



2022 Filing Season Updates and Tax Law Changes – Questions and Answers

Here are questions received and answers provided from our December 9, 2021, webinar with tax professionals. For more details on these topics, see our [Law Change FAQs for Tax Year 2021](#).

Federal Conformity

If the Employee Retention Credit is not taxable in Minnesota, are the wages still deductible?

Yes. If taxpayers claim the federal credit and received less wages as a business expense deduction, they may include federal disallowed wages on their nonconformity schedule.

Can taxpayers take Covid/Sick pay (or ARPA pay) that the IRS reimbursed as a subtraction from gross income for Minnesota purposes?

No. If claimed the Employer Payroll Credit for Required Paid Family Leave or Medical Leave, they must include the amount of the credit which was included in their federal gross income as a negative amount on their nonconformity schedule.

Does Minnesota conform to the federal 100% deduction for meals purchased from restaurants for immediate consumption?

No. Minnesota remains out of conformity for amounts paid or incurred after December 31, 2020, and before January 1, 2023.

If a business files the Federal Partnership Audit election, do they also have to file Schedule M3BBA?

Yes. Partnerships making this election must file Schedule M3BBA with the Form M3X, Amended Partnership Return. For details, see Schedule M3BBA.

Does the Paycheck Protection Program (PPP) addback for the property tax refund include the proportion of PPP loans forgiven to partnerships or S corporations?

Yes. The share of excluded PPP loan forgiveness should be included in household income.

Minnesota Income Tax

How did the calculation of income change for Married Filing Jointly taxpayers claiming the Student Loan Credit (Schedule M1SLC)?

It will be similar to single taxpayers. The adjusted gross income used to determine the credit for each spouse will be a ratio based on their share of earned income. For details, see the Worksheet for Line 2 on the 2021 Schedule M1SLC.

When do the changes for calculating income for the Student Loan Credit (Schedule M1SLC) go into effect?

These changes are effective beginning for tax years after December 31, 2020.

How do taxpayers decrease Minnesota income for the disaster relief IRA amount already paid for in 2020 if it was split over three years on the federal return?

After forgiveness is provided, taxpayers must file amended returns for the years the income is not recognized.

Pass-Through Entity (PTE) Tax

Can a single-member limited liability company (LLC) make the PTE tax election?

No. Single-member LLCs, not taxed as an S corporation, do not qualify to make the PTE tax election.

Can I transfer estimated payments made to my individual income tax account to my pass-through entity's business income tax account?

No. Minnesota law prohibits transfers from one taxpayer's account to another taxpayer's account. You cannot transfer estimated payments made to your individual tax account to your pass-through entity's business tax account.

Can an entity qualify for the PTE tax election if an owner is a grantor trust?

A grantor trust is a qualifying owner for the purposes of the PTE tax election if it is both:

- A disregarded entity
- Owned by an individual who is a U.S. citizen

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