



2024 Schedule M2NC, Federal Adjustments

Minnesota has not adopted the federal law changes enacted after May 1, 2023 that affect federal taxable income for tax year 2024.

Tax year beginning _____, 2024, ending _____

Name of Estate or Fiduciary _____ 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 a Full Expensing for Bonus Depreciation Property (H.R. 1 Sec. 70301). 1a _____
b Enter the amount of allowable depreciation for assets on line 1a. 1b _____
- 2 a Full Expensing for Domestic Research and Experimental Expenditures (H.R. 1 Sec. 70302) 2a _____
b Enter the amount of allowable depreciation for assets on line 2a. 2b _____
c Enter the amount of allowable depreciation for prior year assets adjusted for Sec. 70302 2c _____
- 3 a Special Depreciation Allowance for Qualified Production Property (H.R. 1 Sec. 70307) 3a _____
b Enter the amount of allowable depreciation for assets on line 3a. 3b _____
- 4 Exempt Facility Bond Rules for Spaceports (H.R. 1 Sec. 70309) 4 _____
- 5 Subpart F Provision (H.R. 1 Sec. 70354) 5 _____
- 6 Exception to Percentage of Completion Method of Accounting (H.R. 1 Sec. 70430) 6 _____
- 7 Expansion of Qualified Small Business Stock Gain Exclusion (H.R. 1 Sec. 70431).. 7 _____
- 8 a Treatment of Certain Sound Recording Productions (H.R. 1 Sec. 70434) 8a _____
b Enter the amount of allowable depreciation for assets on line 8a. 8b _____
- 9 Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property (H.R. 1 Sec. 70435) 9 _____
- 10 a Termination of Cost Recovery for Energy Property (H.R. 1 Sec. 70509). 10a _____
b Reverse federally claimed depreciation for assets on line 10a. 10b _____
- 11 Employee Retention Credit Enforcement Provisions (H.R. 1 Sec. 70605). 11 _____
- 12 This line intentionally left blank. 12 _____
- 13 This line intentionally left blank. 13 _____
- 14 This line intentionally left blank. 14 _____



- 15 This line intentionally left blank. 15 _____
- 16 Other adjustments to federal taxable income 16 _____
- 17 Total lines 1-16. If the result is positive, enter it on Form M2, line 49.
If the amount is negative, enter it as a positive number on Form M2, line 61 17 _____

You must include this schedule when you file Form M2.

Schedule M2NC Instructions

Purpose of This Schedule

Under current law, definitions used in determining Minnesota taxable income are based on the Internal Revenue Code, as amended through May 1, 2023. Since that date, Congress has enacted the 2025 Federal Tax Budget and Reconciliation Bill (H.R. 1). Adjustments must be made to correctly determine your Minnesota taxable income because Minnesota has not adopted these federal changes. Use the following instructions to calculate nonconformity adjustments relating to this Act

Who Must File Schedule M2NC?

If any of the federal provisions that are included in H.R. 1 affect the amount of taxable income reported on your 2024 federal Form 1041, you must make an adjustment to income on your 2024 Minnesota return. To determine the adjustment amount, compute your federal taxable income (FTI) based on IRC, as amended through May 1, 2023 (2023 IRC), and report the difference between this amount and the amount allowed under current federal law as an adjustment to income.

Use the Schedule M2NC and these instructions to complete your Minnesota return. The adjustment for each line should reflect the change to FTI due to the difference between the item calculated on your 2024 federal return and the item calculated under 2023 IRC. Each line will also include the net adjustments received from Schedule(s) KFNC, KPINC, and KSNC for your pro rata share in another business, estate, or trust.

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. For purposes of calculating the adjustment, any federal regulations or rulings applicable to 2023 IRC apply.

Save your entire 2024 Minnesota Form M2, Schedule M2NC, and all worksheets you use in determining the adjustments

Line Instructions

Line 1a – Full Expensing of Bonus Depreciation Property (H.R. 1 Sec. 70301)

If you deducted 100-percent bonus depreciation on qualified property acquired after January 19, 2025, include 60-percent of that depreciation as a positive number on line 1a.

Line 1b – Enter the amount of allowable depreciation for assets on line 1a

If you reported a nonconformity addition on line 1a, report the depreciation allowable for the portion of the asset cost included on line 1a using 2023 IRC for tax year 2024 as a negative number on line 1b. Attach a statement showing the calculation of the depreciation amount.

Line 2a – Full Expensing for Domestic Research and Experimental Expenditures (H.R. 1 Sec. 70302)

If you immediately deducted research and experimental expenditures under IRC section 174A, include the amount of the immediate deduction as a positive number on line 2a.

Line 2b – Enter the amount of allowable depreciation for assets on line 2a

If you reported a nonconformity addition on line 2a, report the depreciation allowable for the portion of the asset cost included on line 2a using 2023 IRC for tax year 2024 as a negative number on line 2b. Attach a statement showing the calculation of the depreciation amount.

Line 2c – Enter the amount of allowable depreciation for prior year assets adjusted for H.R. 1 Sec. 70302

If you reported a nonconformity addition relating to section 70302 in a prior year, continue the depreciation allowable under 2023 IRC for tax year 2024 as a negative number on line 2c. Attach a statement showing the calculation of the depreciation amount.

Line 3a – Special Depreciation Allowance for Qualified Production Property (H.R. 1 Sec. 70307)

If you deducted 100-percent of qualified production property placed in service after July 4, 2025, include the 100-percent depreciation deduction as a positive number on line 3a.

Line 3b – Enter the amount of allowable depreciation for assets on line 3a

If you reported a nonconformity addition on line 3a, report the depreciation allowable under 2023 IRC for tax year 2024 as a negative number on line 3b. Attach a statement showing the calculation of the depreciation amount.

Line 4 – Exempt Facility Bond Rules for Spaceports (H.R. 1 Sec. 70309)

If you exempted facility bond interest relating to a spaceport, include the amount of the exempt interest income on obligations issued after July 4, 2025, as a positive number on line 4.

Line 5 – Subpart F Provision: Modifications to Pro Rata Share Rules (H.R. 1 Sec. 70354)

If you included a pro rata share of Subpart F or GILTI income in FTI due to the pro rata share rule changes under H.R. 1 section 70354, recalculate your income included during the 2024 taxable year using the rules required under 2023 IRC. Include any adjustments to FTI on line 5.

Line 6 – Exception to Percentage of Completion Method of Accounting (H.R. 1 Sec. 70430)

If you utilized the completed contract method under the expanded exception within H.R. 1 section 70430 for contracts entered into in taxable years beginning after July 4, 2025, recalculate your FTI using the percentage of completion method and include any adjustments to FTI on line 6.

Schedule M2NC Instructions Continued

Line 7 – Expansion of Qualified Small Business Stock Gain Exclusion (H.R. 1 Sec. 70431)

If any of the following apply to you:

- Excluded a gain for a disposition of a qualified small business stock (QSBS) using the tiered applicable percentage holding period requirements for QSBS acquired after July 4, 2025
- Limited the aggregate amount of gain from disposition of a QSBS using the \$15 million threshold for QSBS acquired after July 4, 2025
- Had aggregate gross assets between \$50 million and \$75 million for stock issued after July 4, 2025, and were determined to be a “qualified small business” for federal purposes

Then reverse the impacts of the H.R. 1 section 70431 changes above and include any adjustments to FTI on line 7.

Line 8a – Treatment of Certain Sound Recording Productions (H.R. 1 Sec. 70434)

If you elected to immediately expense the cost of qualified sound recording productions as defined under IRC section 181(a)(2)(C) for productions commencing in taxable years ending after July 4, 2025, include the immediate expense deduction as a positive number on line 8a.

Line 8b – Enter the amount of allowable depreciation for assets on line 8a

If you reported a nonconformity addition on line 8a, report the depreciation allowable under 2023 IRC for tax year 2024 as a negative number on line 8b. Attach a statement showing the calculation of the depreciation amount.

Line 9 – Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property (H.R. 1 Sec. 70435)

If you excluded interest income relating to loans secured by rural or agricultural real property as provided under IRC section 139L for taxable years ending after July 4, 2025, include the excluded interest income as a positive number on line 9.

Line 10a – Termination of Cost Recovery for Energy Property (H.R. 1 Sec. 70509)

If you constructed energy property beginning after December 31, 2024, and would have qualified for the 5-year accelerated depreciation under 2023 IRC section 168(e)(3)(B)(vi), determine the amount of depreciation allowed using the 5-year accelerated depreciation method and include the result as a negative number on line 10a. Attach a statement showing the calculation of the depreciation amount.

Line 10b – Reverse federally claimed depreciation for assets on line 10a

If you reported a nonconformity adjustment on line 10a, include the depreciation you claimed on your 2024 federal return as a positive number on line 10b.

Line 11 – Employee Retention Credit Enforcement Provisions (H.R. 1 Sec. 70605)

If you have impacts to FTI relating to the employee retention credit changes under H.R. 1 section 70605 for credits, refunds, or assessments made after July 4, 2025, that are not otherwise subtracted on line 64 of Form M2, include the impacts to FTI on line 11.

Lines 12 through 15 – These lines are intentionally left blank.

Line 16 – Other Adjustments to Federal Taxable Income

If any provision within any federal acts enacted since May 1, 2023, 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 16. Common examples of adjustments to FTI are capital contribution limitations, capital loss limitations, basis adjustments, and gain or loss from sales.

Attach a statement showing the calculation of any amount entered on line 16.

Line 17 – Total of lines 1 through 16

Add lines 1 through 16. If the result is positive, enter it on Form M2, line 49. If the result is negative, enter it as a positive number on Form M2, line 61.

TCDTR Section 124; TCDTR20 Section 142. Qualified Fuel Cell Motor Vehicles

If you claimed the credit for Qualified Fuel Cell Motor Vehicles on your federal return that impacted your FTI, including any carryover adjustments from a prior year nonconformity adjustment under the relevant sections, reverse the tax impacts to your FTI.

TCDTR Section 125; TCDTR20 Section 143; IRA section 13404. Alternative Fuel Refueling Property Credit

If you claimed the Alternative Fuel Refueling Property Credit on your federal return, including any carryover adjustments from a prior year nonconformity adjustment under the relevant sections, 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.

TCDTR Section 126; TCDTR20 Section 144. 2-Wheeled Plug-in Electric Vehicle Credit

If you claimed the 2-Wheeled Plug-In Electric Vehicle Credit on your federal return, including any carryover adjustments from a prior year nonconformity adjustment under the relevant sections, 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.

TCDTR Section 129; TCDTR20 Section 146; IRA Section 13304. 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.

TCDTR20 Section 106. Certain Provisions Related to Beer, Wine, Distilled Spirits

If your depreciation and property basis for beer, wine, and distilled spirits was impacted by the changes to the aging period, reverse the tax impacts to your FTI.

Line 10 — 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 11 - TCDTR20 Basis and Depreciation Provisions (TCDTR20 Sections 201, 202, 203, and 204)**Section 201. Minimum Low-Income Housing Tax Credit Rate**

If you claimed the Minimum Low-Income Housing Tax Credit on your federal return, adjust the property's basis without regard to the basis adjustments required under current federal law. Include your adjustments to FTI as a result of this Minnesota change to basis.

Section 202. Depreciation of Certain Residential Rental Property Over 30-Year Period

If you had certain residential rental property and claimed depreciation using a 30-year recovery period on your federal return, calculate the difference between the 30-year recovery period and the recovery period you would have been allowed under 2018 IRC. Include that difference as a positive number.

Section 203. Waste Energy Recovery Property Eligible for Energy Credit

If you claimed the Energy Credit for waste energy recovery property on your federal return, adjust the property's basis without regard to the basis adjustments required under current federal law. Include your adjustments to FTI as a result of this Minnesota change to basis.

Section 204. Extension of Energy Credit for Offshore Wind Facilities

If you claimed the Energy Credit for offshore wind facilities on your federal return, adjust the property's basis without regard to the basis adjustments required under current federal law. Include your adjustments to FTI as a result of this Minnesota change to basis.

Line 12 - Restaurant Revitalization Grants (ARPA Sec. 9673)

Include on line 12, the restaurant revitalization grant amount under ARPA section 9673, which was excluded from your federal gross income as a positive number.

Line 13 — 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 13.

Line 14 — Certain Loan Forgiveness and Other Business Financial Assistance (CARES Act Sec. 1112(c); COVIDTRA Sec. 278)

Include on line 14 any loans or other business financial assistance amounts forgiven under CARES Act Sec. 1112(c) or COVIDTRA Sec. 278 that were excluded from your federal gross income as a positive number. This includes, but is not limited to, Small Business Assistance (SBA) loan subsidies and shuttered venue operators grants.

Line 15 — EIDL Grants (ARPA Sec. 9672)

Include on line 15 any Economic Injury Disaster Loan (EIDL) amounts forgiven under ARPA Section 9672 that were excluded from your federal gross income as a positive number.

Line 16 - IRA and CHIPS Act Credit Provisions (CHIPS Act Section 107; IRA Sections 13101, 13102, 13103, 13104, 13203, 13204, 13401, 13402, 13403, 13501, 13502)**CHIPS Act Section 107. Advanced Manufacturing Investment Credit**

If you claimed the Advanced Manufacturing Investment Credit on your federal return, adjust the property's basis without regard to the basis adjustments required under the CHIPS Act related to the Rehabilitation Credit, as defined in IRC Section 47(c)(2). Include your adjustments to FTI as a result of this Minnesota change to basis.

IRA Section 13101. Credit for Electricity Produced for Certain Renewable Resources

If you claimed the Credit for Electricity Produced for Certain Renewable Resources on your federal return, reverse the tax impacts to your FTI.

IRA Section 13102. Energy Credit

If you claimed the Energy Credit on your federal return, adjust the property's basis without regard to the basis adjustments required under the IRA. Include your adjustments to FTI as a result of this adjustment to basis.

IRA Section 13103. Credit for Solar and Wind Facilities

If you claimed the Credit for Solar and Wind Facilities on your federal return, adjust the property's basis without regard to the basis adjustment required under the IRA. Include your adjustments to FTI as a result of this adjustment to basis.

IRA Section 13104. Credit for Carbon Oxide Sequestration

If you claimed the Credit for Carbon Oxide Sequestration on your federal return, reverse the tax impacts to your FTI.

IRA Section 13203. Sustainable Aviation Fuel Credit

If you claimed the Sustainable Aviation Fuel Credit on your federal return, include the amount of the credit which was included in your federal gross income as a negative amount.

IRA Section 13204. Credit for Production of Clean Hydrogen

If you claimed the Credit for Production of Clean Hydrogen on your federal return, reverse the tax impacts to your FTI.

IRA Section 13401. Clean Vehicle Credit

If you claimed the Clean Vehicle Credit on your federal return, reverse the tax impacts to your FTI.

IRA Section 13402. Credit for Previously Owned Clean Vehicles

If you claimed the Credit for Previously Owned Clean Vehicles on your federal return, reverse the tax impacts to your FTI.

IRA Section 13403. Credit for Qualified Commercial Clean Vehicles

If you claimed the Credit for Qualified Commercial Clean Vehicles on your federal return, reverse the tax impacts to your FTI.

IRA Section 13501. Advanced Energy Project Credit

If you claimed the Advanced Energy Project Credit on your federal return, reverse the tax impacts to your FTI.

IRA Section 13502. Advanced Manufacturing Production Credit

If you claimed the Advanced Manufacturing Production Credit on your federal return, reverse the tax impacts to your FTI.

Lines 17 through 30

These lines are intentionally left blank.

Line 31 — 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 31. Common examples of adjustments to FTI are capital contribution limitations, capital loss limitations, basis adjustments, and gain or loss from sales.

Attach a schedule showing the calculation of any amount entered on line 31.

Line 32 — Total of lines 1 through 31

Add lines 1 through 31. If the result is positive, enter it on Form M2, line 44. If the result is negative, enter it as a positive number on Form M2, line 57.

The nonconformity adjustment will be allocated between the fiduciary and beneficiaries in the percentages reported on the Form M2, line 69 and line 70. Any nonconformity adjustment allocated to beneficiaries should be reported on Schedule KFNC for the beneficiary's pro rata share of each adjustment.