



# 2020 Schedule M4NC, Federal Adjustments

Minnesota has generally adopted the Internal Revenue Code as amended through December 15, 2022. This schedule allows for any remaining 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 This line intentionally left blank ..... 1 ■ \_\_\_\_\_
- 2 Charitable contribution deduction limitation (CARES Act Sec. 2205) ..... 2 ■ \_\_\_\_\_
- 3 This line intentionally left blank ..... 3 ■ \_\_\_\_\_
- 4 Employee Retention Credit (CARES Act Sec. 2301) ..... 4 ■ \_\_\_\_\_
- 5 Modification of business interest limitation (CARES Act Sec. 2306) ..... 5 ■ \_\_\_\_\_
- 6 This line intentionally left blank ..... 6 ■ \_\_\_\_\_
- 7 Employer credit for paid medical leave and Employer payroll credit for required paid family leave (FFCRA Sec. 7001, 7003) ..... 7 ■ \_\_\_\_\_
- 8 This line intentionally left blank ..... 8 ■ \_\_\_\_\_
- 9 This line intentionally left blank ..... 9 ■ \_\_\_\_\_
- 10 This line intentionally left blank ..... 10 ■ \_\_\_\_\_
- 11 This line intentionally left blank ..... 11 ■ \_\_\_\_\_
- 12 Employee retention credit for employers affected by qualified disasters (TCDTR Sec. 203) ..... 12 ■ \_\_\_\_\_
- 13 This line intentionally left blank ..... 13 ■ \_\_\_\_\_
- 14 This line intentionally left blank ..... 14 ■ \_\_\_\_\_
- 15 This line intentionally left blank ..... 15 ■ \_\_\_\_\_
- 16 This line intentionally left blank ..... 16 ■ \_\_\_\_\_
- 17 Temporary Allowance of Full Deduction for Business Meals (see instructions) ..... 17 ■ \_\_\_\_\_
- 18 Credit for COBRA Continuation Coverage (ARPA Sec. 9501) ..... 18 ■ \_\_\_\_\_
- 19 This line intentionally left blank ..... 19 ■ \_\_\_\_\_
- 20 This line intentionally left blank ..... 20 ■ \_\_\_\_\_
- 21 This line intentionally left blank ..... 21 ■ \_\_\_\_\_





# Nonconformity Adjustment Instructions

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## Purpose of This Schedule

In January 2023, Minnesota law was updated to recognize the Internal Revenue Code as amended through December 15, 2022. However, some nonconformity adjustments still apply due to retroactive Minnesota modifications enacted in the tax bill.

## Who Must File Schedule M4NC?

If any of the federal provisions in these instructions affect the amount of taxable income reported on your 2020 federal Form 1120, U.S. Corporation Income Tax Return, you must adjust your 2020 Minnesota return using Schedule M4NC.

Use the Schedule M4NC and these instructions to complete your Minnesota return. The adjustment for each line should reflect the change to your Minnesota return as a result of the retroactive Minnesota modifications. 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.

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

## Line Instructions

### Line 1

This line is intentionally left blank.

### Line 2 – Charitable Contribution Deduction Limitation (CARES Act Section 2205; TCDTR20 Section 213)

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

### Line 3

This line is intentionally left blank.

### Line 4 – Employee Retention Credit (CARES Act Section 2301; TCDTR20 Sections 206 and 207; ARPA Section 9651)

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.

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

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### Line 7 – Employer Credit for Paid Medical Leave (FFCRA Section 7001; ARPA Section 9641) and Employer Payroll Credit for Required Paid Family Leave (FFCRA Section 7003; ARPA Section 9641)

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

If you claimed the Employer Credit for Paid Medical Leave, include the amount of the credit which was included in your federal gross income as a negative amount.

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

If you claimed the Employer Payroll Credit for Required Paid Family Leave, include the amount of the credit which was included in your federal gross income as a negative amount.

*Continued*

# Nonconformity Adjustment Instructions

## Line 8

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## Line 9

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## Line 10

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## Line 11

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## Line 12 – Employee Retention Credit for Employers Affected by Qualified Disasters (TCDTR Section 203; TCDTR20 Section 303)

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

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## Line 14

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## Line 15

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## Line 16

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## Line 17 – Temporary Allowance of Full Deduction for Business Meals (COVIDTRA Section 210)

If you deducted more than 50% of the cost for food or beverages provided by a restaurant under this provision, enter the amount of the deduction that exceeds 50% of the cost as a positive number on line 17.

## Line 18

If you claimed the credit for continuation coverage under section 9501(a)(1) of ARPA, include the amount of the credit which was included in your federal gross income as a negative number.

## Lines 19 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.

# 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.