

2020 Schedule KPC Instructions

Purpose of Schedule KPC

Schedule KPC is a supplemental schedule for partners who are corporations or partnerships.

The partnership listed on the front of this schedule has provided you with a completed schedule that reflects your specific share of the partnership's income, credits and modifications. You will need this information to complete Form M4, *Corporation Franchise Tax Return*, Form M8, *S Corporation Return*, or Form M3, *Partnership Return*, and you must include this schedule when you file your return. If the schedule is not included, the department will disallow any credits and assess the tax or reduce your refund.

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

There may be other items that a corporate partner would need to know in order to complete its corporate franchise tax return. If applicable, the partnership should pass that information through to you.

If you received an amended Schedule KPC from the partnership and your income or deductions have changed, you must file an amended Minnesota return.

To file an amended return, use:

- Form M4X, *Amended Franchise Tax Return*, if you are a corporate partner.
- Form M8X, *Amended S Corporation Return*, if you are an S corporation partner.
- Form M3X, *Amended Partnership Return*, if you are a partnership partner.

Sale of a Partnership Interest

Income from the sale of a partnership interest by an entity that is domiciled in another state is assignable to Minnesota. To determine the amount assigned to Minnesota, divide the original cost of the partnership's tangible property within Minnesota by the original cost of all tangible property of the partnership. If you don't have these numbers, contact the partnership.

If more than 50 percent of the value of the partnership's assets are intangibles, the gain/loss is allocated to Minnesota using the partnership's prior year sales factor.

Line Instructions

Line 1 — Nonapportionable Minnesota Source Income

C corporations: Include this amount on Form M4T, line 4a.

S corporations: Use this amount to help determine your Minnesota taxable income.

Partnerships: Use this amount to help determine your Minnesota taxable income.

Line 2 — Total Nonapportionable Income

C corporations: Include this amount on Form M4I, line 8.

S corporations: Not applicable.

Partnerships: Pass this information through, pro rata, to any corporate or partnership partners on Schedule KPC, line 2. This line does not apply to individual, estate or trust partners.

Line 3 — Partnership's Minimum Fee

C corporations: Include this amount on Form M4I, line 2a.

S corporations: Not applicable.

Partnerships: Pass this amount through, pro rata, on Schedule KPC, line 3, to your corporate and partnership partners. Line 3 does not apply to individual, estate or trust partners.

Line 4 — Exempt Interest Income

C corporations: Include this amount on Form M4I, line 2c.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 1. Exclude any interest income from Minnesota state and municipal bonds.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 1, or KPC, line 4.

Line 5 — State Income Tax Deducted

C corporations: Include this amount on Form M4I, line 2a.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 2.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 2, or KPC, line 5.

Line 6 — Expenses Attributable to Exempt Income

C corporations: Not applicable.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 3.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 3, or KPC, line 6.

2020 Schedule KPC Instructions (Continued)

Line 7 — This Line Intentionally Left Blank

Line 8 — Federal Bonus Depreciation

C corporations: Include this amount on Form M4I, line 2g.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 5.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 5, or KPC, line 8.

Line 9 — Foreign-Derived Intangible Income (FDII) Deduction

C corporations: Not applicable.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 6.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 6, or KPC, line 9.

Line 10 — Special Deduction Under Section 965

C corporations: Not applicable.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 7.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 7, or KPC, line 10.

Lines 11a and 11b — Accelerated Installment Sale Gains

S corporations receiving Schedules KPC with positive values on lines 11a or 11b are required to check the “Installment Sale of Pass-through Assets or Interests” box on page 1, of Minnesota Form M8, and must report the full amount of gross installment sale gain, and installment sale income, pro-rata to its shareholders on Schedules KS.

Partnerships receiving Schedules KPC with positive values on lines 11a or 11b are required to check the “Installment Sale of Pass-through Assets or Interests” box on page 1, of Minnesota Form M3, and must report the full amount of gross installment sale gain, and installment sale income, to each partner to whom the gains and income are allocated on Schedules KPC or KPI.

C corporations receiving Schedules KPC with positive values on lines 11a or 11b should disregard this information.

Line 15 — Net Interests on U.S. Bonds

C corporations: Not applicable

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 12.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 12, or KPC, line 15.

Line 16 — Deferred Foreign Income (Section 965)

C corporations: Include this amount on Form M4I, line 4l.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 13.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 13, or KPC, line 16.

Line 17 — Global Intangible Low-Taxed Income (GILTI)

C corporations: Include this amount on Form M4I, line 4m.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 14.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 14, or KPC, line 17.

Line 18 — Disallowed Section 280E Expenses of Medical Cannabis Manufacturers

C corporations: Include this amount on Form M4I, line 4n.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 15.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 15, or KPC, line 18.

Line 20 — Credit for Increasing Research Activities

C corporations: Include this amount on Schedule RD, line 30.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 17.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 17, or KPC, 20.

Line 21 — Tax Credit for Owners of Agricultural Assets

C corporations: Include this amount on Form M4T, line 19.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 18.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 18, or KPC, line 21.

2020 Schedule KPC Instructions (Continued)

Line 22 — Historic Structure Rehabilitation Credit

C corporations: Include this amount and the NPS project number on Form M4, line 5.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 19 and include the NPS project number.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 19 or KPC, line 22 and include the NPS project number.

Line 23 — Employer Transit Pass

C corporations: Include this amount on Form M4T, line 21.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 20. You must enclose a copy of this schedule even if you are passing the credit through to your shareholders.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 20 or KPC, line 23. You must enclose a copy of this schedule even if you are passing the credit through to your partners.

Line 24 — Enterprise Zone Credit

C corporations: Include this amount on Form M4, line 4.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 21. You must enclose a copy of this schedule even if you are passing the credit through to your shareholders.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 21 or KPC, line 24. You must enclose a copy of this schedule even if you are passing the credit through to your partners.

Line 25 — Minnesota Backup Withholding

C corporations: Include this amount on Form M4, line 6.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 22. You must enclose a copy of this schedule even if you are passing the withholding credit through to your shareholders.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 22, or KPC, line 25. You must enclose a copy of this schedule even if you are passing the credit through to your partners.

Apportionment Factors

Line 26 — Minnesota Source Gross Income

Minnesota source gross income is used to determine whether an eventual nonresident partner has a filing requirement with the state of Minnesota. This line will help tiered partnerships determine their Minnesota source gross income.

Minnesota source gross income is the total of the amounts apportioned to Minnesota that are included on lines 3, 6, and 7 (other than losses) of federal Form 1065; lines 18a, 19 and 20 (other than losses) of federal Form 8825; line 9 of Schedule F; lines 3a, 5, 6a, 7, 8, 9a, 10 and 11 of Schedule K (Form 1065); plus Minnesota source gross income from other partnerships, estates, and trusts which the entity may be a partner or beneficiary.

Line 27 and 28 — Apportionment Information

The apportionment factors are used to determine the Minnesota apportioned income.

If the partnership and partner are considered unitary under Minnesota Statutes 290.17, subd. 4, [disregarding paragraph (e) (50 percent indirect or direct ownership needed for unity of ownership)] these factors are included with the partners' own factors in determining the income apportioned to Minnesota on the partner's supplemental schedule. (The supplemental schedule is Form M4A for corporation partners, M8A for s corporation partners, or M3A for partnership partners.) The partner's entire income is then multiplied by the partner's apportionment ratio to determine the Minnesota portion of its income.

If the partner is not unitary with the partnership, it will use only these factors to calculate the Minnesota apportionment ratio to be used in determining the Minnesota source income from that K-1. It will be the same ratio as the partnership's Minnesota apportionment ratio, and it will be multiplied by the K-1 income to determine the Minnesota portion of income from that partnership.

2020 Schedule KPCNC Instructions

Corporate or partnership partner's use of information provided on Schedule KPCNC

Purpose of Schedule KPCNC

Schedule KPCNC is a supplemental schedule provided by the partnership to its corporate or partnership partners. The partners need this information to complete one of the following:

- *Minnesota Schedule M4NC* if you are a C corporation partner;
- *Minnesota Schedule KSNC* if you are an S corporation partner flowing income to shareholders; or
- *Minnesota Schedule KPINC* or *Schedule KPCNC* if you are a partnership partner flowing income to partners.

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

You must include Schedule KPCNC 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 KPCNC from the partnership and your nonconformity adjustments have changed, you must file an amended Minnesota return.

To amend your return, use one of the following:

- *Form M4X, Amended Franchise Tax Return*, if you are a corporate partner;
- *Form M8X, Amended S Corporation Return*, if you are an S corporation partner; or
- *Form M3X, Amended Partnership Return*, if you are a partnership partner.

Line Instructions

Line 1 – This line intentionally left blank

Line 2 – Exclusion for Certain Employer Payments of Student Loans (CARES Act Sec. 2206; TCDTR20 Sec. 120; ARPA Sec. 9675)

C Corporations: Include this amount on Schedule M4NC, line 3.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 2.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 2 or Schedule KPCNC, line 2.

Line 3 – Employee Retention Credit (CARES Act Sec. 2301; TCDTR20 Sec. 206 and 207; ARPA Sec. 9651)

C Corporations: Include this amount on Schedule M4NC, line 4.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 3.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 3 or Schedule KPCNC, line 3.

Line 4 – IRC Section 461 Net Nonbusiness Income/Loss

C Corporations: Does not apply.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 4.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 4 or Schedule KPCNC, line 4.

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

C Corporations: Include this amount in the calculation of Schedule M4NC, line 5 or Form M4I, line 1b.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 5.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 5 or Schedule KPCNC, line 5.

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

C Corporations: Include this amount on Schedule M4NC, line 6.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 6.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 6 or Schedule KPCNC, line 6.

Line 7 – Employer Credit for Paid Medical Leave and Employer Payroll Credit for Required Paid Family Leave (FFCRA Sec. 7001, 7003; ARPA Sec. 9641)

C Corporations: Include this amount on Schedule M4NC, line 7.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 7.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 7 or Schedule KPCNC, line 7.

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

C Corporations: Include this amount on Schedule M4NC, line 8.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 8.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 8 or Schedule KPCNC, line 8.

2020 Schedule KPCNC Instructions (continued)

Line 9 – TCDTR and TCDTR2 Credit Provisions Impacting Basis and Depreciation (TCDTR Sec. 112, 122, 124, 125, 126, 129; TCDTR20 Sec. 106, 140, 142, 143, 144, 146)

C Corporations: Include this amount on Schedule M4NC, line 9.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 9.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 9 or Schedule KPCNC, line 9.

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

C Corporations: Include this amount on Schedule M4NC, line 10.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 10.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 10 or Schedule KPCNC, line 10.

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

C Corporations: Include this amount on Schedule M4NC, line 11.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 11.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 11 or Schedule KPCNC, line 11.

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

C Corporations: Include this amount on Schedule M4NC, line 12.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 12.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 12 or Schedule KPCNC, line 12.

Line 13 – Other Adjustments to Federal Taxable Income

C Corporations: Include this amount on Schedule M4NC, line 14.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 13.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 13 or Schedule KPCNC, line 13.

Line 14 - TCDTR20 Basis and Depreciation Provisions (TCDTR20 Sec. 201, 202, 203, and 204)

C Corporations: Include this amount on Schedule M4NC, line 15.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 14.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 14, or Schedule KPCNC, line 14.

Line 15 - Restaurant Revitalization Grants Excluded From Income (ARPA Sec. 9673)

C Corporations: Include this amount on Schedule M4NC, line 16.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 15.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 15, or Schedule KPCNC, line 15.

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

C Corporations: Include this amount on Schedule M4NC, line 17.

S Corporations: Pass this information through, pro rata, to shareholders on Schedule KSNC, line 16.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPINC, line 16, or Schedule KPCNC, line 16.

Lines 17 Through 23

These lines are intentionally left blank.

Line 24 – Total

Enter the total of lines 1 through 23.