



2025 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 2025.

Tax year beginning _____, 2025, 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 | Expansion of FICA Tip Credit (H.R. 1 Sec. 70201) | 1 ■ | _____ |
| 2 | a Full Expensing for Bonus Depreciation Property (H.R. 1 Sec. 70301) | 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. 70301 | 2c ■ | _____ |
| 3 | a Full Expensing for Domestic Research and Experimental Expenditures (H.R. 1 Sec. 70302) | 3a ■ | _____ |
| | b Enter the amount of allowable depreciation for assets on line 3a. | 3b ■ | _____ |
| | c Enter the amount of allowable depreciation for prior year assets adjusted for Sec. 70302 | 3c ■ | _____ |
| 4 | Modification of Limitation on Business Interest (H.R. 1 Sec. 70303) | 4 ■ | _____ |
| 5 | Limitation on Deduction for Business Meals (H.R. 1 Sec. 70305) | 5 ■ | _____ |
| 6 | a Limitation for Expensing of Certain Depreciation Property (H.R. 1 Sec. 70306) | 6a ■ | _____ |
| | b Enter the amount of allowable depreciation for assets on line 6a. | 6b ■ | _____ |
| | c Enter the amount of allowable depreciation for prior year assets adjusted for Sec. 70306 | 6c ■ | _____ |
| 7 | a Special Depreciation Allowance for Qualified Production Property (H.R. 1 Sec. 70307) | 7a ■ | _____ |
| | b Enter the amount of allowable depreciation for assets on line 7a. | 7b ■ | _____ |
| | c Enter the amount of allowable depreciation for prior year assets adjusted for Sec. 70307 | 7c ■ | _____ |
| 8 | Enhancement of Advanced Manufacturing Investment Credit (H.R. 1 Sec. 70308) | 8 ■ | _____ |
| 9 | Exempt Facility Bond Rules for Spaceports (H.R. 1 Sec. 70309) | 9 ■ | _____ |
| 10 | Subpart F Provisions (H.R. 1 Sec. 70352 and 70354) | 10 ■ | _____ |
| 11 | Enhancement of Employer-Provided Child Care Credit (H.R. 1 Sec. 70401) | 11 ■ | _____ |
| 12 | This line intentionally left blank. | 12 ■ | _____ |



- 13 Exception to Percentage of Completion Method of Accounting (H.R. 1 Sec. 70430) 13 ■ _____
- 14 Expansion of Qualified Small Business Stock Gain Exclusion (H.R. 1 Sec. 70431)..... 14 ■ _____
- 15 a Treatment of Certain Sound Recording Productions (H.R. 1 Sec. 70434) 15a ■ _____
- b Enter the amount of allowable depreciation for assets on line 15a 15b ■ _____
- c Enter the amount of allowable depreciation for prior year assets adjusted for Sec. 70434. 15c ■ _____
- 16 Exclusion of Interest on Loans Secured by Rural or Agricultural Real Property (H.R. 1 Sec. 70435) 16 ■ _____
- 17 a Termination of Energy Efficient Commercial Buildings Deduction (H.R. 1 Sec. 70507)..... 17a ■ _____
- b Reverse federally claimed depreciation for assets on line 17a. 17b ■ _____
- 18 a Termination of Cost Recovery for Energy Property (H.R. 1 Sec. 70509)..... 18a ■ _____
- b Reverse federally claimed depreciation for assets on line 18a. 18b ■ _____
- c Enter the amount of allowable depreciation for prior year assets adjusted for Sec. 70509 18c ■ _____
- 19 Employee Retention Credit Enforcement Provisions (H.R. 1 Sec. 70605)..... 19 ■ _____
- 20 Minnesota-Only Bonus Depreciation (see instructions) 20 ■ _____
- 21 This line intentionally left blank. 21 ■ _____
- 22 This line intentionally left blank. 22 ■ _____
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- 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 Other adjustments to federal taxable income 30 ■ _____
- 31 Total lines 1-30. If the result is positive, enter it on Form M2, line 50.
If the amount is negative, enter it as a positive number on Form M2, line 62 31 ■ _____

You must include this schedule when you file Form M2.



Nonconformity Adjustment 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 2025 federal Form 1041, you must make an adjustment to income on your 2025 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 2025 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 2025 Minnesota Form M2, Schedule M2NC, and all worksheets you use in determining the adjustments.

Line Instructions

Line 1 — Expansion of FICA Tip Credit (H.R. 1 Sec. 70201)

If you claimed the FICA tip credit relating to a beauty service business, enter the amount of business expenses disallowed due to claiming the federal credit as a negative number on line 1.

Line 2a — 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 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 2025 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. 70301

If you reported a nonconformity addition relating to section 70301 in a prior year, continue the depreciation allowable under 2023 IRC for tax year 2025 as a negative number on line 2c. Attach a statement showing the calculation of the depreciation amount.

Line 3a — 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 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 for the portion of the asset cost included on line 3a using 2023 IRC for tax year 2025 as a negative number on line 3b. Attach a statement showing the calculation of the depreciation amount.

Line 3c — 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 2025 as a negative number on line 3c. Attach a statement showing the calculation of the depreciation amount.

Line 4 — Modification of Limitation on Business Interest (H.R. 1 Sec. 70303)

If you calculated adjusted taxable income (ATI) without regard to any deduction for depreciation, amortization, or depletion, recalculate your ATI applying these deductions using 2023 IRC. Also exclude indebtedness relating to trailers or campers when determining the floor plan financing interest expense. Then recalculate your business interest deduction using the limitation with the recalculated ATI and updated floor plan financing interest expense. Include the difference between your recalculated business interest deduction and the deduction you reported on your federal return as a positive number on line 4.

Line 5 — Limitation on Deduction for Business Meals (H.R. 1 Sec. 70305)

If you claimed a meal expense deduction relating to a food or beverage paid or incurred after December 31, 2025 and provided on fishing boats or fish processing facilities as defined in section 274(n)(2)(C)(v) of the IRC, include the amount of the expense deducted as a positive number on line 5.

Line 6a — Limitation for Expensing of Certain Depreciation Property (H.R. 1 Sec. 70306)

If you claimed section 179 expensing using the increased expensing limit of \$2.5 million and phasedown threshold of \$4 million, recalculate your section 179 expensing using the \$1.25 million limit and \$3.13 million threshold under 2023 IRC. Include the difference as a positive number on line 6a.

Nonconformity Adjustment Instructions (Continued)

Line 6b — Enter the amount of allowable depreciation for assets on line 6a

If you reported a nonconformity addition on line 6a, report the depreciation allowable for the portion of the asset cost included on line 6a using 2023 IRC for tax year 2025 as a negative number on line 6b. Attach a statement showing the calculation of the depreciation amount. Do not include any amount for Minnesota-only bonus depreciation on line 6b. See line 20 for more details.

Line 6c — Enter the amount of allowable depreciation for prior year assets adjusted for H.R. 1 Sec. 70306

If you reported a nonconformity addition relating to section 70306 in a prior year, continue the depreciation allowable under 2023 IRC for tax year 2025 as a negative number on line 6c. Attach a statement showing the calculation of the depreciation amount.

Line 7a — 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 7a.

Line 7b — Enter the amount of allowable depreciation for assets on line 7a

If you reported a nonconformity addition on line 7a, report the depreciation allowable under 2023 IRC for tax year 2025 as a negative number on line 7b. Attach a statement showing the calculation of the depreciation amount.

Line 7c — Enter the amount of allowable depreciation for prior year assets adjusted for H.R. 1 Sec. 70307

If you reported a nonconformity addition relating to section 70307 in a prior year, continue the depreciation allowable under 2023 IRC for tax year 2025 as a negative number on line 7c. Attach a statement showing the calculation of the depreciation amount.

Line 8 — Enhancement of Advanced Manufacturing Investment Credit (H.R. 1 Sec. 70308)

If you claimed the 35-percent advanced manufacturing investment credit under IRC section 48D for property placed in service after December 31, 2025, adjust the basis in the property utilizing a 25-percent credit rate allowed under 2023 IRC. Include any adjustments to FTI as a result of this Minnesota change in basis on line 8.

Line 9 — 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 9.

Line 10 — Subpart F Provisions (H.R. 1 Sec. 70352 and 70354)

If you have an adjustment for one of the provisions below, enter the amount on line 10. If you have an adjustment for more than one provision listed below, net the adjustments and enter the total on line 10. Attach a statement showing the calculation of each adjustment.

Repeal of Election for 1-Month Deferral in Determination of Taxable Year of Specific Foreign Corporations (H.R. 1 Sec. 70352)

If you would have utilized the 1-month deferral under 2023 IRC for determining a specified foreign corporation's taxable year beginning after November 30, 2025, determine any impacts and include any adjustments to FTI on line 10.

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 2025 taxable year using the rules required under 2023 IRC. Include any adjustments to FTI on line 10.

Line 11 — Enhancement of Employer-Provided Child Care Credit (H.R. 1 Sec. 70401)

If you claimed the Employer-Provided Child Care Credit for amounts paid or incurred after December 31, 2025, determine any changes to FTI due to changes in property basis or disallowed business expense deductions using 2023 IRC. Reverse the impacts and include any adjustments to FTI on line 11.

Line 12

This line is intentionally left blank.

Line 13 — 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 13.

Line 14 — 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; or
- 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 14.

Nonconformity Adjustment Instructions (Continued)

Line 15a – 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 15a.

Line 15b – Enter the amount of allowable depreciation for assets on line 15a

If you reported a nonconformity addition on line 15a, report the depreciation allowable under 2023 IRC for tax year 2025 as a negative number on line 15b. Attach a statement showing the calculation of the depreciation amount.

Line 15c – Enter the amount of allowable depreciation for prior year assets adjusted H.R. 1 Sec. 70434

If you reported a nonconformity addition relating to section 70434 in a prior year, continue the depreciation allowable under 2023 IRC for tax year 2025 as a negative number on line 15c. Attach a statement showing the calculation of the depreciation amount.

Line 16 – 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 16.

Line 17a – Termination of Energy Efficient Commercial Buildings Deduction (H.R. 1 Sec. 70507)

If you constructed energy efficient commercial building property beginning after June 30, 2026, and would have qualified for an immediate deduction under 2023 IRC section 179D, include the amount of the immediate deduction and any other impacts to FTI on line 17a. Attach a statement showing the calculation of the deduction amount and other impacts to FTI.

Line 17b – Reverse federally claimed depreciation for assets on line 17a

If you reported a nonconformity adjustment on line 17a, include the depreciation you claimed on your 2025 federal return as a positive number on line 17b.

Line 18a – 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 18a. Attach a statement showing the calculation of the depreciation amount.

Line 18b – Reverse federally claimed depreciation for assets on line 18a

If you reported a nonconformity adjustment on line 18a, include the depreciation you claimed on your 2025 federal return as a positive number on line 18b.

Line 18c – Enter the amount of allowable depreciation for prior year assets adjusted for the H.R. 1 Sec. 70509

If you reported a nonconformity adjustment relating to section 70509 in a prior year, determine the depreciation allowable for the portion of the asset cost remaining using 2023 IRC for tax year 2025. Also reverse the depreciation you claimed on your 2025 federal return. Net these amounts and include the result on line 18c. Attach a statement showing the calculation of these amounts.

Line 19 – 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 69 of Form M2, include the impacts to FTI on line 19.

Line 20 – Minnesota-Only Bonus Depreciation

If you claim Minnesota-only bonus depreciation as your allowable depreciation using 2023 IRC relating to lines 6a and 6b, include the amount of your Minnesota-only bonus depreciation on line 20 as a negative number.

Use this amount when calculating the bonus depreciation addition. See the instructions for line 48 of Form M2 for more details.

Lines 21 through 29

These lines are intentionally left blank.

Line 30 – 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 30. 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 30.

Line 31 – Total of lines 1 through 30

Add lines 1 through 30. If the result is positive, enter it on Form M2, line 50. If the result is negative, enter it as a positive number on Form M2, line 62.