enter 0. ....
- 14 Add steps 12 and 13. ....
- 15 Enter the amount from step 17 of your Worksheet for federal Form 1040 line 5b. ....
- 16 Enter the smaller of step 14 or step 15. ....
- 17 Enter the amount from line 5b of federal Form 1040. ....
- 18 Subtract step 17 from step 16. If the result is positive, include it in the Additions column of line 32. If the result is negative, include it as a positive number in the Subtractions column of line 32. ....



## Worksheet for line 32 – Minnesota IRA deduction

Before you complete this worksheet, you must complete the worksheet for line 32 of federal Schedule 1. Also, complete the Worksheet for Line 32 –Rental Real Estate Losses, and the Worksheet for Line 32 – Social Security Income, if you were required to do so.

	Your IRA	Spouse's IRA
1	Enter the amount shown below that applies to you . . . . .1a _____	1b _____
	<ul style="list-style-type: none"> <li>• Single, head of household or married filing separately and you lived apart from your spouse for all of 2018, enter \$73,000</li> <li>• Qualifying widow(er) enter \$121,000</li> <li>• Married filing jointly enter \$121,000 in both columns. If one spouse was not covered by a retirement plan, enter \$199,000 for the spouse who was not covered</li> <li>• Married filing separately and you lived with your spouse at any time in 2018, enter \$10,000</li> </ul>	
2	Enter the sum of Schedule M1NC lines 1 through 30 in the Additions column . . . . . 2 _____	
3	Enter the sum of Schedule M1NC lines 1 through 30 in the Subtractions column . . . . . 3 _____	
4	Subtract step 3 from step 2. Include step 17 of the Worksheet for Line 32 –Rental Real Estate Losses, step 18 of the Worksheet for Line 32 – Social Security Income, and the amounts on line 6 of your federal Form 1040 . . . . . 4 _____	
5	Enter the total of the amounts from federal Schedule 1, lines 23 through 31a plus any write in adjustments you entered on the dotted line next to line 36 . . . . . 5 _____	
6	Subtract step 5 from Step 4. If married filing jointly, enter the result in both columns. . . . .6a _____	6b _____
7	Is the amount on step 6 less than the amount on step 1? No: None of your IRA is deductible for Minnesota purposes. Include the amount you entered on line 32 of federal Schedule 1 on line 32 of Schedule M1NC. Yes: Subtract step 6 from step 1 . . . . .7a _____	7b _____
8	Using the amount on step 7, determine the amount to enter based on the instructions below: 8a _____	8b _____
	<ul style="list-style-type: none"> <li>• If single, head of household, or married filing separately, and the result is \$10,000 or more, enter \$5,500 (\$6,500 if age 50 or older but under 70 ½ at the end of 2018) for that column on steps 8 and 9. If the result is less than \$10,000, go to step 9.</li> <li>• If married filing jointly or qualifying widow(er), and the result is \$20,000 or more (\$10,000 or more in the column for the IRA of the person who was not covered by a retirement plan), enter \$5,500 (\$6,500 if age 50 or older but under age 70 ½ at the end of 2018) for that column on steps 8 and 9. Otherwise, go to step 9.</li> </ul>	
9	Multiply step 7 by the percentage you used to determine step 7 of your federal Worksheet for Schedule 1, line 32. Increase the result to the next increment of \$10. . . . .9a _____	9b _____
10	Enter the sum of the following amounts: . . . . . 10 _____	
	<ul style="list-style-type: none"> <li>• Step 8 from your federal worksheet for Schedule 1, line 32, and</li> <li>• The amount from step 9 of your federal worksheet for Schedule 1, line 32.</li> </ul>	
11	Enter the amount from step 11 of you federal Worksheet for Schedule 1, line 32. . . . .11a _____	11b _____
12	Enter the smallest of steps 9a, 10, or 11a on step 12a. Enter the smaller of steps 9b, 10, or 11b on step 12b. If you elected to deduct a smaller amount on your federal return, reduce the amount for this line by the amount you elected to treat as a nondeductible contribution on your federal return. . . . .12a _____	12b _____
13	Add steps 12a and 12b . . . . .13 _____	
14	Enter the amount from your federal Schedule 1, line 32 . . . . .14 _____	
15	Subtract step 13 from step 14. If the result is more than zero, enter the amount in the Additions column of line 32. If the result is less than zero, enter as a positive in the Subtractions column of line 32 . . . . .15 _____	

Save this worksheet and your 2018 income tax return for your records until at least 3 ½ years after you file your Minnesota return for the year during which your IRA balance became \$0.

## Worksheet for Line 32 – Student Loan Interest

If you are required to complete any of the other worksheets for line 32, you must complete those worksheets before completing this worksheet.

- 1 Enter the total interest you paid in 2018 on qualified student loans  
(see instructions for federal Schedule 1, line 33) Do not enter more than \$2,500 .....
- 2 Enter the amount from line 6 of federal Form 1040. Include any foreign earned income exclusion,  
housing exclusion, foreign housing deduction, and any income from Puerto Rico  
and American Samoa you are excluding. ....
- 3 Enter the total from the Additions column for lines 1 through 30 of Schedule M1NC .....
- 4 Enter the total from the Subtractions column for lines 1 through 30 of Schedule M1NC .....
- 5 Subtract step 4 from step 3 .....
- 6 Enter the amount from step 17 of the worksheet for line 32 – Rental Real Estate Losses, step 18 of the  
worksheet for line 32 – Social Security Income, and step 15 of the Worksheet for Line 32 – Minnesota IRA  
Deduction. If your IRA deduction was disallowed in full on step 7 of the Worksheet for line 32 – Minnesota  
IRA deduction, include the amount you entered on line 32 of federal Schedule 1 on this step.  
If the result is negative, include as a negative amount. ....
- 7 Add steps 2, 5 and 6 .....
- 8 Enter the amount from your federal Schedule 1, lines 23 through 32 plus any write in adjustments on line 36 ..
- 9 Subtract step 8 from step 7 .....
- 10 If your filing status is single, head of household, or qualifying widow(er), enter \$65,000.  
If your filing status is married filing joint, enter \$135,000 .....
- 11 Subtract step 10 from step 9. If the result is zero or less, skip steps 12 and 13, and  
enter the amount from step 1 on step 14 .....
- 12 Divide step 11 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal  
rounded to at least 3 places. If the result is 1.000 or more, enter 1.000 .....
- 13 Multiply step 1 by step 12. ....
- 14 Subtract step 13 from step 1 .....
- 15 Enter the amount from line 33 of you federal Schedule 1 .....
- 16 Subtract step 14 from step 15. If the result is positive, enter the result in the Additions column of line 32.  
If the result is negative, enter the result as a positive amount in the Subtractions column of line 32 .....