



# 2019 Schedule M1NC, Federal Adjustments

Minnesota has generally adopted the Internal Revenue Code as amended through December 15, 2022. This schedule allows for any remaining adjustments required to file with your state return.

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

Read the instructions before you complete this schedule.

Round amounts to the nearest whole dollar.

## Adjustments to federal adjusted gross income (FAGI)

- 1 This line intentionally left blank. . . . . 1 ■ \_\_\_\_\_
- 2 Tuition and fees deduction from line 21 of federal Schedule 1 . . . . . 2 ■ \_\_\_\_\_
- 3 Modifications for expenses related to federal credits and business meal expenses exceeding 50% of cost . . . . . 3 ■ \_\_\_\_\_
- 4 This line intentionally left blank . . . . . 4 ■ \_\_\_\_\_
- 5 This line intentionally left blank . . . . . 5 ■ \_\_\_\_\_
- 6 This line intentionally left blank. . . . . 6 ■ \_\_\_\_\_
- 7 Excess business loss and NOL deduction adjustments (See instructions) . . . . . 7 ■ \_\_\_\_\_
- 8 Business interest limitation adjustment (See instructions) . . . . . 8 ■ \_\_\_\_\_
- 9 This line intentionally left blank . . . . . 9 ■ \_\_\_\_\_
- 10 Add lines 1 through 9 . . . . . 10 ■ \_\_\_\_\_  
 If a positive amount, enter this amount on line 16 of Schedule M1M.  
 If a negative amount, enter this amount as a positive number on line 45 of Schedule M1M.  
 See instructions if completing Form M1PR.
- 11 This line intentionally left blank. . . . . 11 ■ \_\_\_\_\_
- 12 This line intentionally left blank. . . . . 12 ■ \_\_\_\_\_

You must include this schedule when you file Form M1.

# 2019 Schedule M1NC Instructions

For taxpayers who are affected by changes to federal tax law passed after December 31, 2018

## Purpose of This Schedule

Rules used to determine Minnesota Individual Income Tax are generally based on the Internal Revenue Code (IRC) as amended through December 15, 2022 with certain exceptions.

## Who Must File Schedule M1NC

If you are affected by any of the following, complete Schedule M1NC and provide it with your return.

- You claimed a tuition and fees deduction on line 21 of federal Schedule 1.
- You had business meal expense exceeding 50% of the cost.
- You exceeded the 30% business interest expense limitation which was increased by the CARES Act.
- You had trade or business losses exceeding \$255,000(\$510,000 if married filing jointly).
- You had a Minnesota net operating loss carryover due to nonconformity to the CARES Act for disallowed excess business losses.
- You had a net operating loss in tax years 2018 through 2020 which you carried back to prior years and had your net operating loss deduction limited to 80% of taxable income.
- You claimed a federal employee paid leave credit and had to include an amount in income due to claiming the credit.

## Line Instructions

### Line 3

#### Adjustments under the Families First Coronavirus Response (FFCR) Act, Coronavirus Aid, Relief, and Economic Security (CARES) Act, COVID-Related Tax Relief (COVIDTRA) Act Provisions that May Require an Income Adjustment

The following provisions may require an income adjustment for Minnesota tax purposes. This list includes the most common adjustments; you must make adjustments for all provisions included in the FFCR Act, CARES Act, and COVIDTRA Act.

#### FFCR Act Sections

##### 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.

#### COVIDTRA Sections

##### Section 210. Temporary Allowance of Full Deduction for Business Meals

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.

### Line 7

#### Excess business loss and Net operating loss deduction adjustments

Minnesota does not currently recognize the net operating loss (NOL) provisions under the CARES Act. Your losses in 2019 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 2019 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 on the next page.

Complete the Worksheet for Excess Business Losses if your net losses from a trade or business are more than \$255,000 (\$510,000 if married filing jointly).

#### 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.

#### Net Operating Loss Carryovers

##### Carryforward from prior years

If you are carrying forward a net operating loss from 2018, you must complete 2018 Schedule M1NC line 15a before determining your allowable carryover NOL amount for tax year 2019.

Your Minnesota net operating loss deduction for 2019 is the sum of any unused NOLs from tax years beginning before 2018 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 7, include any NOL deduction claimed on your federal return from tax years beginning after 2017 that exceeds the 80% limitation on taxable income. Include as a positive amount.

### Worksheet for Excess Business Losses

- 1 **This step intentionally left blank** .....
- 2 Enter amount from Schedule 1 (Form 1040 or 1040-SR), line 3. ....
- 3 Enter amount from Form 1040 or 1040-SR, line 6 .....
- 4 Enter amount from Schedule 1 (Form 1040 or 1040-SR), line 4. ....
- 5 Enter amount from Schedule 1 (Form 1040 or 1040-SR), line 5. ....
- 6 Enter amount from Schedule 1 (Form 1040 or 1040-SR), line 6. ....
- 7 **This step intentionally left blank** .....
- 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 10 of Schedule KS, line 10 of Schedule KF, and line 10 of Schedule KPI. 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 \$255,000 (or \$510,000 if married filing jointly) .....
- 14 Add steps 12 and 13. If the result is negative, you have an excess business loss. (See instructions) .....

#### Step instructions

- Step 2** - Enter any business income or loss reported on line 3 of federal Schedule 1 or line 13 of Form 1040NR.
- Step 3** - Enter any capital gains or losses reported on line 6 of Form 1040 or line 14 of Form 1040NR.
- Step 4** - Enter any other gains or losses reported on line 4 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 5 of federal Schedule 1 or line 18 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 10 of Schedule KS, line 10 of Schedule KF, and line 10 of Schedule KPI.
- 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 as a positive number on line 7 of Schedule M1NC. 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 2020 worksheet. If the result is positive, you do not have an excess business loss.

#### Net operating loss carryback from 2020

If you are carrying back a net operating loss from 2020 (and it is not a farming loss eligible to be carried back under the IRC as amended through December 31, 2018), enter the full amount of the carryback you claimed from your federal return on line 7.

#### Minnesota Net Operating Loss Deduction

- 1 Enter the amount of Minnesota NOL carried into 2019 from prior years .....
- 2 Enter the amount of federal taxable income from line 11b of Form 1040. If the amount is less than zero, enter 0. ....
- 3 Multiply step 2 by 80% .....
4. Enter the lesser of step 1 or 3. Include this amount on line 7 as a negative amount. ....
5. Subtract step 4 from step 1. This is your Minnesota NOL carried into 2020. ....

### Line 8

#### Business Interest Limitation Adjustment

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.

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, and/or your combined group is different from your federal consolidated group, see instructions on page 8 for line 1b of Form M4I. Include the following amounts reported on Schedules KF, KS, and KPI as a positive number on line 8:

- Line 11 of Schedule KF
- Line 11 of Schedule KS
- Line 11 of Schedule KPI

**Line 10**

Include this amount on Form M1PR, *Homestead Credit Refund (for Homeowners) and Renter's Property Tax Refund*:

- Line 5, if positive
- Line 11, if negative (enter as a positive amount on Form M1PR)