

2020 Schedule KF Instructions

Beneficiary's use of information provided on Schedule KF

Purpose of Schedule KF

Schedule KF is a supplemental schedule provided by the fiduciary to its beneficiaries. The beneficiaries need this information to complete a Form M1, *Minnesota Individual Income Tax Return*, or Form M2, *Income Tax Return for Estates and Trusts*.

The schedule shows each beneficiary their specific share of the fiduciary's income, credits and modifications. A beneficiary who is a Minnesota resident must report all income from the trust or estate. A nonresident beneficiary must report income which is allocable to Minnesota.

These instructions are intended to help you report your share of the fiduciary's income, credits and modifications on your Minnesota return.

If you received an amended Schedule KF from the fiduciary and your income or deductions have changed, you must file an amended Minnesota return. To amend your return, use Form M1X, *Amended Minnesota Income Tax Return*, or Form M2X, *Amended Income Tax Return for Estates and Trusts*.

Line Instructions

Include amounts on the appropriate lines as shown on Schedule KF.

Line 1 – State and Municipal Bond Interest

Individuals: Include on line 1 of Schedule M1M.

Estates and Trusts: Include on line 35 of Form M2.

Line 2 – State Taxes Deducted

Individuals: Include on line 5 of Schedule M1M.

Estates and Trusts: Include on line 36 of Form M2.

Line 3 – Expenses Deducted Attributed to Income Not Taxed by Minnesota

Individuals: Include on line 6 of Schedule M1M.

Estates and Trusts: Include on line 37 of Form M2.

Line 4 – 80% Suspended Loss

Individuals: See Schedule M1M, worksheet for line 8 instructions, to determine how to report this amount.

Estates and Trusts: Include on line 38 of Form M2.

Line 5 – 80% Federal Bonus Depreciation

Individuals: See Schedule M1M, worksheet for line 3 instructions, to determine how to report this amount.

Estates and Trusts: Include on line 39 of Form M2.

Lines 6a, 6b, and 6c – Accelerated Installment Sale Gains

Nonresident Individuals: If any information is reported to you on line 6 of Schedule KF, file Form M1AR, *Accelerated Recognition of Installment Sale Gains*, with your Minnesota individual income tax return.

Resident Individuals: If any information is reported to you on line 6 of Schedule KF, retain a copy of this schedule for your records for the entire period that you or an entity you have an interest in is receiving installment sale payments. If you become a nonresident in a future year while payments are being made, you are required to file Form M1AR, *Accelerated Recognition of Installment Sale Gains*, with your final resident tax return.

Estates and Trusts: Pass through pro rata to your beneficiaries.

Line 7 – Addition Due to Federal Changes Not Adopted by Minnesota

Individuals: Not applicable.

Estates and Trusts: Not applicable.

Line 8 – Net Operating Loss (NOL) Carryover Adjustment

Individuals: Include on line 10 of Schedule M1M.

Estates and Trusts: Include on line 42 of Form M2.

Line 9 – Foreign Derived Intangible Income (FDII) Deduction

Individuals: Include on line 7 of Schedule M1M.

Estates and Trusts: Include on line 43 of Form M2.

2020 Schedule KF Instructions (continued)

Line 12 – Special Deduction Under Section 965

Individuals: Not applicable.

Estates and Trusts: Include on line 44 of Form M2.

Line 13 – Interest on U.S. Government Bond Obligations

Individuals: Include on line 18 of Schedule M1M.

Estates and Trusts: Include on line 48 of Form M2.

Line 14 – State Income Tax Refund

Individuals: Include on line 6 of Form M1.

Estates and Trusts: Include on line 49 of Form M2.

Line 15 – Federal Bonus Depreciation Subtraction

Individuals: Include on line 21 of Schedule M1M.

Estates and Trusts: Include on line 50 of Form M2.

Line 16 – Subtraction for Prior Addback of Reacquisition of Business Indebtedness Income

Individuals: Include on line 36 on Schedule M1M.

Estates and Trusts: Include on line 52 of Form M2.

Line 17 – Subtraction for Railroad Maintenance Expenses

Individuals: Include on line 37 of Schedule M1M.

Estates and Trusts: Include on line 53 of Form M2.

Line 18 – Subtraction Due to Federal Changes not Adopted by Minnesota

Individuals: Not applicable.

Estates and Trusts: Not applicable.

Line 19 – Net Operating Loss (NOL) Carryover Adjustment

Individuals: Include on line 35 of Schedule M1M.

Estates and Trusts: Include on line 54 of Form M2.

Line 20 – Deferred Foreign Income (Section 965)

Individuals: Include on line 43 of Schedule M1M.

Estates and Trusts: Include on line 55 of Form M2.

Line 21 – Global Intangible Low-Taxed Income (GILTI)

Individuals: Include on line 44 of Schedule M1M.

Estates and Trusts: Include on line 56 of Form M2.

Line 22 – Disallowed Section 280E Expenses of Medical Cannabis Manufacturers

Individuals: Include on line 31 of Schedule M1M.

Estates and Trusts: Include on line 57 of Form M2.

Line 23 – Minnesota Income Tax Withholding Credit

Individuals: Include on line 7, column C of Schedule M1W. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 21 of Form M2. To claim this credit, you must include this schedule with Form M2.

Line 24 – Credit for Increasing Research Activities

Individuals: Include on line 12 of Form M1C. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 18 of Form M2. To claim this credit, you must include this schedule with Form M2.

Line 25 – Tax Credit for Owners of Agricultural Assets

Individuals: Include on line 11 of Form M1C and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 16 of Form M2 and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M2.

2020 Schedule KF Instructions (continued)

Line 26 – Credit for Historic Structure Rehabilitation

Individuals: Include on line 6 of Schedule M1REF and enter the NPS project number in the space provided. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 23 of Form M2 and enter the NPS project number in the space provided. To claim this credit, you must include this schedule with Form M2.

Line 27 – Minnesota Backup Withholding

Individuals: Include on line 7, column C of Schedule M1W. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Pass through pro rata to your beneficiaries.

Lines 28 – 31 Minnesota Portion of Federal Amounts

Lines 28-31 apply to nonresident beneficiaries. All income of a Minnesota individual resident is assigned to Minnesota, regardless of the source.

If certain items are not entirely included in your federal adjusted gross income because of passive activity loss limitation, capital loss limitations, section 179 limitations or for other reasons, include only the amounts that you included in your federal adjusted gross income.

Line 28

Individuals: If you are a nonresident or part-year resident, include the amount on line 4, column B of Schedule M1NR.

Estates and Trusts: Use this information to complete line 7 of Form M2. See Form M2 instructions for details.

Line 29

Individuals: If you are a nonresident or part-year resident, include the amount on line 6, column B of Schedule M1NR.

Estates and Trusts: Use this information to complete line 7 of Form M2. See Form M2 instructions for details.

Line 30

Individuals: If you are a nonresident or part-year resident, include the amount on line 2, column B of Schedule M1NR.

Estates and Trusts: Use this information to complete line 7 of Form M2. See Form M2 instructions for details.

Line 31

Individuals: If you are a nonresident or part-year resident, include the amount on line 8, column B of Schedule M1NR.

Estates and Trusts: Use this information to complete line 7 of Form M2. See Form M2 instructions for details.

Line 32 – Minnesota Source Gross Income

Minnesota source gross income is used to determine if a nonresident is required to file a Minnesota individual income tax return. Gross income is income before business or rental deductions and does not include losses.

If your 2020 Minnesota source gross income is \$12,400 or more and you did not elect composite filing, you are required to file Form M1 and Schedule M1NR, *Nonresident/Part-Year Residents*.

If your 2020 Minnesota source gross income is less than \$12,400 and you had Minnesota tax withheld (see line 23 and line 27 of Schedule KF), file Form M1 and Schedule M1NR to receive a refund.

Line 33 – Minnesota Source Distributive Income

Although Minnesota source gross income (line 32 of Schedule KF) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

Lines 33 – 34 were used to determine your share of the fiduciary's Minnesota source distributive income. You may need to refer to these amounts when you file your home state's income tax return.

If you elected for the fiduciary to pay composite tax, you are not required to file Form M1.

Line 34 – Minnesota Composite Income Tax

If you elected composite income tax, the amount paid on your behalf equals 9.85% of your Minnesota taxable income on line 33, minus your share of any credits on lines 23, and 25-27. You are not required to file Form M1.

Forms and Information

Website: www.revenue.state.mn.us

Phone: 651-556-3075

This information is available in alternate formats.

2020 Schedule KFNC Instructions

Beneficiary's use of information provided on Schedule KFNC

Purpose of Schedule KFNC

Schedule KFNC is a supplemental schedule provided by a trust or an estate to its beneficiaries. The beneficiaries need this information to complete one of the following:

- Minnesota Schedule M1NC if you are an individual beneficiary
- Minnesota Schedule M2NC if you are a trust or estate beneficiary

These instructions are intended to help you report your share of the trust's or estate's nonconformity adjustments on your Minnesota return.

You must include Schedule KFNC when you file your Minnesota return. If you do not include the schedule with your return as required, your return processing will be delayed.

If you receive an amended Schedule KFNC from the fiduciary and your nonconformity adjustments have changed, you must file an amended Minnesota return.

To amend your return, use one of the following:

- Form M1X, *Amended Minnesota Income Tax Return*, if you are an individual beneficiary.
- Form M2X, *Amended Income Tax Return for Estate and Trust*, if you are a trust or estate beneficiary.

Line Instructions

Line 1 – Paycheck Protection Program (CARES Act Sec. 1102, 1106; COVIDTRA Sec. 276)

Individuals: Include this amount on Schedule M1NC, line 9.

Trusts and Estates: Include this amount on Schedule M2NC, line 1.

Line 2 – Exclusion for Certain Employer Payments of Student Loans (CARES Act Sec. 2206; TCDTR20 Sec. 120)

Individuals: Include this amount on Schedule M1NC, line 10.

Trusts and Estates: Include this amount on Schedule M2NC, line 2.

Line 3 – Employee Retention Credit (CARES Act Sec. 2301; TCDTR20 Sec. 206 and 207)

Individuals: Include this amount on Schedule M1NC, line 11.

Trusts and Estates: Include this amount on Schedule M2NC, line 3.

Line 4 – IRC Section 461 Net Nonbusiness Income/Loss

Individuals: Use this amount when calculating Schedule M1NC, line 14.

Trusts and Estates: Use this amount when calculating Schedule M2NC, line 5.

Line 5 – Modification of Business Interest Limitation (CARES Act Sec. 2306)

Individuals: Include this amount on Schedule M1NC, line 16.

Trusts and Estates: Include this amount on Schedule M2NC, line 6.

Line 6 – Qualified Improvement Property Technical Fix (CARES Act Sec. 2307)

Individuals: Include this amount on Schedule M1NC, line 17.

Trusts and Estates: Include this amount on Schedule M2NC, line 7.

Line 7 – Employer Credit for Paid Medical Leave and Employer Payroll Credit for Required Paid Family Leave (FFCRA Sec. 7001, 7003)

Individuals: Include this amount on Schedule M1NC, line 18.

Trusts and Estates: Include this amount on Schedule M2NC, line 8.

Line 8 – TCDTR Basis and Depreciation Provisions (TCDTR Sec. 114, 115, 116, 117, 118, 130, 131, 132; TCDTR20 Sec. 102, 115, 116, 138)

Individuals: Include this amount on Schedule M1NC, line 19.

Trusts and Estates: Include this amount on Schedule M2NC, line 9.

Line 9 – TCDTR Credit Provisions Impacting Basis and Depreciation (TCDTR Sec. 112, 122, 124, 125, 126, 129, 144; TCDTR20 Sec. 106, 140, 142, 143, 144, 146)

Individuals: Include this amount on Schedule M1NC, line 20.

Trusts and Estates: Include this amount on Schedule M2NC, line 10.

2020 Schedule KFNC Instructions (*continued*)

Line 10 – TCDTR Credit Provisions Impacting Business Expenses (TCDTR Sec. 111, 113)

Individuals: Include this amount on Schedule M1NC, line 21.

Trusts and Estates: Include this amount on Schedule M2NC, line 11.

Line 11 – Look-Through Rule for Related Controlled Foreign Corporations (TCDTR Sec. 145)

Individuals: Include this amount on Schedule M1NC, line 15.

Trusts and Estates: Include this amount on Schedule M2NC, line 12.

Line 12 – Employee Retention Credit for Employers Affected by Qualified Disasters (TCDTR Sec. 203; TCDTR20 Sec. 303)

Individuals: Include this amount on Schedule M1NC, line 12.

Trusts and Estates: Include this amount on Schedule M2NC, line 13.

Line 13 – Other Adjustments to Federal Taxable Income

Individuals: Include this amount on Schedule M1NC, line 22.

Trusts and Estates: Include this amount on Schedule M2NC, line 14.

Line 14 - TCDTR20 basis and depreciation provisions (TCDTR20 Sec. 201, 202, 203, and 204)

Individuals: Include this amount on Schedule M1NC, line 23.

Trusts and Estates: Include this amount on Schedule M2NC, line 15.

Line 15 - Other loans, grants, and loan repayment assistance under the CARES Act

Individuals: Include this amount on Schedule M1NC, line 24.

Trusts and Estates: Include this amount on Schedule M2NC, line 16.

Line 16 - Temporary Allowance of Full Deduction for Business Meals (TCDTR20 Sec. 210)

Individuals: Include this amount on Schedule M1NC, line 25.

Trusts and Estates: Include this amount on Schedule M2NC, line 17.

Lines 17 Through 23

These lines are intentionally left blank.

Line 24 – Total

If the total on this line is a positive number, enter it on Schedule KF, line 7. If the total on this line is a negative, enter it as a **positive** number on Schedule KF, line 18.