



## Tax Forms & e-File Updates Webinar: September 14, 2022

***Disclaimer:** Information in this document is based on the laws in effect when it was written. It does not supersede or alter any provision of Minnesota laws, administrative rules, court cases, or revenue notices. It does not provide tax advice.*

Hello and thank you for joining us today. My name is Mark Krause and I'm the Tax Professional Outreach Coordinator with the Income Tax and Withholding Division at the Minnesota Department of Revenue.

I am joined today by Allyson Casseday, the External Training and Communications Specialist with the Corporate Franchise Tax Division. Also joining us today are Ben Pederson, our E-File Coordinator with the Tax Operations Division, and representatives from our Policy Teams. There are also several other Revenue employees who are joining us to assist with your questions.

Today's webinar will focus on updates to our individual and business income tax forms. We will also provide information that software providers should know for electronic filing. We will have another webinar in December focusing on what tax professionals will need to know for the upcoming filing season. Therefore, please limit your questions and feedback to tax forms and electronic filing. We will have time in our December webinar to address your policy and tax law-related questions.

If you have questions that cannot wait until then, you can email us at [TaxLawChanges@state.mn.us](mailto:TaxLawChanges@state.mn.us). You can also review the legislative bulletins released on our website. Just enter **legislative bulletins** into the Search box.

Finally, if you have feedback on any of the tax forms discussed today, you can email it to [TaxLawChanges@state.mn.us](mailto:TaxLawChanges@state.mn.us).

Just a quick reminder that our presentation is based on tax laws that are currently in effect and it does not supersede or alter any provisions of Minnesota laws, administrative rules, court cases, or revenue notices.

### **Before we get started, there are a few housekeeping items we want to cover:**

1. We've muted your phone lines. This will eliminate background noise and help facilitate the conversation.

2. We will take questions entered into the chat after our tax forms demonstration and again at the end of the presentation.
3. Our focus today is on tax forms updates and electronic filing updates. We will not be answering tax policy questions today on this webinar.
4. Since Minnesota did not have a tax bill this year, we may have less information to share than in the past. However, we allotted the same amount of time as in previous years to ensure we have time to take your feedback and questions. Depending on your input after the presentation, this webinar may end earlier than planned.

Today, we will discuss changes for the upcoming filing season. Our agenda includes:

- Walking through some of the updated 2022 Minnesota individual and business income tax forms
- Taking your questions and comments about forms for tax year 2022
- Reviewing some electronic filing updates for the 2023 filing season

## Changes for tax year 2022

We use our annual change process to prepare for the upcoming filing season. This process starts when the legislative session ends and continues until we are ready to accept returns. We published near final forms to our website in August. This allows time for software developers to work on certifying and testing their systems.

We will publish final forms and instructions in October and anticipate opening the filing season in 2023 at the same time as the IRS.

## Website Demo

I'd also like to highlight our [Tax Law Changes page](#), which is accessible from the link in the footer of our website. We completely re-organized this page to make it easier to find what you are looking for.

We've put many items relating to the upcoming filing season on this webpage and archived older content to a section called "Law Change from Previous Years." You can find the 2022 near final draft forms and instructions for all tax types and current legislative bulletins under Resources. I'd like to remind you that no major tax bills were enacted during the 2022 legislative session so essentially, Minnesota tax law has not changed from the year before.

Since we are near the footer, I'll also encourage you to [sign up for our email updates](#). If you have not already done so, select the gray envelope or enter your email address in the field in the footer of our website and select either Updates for Tax Professionals or Software Provider Updates. If you have already signed up for these emails, encourage your colleagues to do so as well. There are other email lists under "Tax Professionals" to sign up for, as well as email lists specific for businesses.

The tax professional outreach coordinators also have a larger footprint on Twitter. We post relevant tax content and reminders that will help you in your practice. Follow the Minnesota Department of Revenue on Twitter for these updates.

## 2022 Business and Fiduciary Income Tax Law Changes

We will now share a high-level overview of the 2022 Minnesota form changes for business and fiduciary income taxpayers. Please note that we're currently updating these forms to account for two recent pieces of federal legislation: the CHIPS Act of 2022 and the Inflation Reduction Act of 2022.

From the draft forms and instructions website page, let's take a look at one of these tax types: Fiduciary Income Tax.

You will notice on the screen that we are providing nonconformity schedules again for tax year 2022. Since the 2022 Minnesota legislative session ended without a tax bill adopted, business and fiduciary income tax payers must make nonconformity adjustments on their 2022 returns for provisions of the Internal Revenue Code (or IRC) that Minnesota does not conform to.

Similar to previous tax years, there are seven business and fiduciary nonconformity schedules, all of which are titled "Federal Adjustments." These Schedules are:

- M4NC
- M2NC
- M2SBNC
- KFNC
- KSNC
- KPINC
- KPCNC

The 2022 nonconformity schedules are very similar to the 2021 nonconformity schedules.

We removed a few lines for federal provisions that have expired. These include the previous nonconformity adjustments for the:

- Employee Retention Credit
- Indian Employment Credit
- Mine Rescue Team Training Credit
- Employee Retention Credit for Employers Affected by Qualified Disasters

We also added a few new lines. Line 2 includes three provisions from the Infrastructure Investment and Jobs Act (or IIJA). We also added separate lines for certain loan forgiveness and Economic Injury Disaster Loan grants.

Finally, you will see that all 2022 nonconformity schedules have the same number of lines as 2021.

In addition to the nonconformity schedules, we made other changes to the business and fiduciary income tax forms.

First, we will introduce a new fiduciary income tax form, Schedule M2NM, Non-Minnesota Source Income and Related Expenses. This new schedule reports the non-Minnesota source income and expenses of estates and trusts. It is a supplemental schedule to these forms:

- Form M2, Minnesota Income Tax for Estates and Trusts (Fiduciary)
- Form M2X, Amended Income Tax Return and Estates and Trusts
- Form M2SB, Income Tax Computation for S Portion of ESBT

The schedule is structured similarly to the Schedule M1NR, Nonresidents/Part-Year Residents. However, unlike Schedule M1NR, schedule M2NM removes the non-Minnesota source income or deductions rather than calculating a tax amount. It provides for the allocation of these federal income and deductions along with Minnesota additions and subtractions. Notice three columns that report these amounts. Line 28 of Schedule M2NM flows onto lines 2 and 7 of Form M2.

Next, we'll open Form M2 to point out a few more changes.

As just mentioned, the amounts reported on lines 2 and 7 now flow from Schedule M2NM.

Also for 2022, the subtraction for the Prior Addback from Reacquisition of Business Indebtedness Income is obsolete and was removed. This subtraction line was also removed from Form M2X, Form M2SB, and Form M4.

On Schedule KF, we added a new line for the distribution to beneficiaries of the unused credit for owners of agricultural assets from a prior year. The estate or trust must provide the beneficiary both the certificate number and the remaining carryover years for the credit.

The last update for estates and trusts are to the questions on the Schedule M2RT. You will notice that we made changes to lines 1, 2, 7b, 8, 9, 9a, and 10. You will also notice that line 8b from 2021 was deleted.

Another new form for tax year 2022 is the Form TPD, Tax Position Disclosure. This form allows taxpayers to disclose items or positions of question on their Minnesota tax return. This form is similar to the federal Form 8275. By using Form TPD, the taxpayer may be able to reduce the substantial understatement of liability penalty that is assessed on audit if the position has reasonable basis.

### **Businesses and Fiduciaries**

- Form M2, Income Tax Return for Estates and Trusts
- Form M3, Partnership Return
- Form M4, Corporation Franchise Tax Return
- Form M4NP, Unrelated Business Income Tax Return
- Form M8, S Corporation Return
- Form M30, Occupation Tax Return

- Form PS2000, Application to Title/Register a Vehicle
- SW-1, Metropolitan Solid Waste Landfill Fee Monthly Report

## Individuals

- Form M706, Estate Tax Return
- Form M1, Individual Income Tax

These forms will be listed in the TPD Instructions and on the new TPD webpage.

We added a checkbox to the top of most of these forms. The taxpayer or tax preparer must check this box if they are filing Form TPD.

The last major changes for business income tax are on Schedule PTE.

On Schedule PTE, we added lines 11 and 12. On line 11, entities will report the amount of state income tax included in their income. Line 12 is a math line that combines two lines on which subtractions are reported.

On Part 2 of Schedule PTE, you will see that each owner now only has one row of information instead of two rows. As a part of this change, we removed the “address” column. Lastly, we also removed the percentage sign from the “Share of Income” column. Instead, we added dollar signs on each row of that column.

This concludes our updates for business and fiduciary income taxes.

## 2022 Minnesota Individual Income Tax Forms

We’ve updated our 2022 Individual Income Tax forms to reflect annual changes and nonconformity between Minnesota and federal tax laws. Several federal tax laws were enacted that affect tax year 2022, and we’ll run through our forms to highlight some of these changes. Please note that we’re currently updating these forms to account for two recent pieces of federal legislation: the CHIPS Act of 2022 and the Inflation Reduction Act of 2022.

We’ll start with 2022 Form M1, Individual Income Tax. You can see that it looks generally the same as the 2021 Form M1.

Line 1 of Form M1 lists federal adjusted gross income (or FAGI). Minnesota uses FAGI as defined by section 62 of the IRC as amended through December 31, 2018, except for certain conformity items.

We continue to require nonconformity adjustments on Schedule M1NC, Federal Adjustments, which may impact federal adjusted gross income. If you complete Schedule M1NC, other forms and

instructions that point to adjusted gross income will use the amount from line 37 of Schedule M1NC and not line 1 of Form M1.

Line 2 of Form M1 is for additions to Minnesota income. We have moved several lines last year from the Schedule M1M, Income Additions and Subtractions, to a new schedule titled Schedule M1MB, Business Income Additions and Subtractions. Schedule M1MB includes modifications particularly for individuals that have ownership interest in a business.

On line 2 of Form M1, taxpayers will include the combined total of line 10 of Schedule M1M and line 9 of Schedule M1MB. On line 7 of Form M1, taxpayers will include the combined total of Line 32 of Schedule M1M and line 22 of Schedule M1MB.

The Schedule M1M is largely the same as last year. Note that Line 29 now subtracts state frontline worker payments, which are excluded from state tax.

Going back to Form M1, the standard deduction amounts for 2022 are:

- \$25,800 for Married Filing Jointly and Qualifying Widow(er)
- \$19,400 for Head of Household
- \$12,900 for Single and Married Filing Separately

The standard deduction, reported on line 4, is reduced as Minnesota adjusted gross income exceeds \$206,050 (or \$103,025 for Married Filing Separately).

### **Itemized Deductions**

Minnesota law define itemized deductions on the state return. Taxpayers may itemize deductions using Schedule M1SA, Minnesota Itemized Deductions.

Some Minnesota itemized deductions are similar to the federal deductions, but they may require a modified calculation. Other deductions will come directly from federal Schedule A. This year, due to a difference in the mileage reimbursement rate for the final 6 months of 2022, we've added some lines to calculate the available deduction on Schedule M1UE, Unreimbursed Employee Business Expenses, used on line 20 of Schedule M1SA.

Minnesota itemized deductions are limited when a taxpayer's Minnesota adjusted gross income is more than \$206,050 (or \$103,025 for Married Filing Separately). As a reminder, if a married couple files separately and one spouse chooses to itemize their deductions, the other spouse must also itemize.

### **Line 5**

Line 5 captures the allowable dependent exemption amount. Exemptions are defined under Minnesota Statute 290.0121 and are limited to dependents only. The exemption amount is \$4,450 per dependent.

To be a dependent, an individual must meet the qualifications under sections 151 and 152 of the IRC. The exemption phases out when adjusted gross income exceeds:

- \$309,050 for Married Filing Jointly and Qualifying Widow(er)
- \$257,550 for Head of Household
- \$206,050 for Single and Married Filing Separately

#### **Line 11**

On Line 11, individuals will use Schedule M1MT, Alternative Minimum Tax, to determine if they are required to pay Minnesota Alternative Minimum Tax (or AMT). We added nonconformity adjustments to line 3 of Schedule M1MT. Individuals will need to recalculate their Minnesota AMT income if they entered an adjustment on Schedule M1NC. Differences such as net operating loss carryovers may result in individuals being required to pay Minnesota AMT without having to pay federal AMT.

#### **Line 13**

On line 13, part-year residents and nonresidents continue to use Schedule M1NR, Nonresidents/Part-Year Residents, to determine their Minnesota tax.

The 2022 Schedule M1NR is generally the same as the 2021 version. Note that if the individual entered a credit amount on line 9 of Schedule M1REF, Refundable Credits, they must complete line 11 of Schedule M1NR.

#### **Line 16**

The next change for 2022 is on the Schedule M1C, Nonrefundable Credits, and reported on line 16 of Form M1. The only addition here is a blank line that can accommodate retroactive credits enacted in a future legislative sessions.

#### **Line 22**

Taxpayers will continue reporting refundable credits on Schedule M1REF and enter the total on line 22 of Form M1. Line 9 is still used for the Pass-Through Entity Tax. Recipients of the credit will have their portion of the credit reported on Schedules KF, KPI, and KS.

There is a new portion for the Pass-Through Entity Tax Credit information, where a claimant will enter the Minnesota Tax ID Number and amount associated with each Pass-Through Entity Credit. Those who claim more than three Pass-Through Entity Tax Credits must attach a statement to this Form and print “see attached” to the right of line 9.

Note that line 10 is where to state Claim of Right amounts. Do not enter these amounts directly on the M1.

Schedule M1CD, Child and Dependent Care Credit, continues to accommodate situations in which claimants need to make certain nonconformity adjustments. Because Minnesota is not in conformity

with federal law related to the Child and Dependent Care Credit provisions, you will need to make separate calculations on a Minnesota-specific form.

Schedule M1CD is similar to federal Form 2441, which calculates expenses adjusted for certain excluded benefits. Taxpayers will calculate the Minnesota credit differently than the federal credit due to nonconformity and certain Minnesota provisions.

There are four sections to Schedule M1CD:

- If taxpayers did not receive dependent care benefits, they must complete only parts 1 and 2 of the Schedule.
  - o **Part 1** is used to provide the care provider's name, address, ID number, and amount paid.
  - o **Part 2** is used for information about qualifying persons and to calculate the credit.
  - o If there are more than two items in either Part 1 or Part 2, you must use an overflow page.
- **Parts 3 and 4** are used to account for dependent care benefits, which are excluded from income. Those receiving dependent care benefits must complete Parts 1 through 4.
  - o The Minnesota exclusion amount is compared to the federal amount, and the difference between the two amounts is a nonconformity adjustment that flows into Schedule M1NC.
  - o To claim the credit, those who received dependent care benefits will complete Part 4 before going back to Part 2.

There have been few changes to Schedule M1WFC, Working Family Credit. In 2021, the age eligibility was lowered from 21 to 19 years old as listed in the eligibility requirement section of the instructions. The income limits were also adjusted for inflation.

All other eligibility requirements for the Minnesota Working Family Credit remain unchanged for tax year 2022. In past years, eligibility for the Working Family Credit was similar to eligibility for the federal Earned Income Tax Credit. Recent federal law changes have created some new discrepancies. Taxpayers must use their 2022 earned income to determine their Working Family Credit eligibility.

### **Schedule M1NC**

Schedule M1NC makes necessary adjustments to the Minnesota return as a result of nonconformity. Each line describes provisions in the federal tax laws enacted after December 31, 2018, which state law generally does not conform to.

Schedule M1NC determines taxpayers' Minnesota adjusted gross income on line 37. If taxpayers complete Schedule M1NC, various schedules and worksheets will require Minnesota adjusted gross income from line 37 of Schedule M1NC instead of FAGI from line 1 of Form M1.



We expect to post the Schedule M1NC instructions soon. The instructions provide more information on items of nonconformity for Individual Income Tax payers.

### **Form M1PR**

Form M1PR, Homestead Credit Refund (for Homeowners) and Renter's Property Tax Refund, remains similar for 2022, but we will provide a brief overview along with some reminders.

Some state tax law changes have recently impacted the property tax refund. Veteran's disability compensation is excluded when calculating household income. The refund is still determined based on household income. Changes in Minnesota law that exclude certain amounts from taxable income are still included on Form M1PR as nontaxable income.

Individuals will continue to list additional nontaxable income on line 5 of Form M1PR. They must complete and include Schedule M1PR-AI, Additions to Income, to identify the types and amounts of nontaxable income. They will include the total amount of nontaxable income reported on Schedule M1PR-AI on line 5 of Form M1PR.

We updated line 10 of Form M1PR to exclude COVID-related retirement plan distributions during 2021 if individuals chose to include them in income over three years. For 2022, include the prorated amount on line 10 to the extent it was included in individuals' federal adjusted gross income. Frontline worker payments and the subtraction for alimony are also included on line 10.

That is all we have for updates on Form M1PR.

### **Updates on Electronic Filing**

On our [Software Providers page](#) under the Tax Professionals section of our website, you can see key dates, draft forms and instructions, grid form templates, substitute form design specifications, error rejection codes (ERCs), and all the requirements you will need for certification.

**You can see our entire list of key dates on our website.** I'll review some of them now and you can review the others on our website. We'll update our key dates when we get news of the IRS's filing season. If any of these dates change, we'll send an email noting the changes.

- **August 1:** We posted near final forms and opened up forms certification. We will approve forms based on the near final forms.
- **September 15:** We released draft schemas for all tax types.
- **October 3:** We'll release draft ERCs for all tax types.
- **November 14:** We'll open e-file and Leads Reporting certification for approved software providers.

Let's go back to the Software Provider page and look over the certification requirements. These are the steps you need to complete before you'll be certified to transmit returns to us.

The first step is to **submit a 2022 Minnesota Letter of Intent (or LOI)**. Our website describes what you need to do to get your LOI accepted.

- Our LOI was available July 18.
- You must submit a state LOI for each of your products by November 1, 2022. We will not accept late LOIs. We'll respond with your application status within seven business days.
- Each unique product **must** have a separate LOI.
- For details to develop your product, you'll need access to the State Exchange System (or SES) for Modernized Electronic Filing (or MeF) requirements, MeF testing requirements, fraud leads reporting requirements, and specifications from the software provider guide on our website.

The second step is to **submit substitute forms**. When submitting forms from products using the same print engine, send one submission and include all form IDs on that submission. When you select the **substitute form scenario requirements**, you can see the requirements for the three submissions we need per form. If you have questions about submissions and print engines, contact us before submitting your forms.

Remember: You are responsible for ensuring your software programs only print substitute forms that are approved.

As an example, let's look at the [Specifications for Business Vouchers](#).

- The variable data, such as the Preparer Tax Identification Number (PTIN) and scan line, will continue to use the "Courier" or "Courier New" fonts.
- Make sure vouchers have the Minnesota Tax ID Number or Social Security Number in the scan line with a valid check digit. This means the Minnesota ID number cannot be blank or filled with characters others than numbers because it flows to the scan line.

Back on the software provider page, the third step is **submit electronic files**.

- Our certification test cases will be available to approved software providers by November 1.
- We must approve all forms from each software product, both paper and electronic. We do not accept electronic-only software products.

Part of your electronic requirements are fraud leads and reporting certification. The fraud leads information is stored on SES, not on our website.

- You are responsible for implementing appropriate security measures to protect taxpayers and their information in your system. This includes but is not limited to when software is online, offline, at rest, and in transit. Refer to cybersecurity resources such as IRS Publication 1075 to assist you with this process.

- We will continue to use SES for schemas, testing requirements, leads, and certification.
- We will transmit leads and reporting using “Movelt” as we did last year. We will post all the changes to the leads and reporting schemas on SES.

The fourth step is **submit additional requirements**. If you are planning to have a free file product, email us with your intention and criteria by December 30. We will publish [which products are available for free file along with their criteria](#) on our website.

Lastly, on our software provider page is a reminder that **after certification, we will monitor all electronic and substitute forms**. We reserve the right to suspend our approval and refuse to accept returns of any software product that does not adhere to our requirements. We will contact you with any concerns before taking action.

We encourage all individuals and tax professionals to **use electronic returns and electronic payments**. They are easier and more secure to use. Customers can:

- Set up their return payment for the day they file or the payment due date
- Request when estimated taxes are withdrawn from their accounts so they do not need to worry about mailing a check
- Apply a portion of their refund to next year’s estimated tax and receive the remaining amount as a refund

It’s the easiest and safest way to file returns and make payments. Thank you for your support in changing over to electronic returns and payments!

Lastly, you can see contact information on our page.

- **Email:** [efile.devsupport@state.mn.us](mailto:efile.devsupport@state.mn.us)
- **Phone:** 651-556-4818

Thank you for all the work you are doing to prepare for next season! We will now open up the webinar for feedback and questions about electronic filing. As a reminder, please limit your questions to e-filing. If you have other questions, you may use the email address here to send them to us.

## Closing

Thanks again for joining us. Revenue’s vision is that everyone reports, pays, and receives the right amount: no more, no less. Our partnership with you is essential to provide the information and resources Minnesota taxpayers need to realize this vision. We appreciate your engagement, questions, and comments as we move closer to the 2023 filing season.

We’ll post the recording for this webinar under our [Tax Law Changes page](#) as well as the [Conference Calls and Webinars page](#) on our website. When we post near final forms and instructions, we will also post a summary of the tax form changes we discussed during this webinar.

We're committed to meeting our priorities for the upcoming filing season. If you have further comments or ideas, contact us at 651-556-4818 or email [efile.devsupport@state.mn.us](mailto:efile.devsupport@state.mn.us).

If you have other questions about the 2023 filing season, email them to [TaxLawChanges@state.mn.us](mailto:TaxLawChanges@state.mn.us).  
Thanks again for attending our webinar.