



# 2021 Schedule M2SBNC, 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 \_\_\_\_\_, 2021, ending \_\_\_\_\_

Name of Trust \_\_\_\_\_

Federal ID Number \_\_\_\_\_

Minnesota 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 the nearest whole dollar.

## Adjustments to federal taxable income (FTI)

- 1 This line intentionally left blank ..... 1 ■ \_\_\_\_\_
- 2 Employee Retention Credit (CARES Act Sec. 2301) ..... 2 ■ \_\_\_\_\_
- 3 Retroactive NOL carrybacks and suspension of 80% limit (CARES Act Sec. 2303) ..... 3 ■ \_\_\_\_\_
- 4 This line intentionally left blank ..... 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 Temporary allowance of full deduction for business meals (COVIDTRA Sec. 210) ..... 15 ■ \_\_\_\_\_
- 16 Credit for COBRA Continuation Coverage (ARPA Sec. 9501) ..... 16 ■ \_\_\_\_\_
- 17 This line intentionally left blank. .... 17 ■ \_\_\_\_\_
- 18 This line intentionally left blank. .... 18 ■ \_\_\_\_\_
- 19 This line intentionally left blank. .... 19 ■ \_\_\_\_\_





- 20 This line intentionally left blank. . . . . 20 ■ \_\_\_\_\_
- 21 This line intentionally left blank. . . . . 21 ■ \_\_\_\_\_
- 22 This line intentionally left blank. . . . . 22 ■ \_\_\_\_\_
- 23 This line intentionally left blank. . . . . 23 ■ \_\_\_\_\_
- 24 This line intentionally left blank. . . . . 24 ■ \_\_\_\_\_
- 25 This line intentionally left blank. . . . . 25 ■ \_\_\_\_\_
- 26 This line intentionally left blank. . . . . 26 ■ \_\_\_\_\_
- 27 This line intentionally left blank. . . . . 27 ■ \_\_\_\_\_
- 28 This line intentionally left blank. . . . . 28 ■ \_\_\_\_\_
- 29 This line intentionally left blank. . . . . 29 ■ \_\_\_\_\_
- 30 This line intentionally left blank. . . . . 30 ■ \_\_\_\_\_
- 31 This line intentionally left blank . . . . . 31 ■ \_\_\_\_\_
- 32 Total lines 1-31. If the result is positive, enter it on Form M2SB, line 18.  
If the amount is negative, enter it as a positive number on Form M2SB, line 31 . . . . . 32 ■ \_\_\_\_\_

**You must include this schedule when you file Form M2.**



# 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 M2SBNC

If any of the federal provisions in these instructions affect the amount of taxable income reported on your 2021 federal Form 1041, U.S. Tax Return for Estates and Trusts, you must adjust your 2021 Minnesota return using Schedule M2SBNC.

Use the Schedule M2SBNC 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) KSNC for your pro rata share or interest in the S corporation.

If you have to amend as a result of conformity within the January 2023 Minnesota tax bill, only adjust your amended return for the following reasons:

1. To update composite income tax for electing beneficiaries, or
2. To update fiduciary income tax when the trust or estate retains income.

You may need to amend, and issue updated Schedules KF or KFNC if your beneficiary(s) need additional information to update their return(s). For example, if you claimed federal bonus depreciation on qualified improvement property (QIP) and adjusted the beneficiary's bonus depreciation addition as a result of the QIP nonconformity adjustment.

If you are amending solely due to the January 2023 Minnesota tax bill, write "Conformity" in red at the top of the Minnesota Form M2X. For more details, see the Form M2 instructions.

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 2021 Minnesota Form M2SB, Schedule M2SBNC, and all worksheets you use in determining the adjustments.

## Line Instructions

### Line 1

This line is intentionally left blank.

### Line 2 — 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 3 — Retroactive NOL Carrybacks and Suspension of 80% Limit (CARES Act Section 2303)

If you carried back NOLs and/or fully offset your income using the NOLs, determine the difference to what was allowed prior to the CARES Act. Include the result as a positive number.

### Line 4

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### Line 5 — Modification of Business Interest Limitation (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 or 2020 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

This line is intentionally left blank.

**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.

**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 — 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 15.

**Line 16**

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 17 through 30**

These lines are intentionally left blank.

**Line 31**

This line is intentionally left blank.

**Line 32 — Total of lines 1 through 31**

Add lines 1 through 31. If the result is positive, enter it on Form M2SB, line 18. If the result is negative, enter it as a positive number on Form M2SB, line 31.