



2021 Schedule M4NC, Federal Adjustments

Minnesota has not adopted certain federal law changes made after December 31, 2018, that affect federal taxable income for tax year 2021. This schedule allows for any necessary adjustments required to file a state tax return.

Tax year beginning (MM/DD/YYYY) / / , and ending (MM/DD/YYYY) / /

Name of Corporation/Designated Filer _____ FEIN _____ Minnesota Tax 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 nearest whole dollar.

Adjustments to Federal Taxable Income (FTI)

- 1 Allocation of interest on a worldwide basis (ARPA Sec. 9671) **1** ■ _____
- 2 Charitable contribution deduction limitation (CARES Act Sec. 2205) **2** ■ _____
- 3 Exclusion for certain employer payments of student loans (CARES Act Sec. 2206) **3** ■ _____
- 4 Employee Retention Credit (CARES Act Sec. 2301) **4** ■ _____
- 5 Modification of business interest limitation (CARES Act Sec. 2306) **5** ■ _____
- 6 Qualified improvement property technical fix (CARES Act Sec. 2307) **6** ■ _____
- 7 Employer credit for paid medical leave and Employer payroll credit for required paid family leave (FFCRA Sec. 7001, 7003) **7** ■ _____
- 8 TCDTR and TCDTR20 basis and depreciation provisions (see inst. for TCDTR and TCDTR20 Secs.) **8** ■ _____
- 9 TCDTR and TCDTR20 credit provisions impacting basis and depreciation (see inst. for TCDTR and TCDTR20 Secs.) **9** ■ _____
- 10 TCDTR credit provisions impacting business expenses (TCDTR Sec. 111, 113) **10** ■ _____
- 11 Look-through rule for related controlled foreign corporations (TCDTR Sec. 145) **11** ■ _____
- 12 Employee retention credit for employers affected by qualified disasters (TCDTR Sec. 203) **12** ■ _____
- 13 Temporary suspension of limitations on charitable contributions (TCDTR20 Sec. 304) **13** ■ _____
- 14 TCDTR20 basis and depreciation provisions (TCDTR20 Sec. 201, 202, 203, and 204) **14** ■ _____
- 15 Restaurant revitalization grants (ARPA Sec. 9673) **15** ■ _____
- 16 Temporary allowance of full deduction for business meals (COVIDTRA Sec. 210) **16** ■ _____
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Name of Corporation/Designated Filer	FEIN	Minnesota Tax ID Number
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31 This line intentionally left blank	31 ■	_____
32 Other adjustments to federal taxable income	32 ■	_____
33 Total lines 1-32. If the result is positive, enter it on Form M4I, line 2h. If the amount is negative, enter it as a positive number on Form M4I, line 4o.	33 ■	_____

You must include this schedule when you file Form M4.



Nonconformity Adjustment Instructions

For taxpayers affected by federal tax law passed after December 31, 2018.

Purpose of This Schedule

Minnesota defines net income as federal taxable income (FTI) as defined by the Internal Revenue Code, as amended through December 31, 2018, with certain exceptions (referred to as “2018 IRC”). Since that date, Congress has enacted the following significant acts:

- Taxpayer Certainty and Disaster Tax Relief (TCDTR) Act of 2019
- Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019
- Families First Coronavirus Response Act (FFCRA) of 2020
- Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020
- Taxpayer Certainty and Disaster Tax Relief (TCDTR20) Act of 2020
- COVID-related Tax Relief Act (COVIDTRA) of 2020
- American Rescue Plan Act (ARPA) of 2021

These acts contain changes affecting FTI for tax year 2021. A bill signed into law on July 1, 2021 conforms Minnesota law to certain provisions from these federal acts. Because Minnesota has not adopted certain federal changes, adjustments are required to correctly determine your Minnesota taxable income.

Who Must File Schedule M4NC?

You must adjust FTI on your 2021 Minnesota return if any of the following federal provisions affect the amount of taxable income reported on your 2021 federal Form 1120, U.S. Corporation Income Tax Return.

Use the Schedule M4NC 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 2021 federal return and the item calculated under 2018 IRC. Each line will also include the net adjustments received from Schedule(s) KPCNC for your pro rata share in a partnership(s).

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 regulation, ruling, or other guidance issued under 2018 IRC applies.

Save your entire 2021 Minnesota Form M4, Schedule M4NC, and all worksheets you use in determining the adjustments.

Line Instructions

Line 1 – Allocation of Interest on a Worldwide Basis (ARPA Section 9671)

If you elect to adopt the worldwide interest expense apportionment method under section 864(f) of the IRC for Minnesota purposes, include the impacts on line 1 and an explanation of the calculation as an attachment.

Line 2 – Charitable Contribution Deduction Limitation (CARES Act Section 2205; TCDTR20 Section 213)

If your federal deduction for charitable contributions exceeds the deduction allowed under 2018 IRC, include the excess as a positive number.

Line 3 – Exclusion for Certain Employer Payments of Student Loans (CARES Act Section 2206; TCDTR20 Section 120; ARPA Section 9675)

If you were not allowed to deduct business expenses as a result of this provision on your federal return, include the amount of the disallowed employee student loan payments as a negative number.

Line 4 – 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 5 – Modification of Business Interest Limitation (CARES Act Section 2306)

For entities with a different Minnesota combined group and federal consolidated group

If your Minnesota combined group is different than your federal consolidated group, enter 0 on line 5 and include the adjustment required due to CARES Act Section 2306 in the calculation of Form M4I, line 1b. See page 8 of the M4 instructions for details.

For entities with the same Minnesota combined group and federal consolidated group

If your Minnesota combined group is the same as your federal consolidated group, review the following instructions to determine if an adjustment is needed due to 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.

Nonconformity Adjustment Instructions

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 – Qualified Improvement Property Technical Fix (CARES Act Section 2307)

If you claimed federal bonus depreciation on qualified leasehold improvement property, qualified restaurant property, or qualified retail improvement property, determine the difference between the federal bonus depreciation you claimed on this property, and the cost recovery deduction or expensing method you would have been able to claim prior to the CARES Act. Include the result as a positive number.

If you claimed bonus depreciation on this property on your 2019 or 2020 return and made a nonconformity adjustment on your 2019 or 2020 return to addback the amount not allowed for Minnesota purposes, you may calculate the depreciation you would have been able to claim prior to the CARES Act. Include this amount as a negative number.

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 – TCDTR and TCDTR20 Basis and Depreciation Provisions (TCDTR Sections 114, 115, 118; TCDTR20 Sections 102, 115, 116, 138)

TCDTR Section 114. Classification of Certain Race Horses as 3-year Property

If you own race horses and you claimed a 3-year recovery period on your federal return, calculate the difference between the 3-year recovery period and the recovery period you would have been allowed under 2018 IRC. If your recovery period reported on your federal return is greater than the recalculated amount, include the difference as a positive number. If your recovery period reported on your federal return is less than the recalculated amount, include the difference as a negative number.

TCDTR Section 115; TCDTR20 Section 115. 7-year Recovery Period for Motorsports Entertainment Complexes

If you have a motorsports entertainment complex and you claimed a 7-year recovery period on your federal return, calculate the difference between the 7-year recovery period and the recovery period you would have been allowed under 2018 IRC. If your recovery period reported on your federal return is greater than the recalculated amount, include the difference as a positive number. If your recovery period reported on your federal return is less than the recalculated amount, include the difference as a negative number.

TCDTR20 Section 138 Accelerated Depreciation for Business Property on Indian Reservations

If you have qualified Indian reservation property that you claimed accelerated depreciation, calculate the depreciation you would have been allowed under 2018 IRC. If your depreciation reported on your federal return is greater than the recalculated amount, include the difference as a positive number. If your depreciation reported on your federal return is less than the recalculated amount, include the difference as a negative number.

TCDTR20 Section 116. Expensing Rules for Certain Productions

If you were allowed to deduct instead of capitalize expenditures of a qualified film, television, or theatrical production, subtract the capital expenditures allowed under 2018 IRC from the amount deducted on your federal return, and include that difference as a positive number.

TCDTR Section 118. Empowerment Zone Tax Incentives

If you had a tax change relating to an empowerment zone that impacted your FTI on your federal return, reverse the tax impacts to your FTI.

TCDTR20 Section 102. Energy Efficient Commercial Buildings Deduction

If you claimed an energy efficient commercial buildings deduction on your federal return that impacted your FTI, reverse the tax impacts to your FTI.

Line 9 – TCDTR and TCDTR20 Credit Provisions Impacting Basis and Depreciation (TCDTR Sections 122, 124, 125, 126, 129; TCDTR20 Sections 106, 140, 142, 143, 144, 146)

TCDTR Section 112. Railroad Track Maintenance Credit

No nonconformity adjustment is needed because Minnesota requires a subtraction on line 4c of the Minnesota Form M4I.

TCDTR Section 122; TCDTR20 Section 140. Second Generation Biofuel Producer Credit

If you claimed the Second Generation Biofuel Producer Credit on your federal return that impacted your FTI, reverse the tax impacts to your FTI.

Nonconformity Adjustment Instructions

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, reverse the tax impacts to your FTI.

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

If you claimed the Alternative Fuel Refueling Property 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.

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, 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. 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 – TCDTR Credit Provisions Impacting Business Expenses (TCDTR Sections 111, 113)

Section 111. Indian Employment Credit

No nonconformity adjustment is needed because Minnesota requires a subtraction on line 4c of the Minnesota Form M4I.

Section 113. Mine Rescue Team Training Credit

If you were not allowed to deduct expenses due to the Mine Rescue Team Training Credit on your federal return, include the amount of the disallowed expenses as a negative number.

Line 11 – 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 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 – Temporary Suspension of Limitations on Charitable Contributions (TCDTR20 Section 304)

If your federal deduction for charitable contributions exceeds the deduction allowed under 2018 IRC as a result of declared disasters (other than COVID-19), include the excess as a positive number.

Line 14 – 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 15 – Restaurant Revitalization Grants (ARPA Section 9673)

Include on line 15, the restaurant revitalization grant amount under ARPA section 9673, which was excluded from your federal gross income as a positive number.