

2021 Schedule KPI Instructions

Individual, estate and trust partner's use of information provided on Schedule KPI

Purpose of Schedule KPI

Schedule KPI is a supplemental schedule provided by the partnership to its individual, estate or trust partners.

The partners will need this information to complete a Minnesota Form M1, *Individual Income Tax Return*, or Form M2, *Income Tax Return for Estates and Trusts*.

An individual partner who is a Minnesota resident will be taxed by Minnesota on all of his or her distributive income from the partnership even if the income is apportioned between Minnesota and other states. An individual nonresident partner will be taxed on the Minnesota distributive income from the partnership.

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

You must include Schedule KPI when you file your Form M1 and Form M2. If you do not include the schedule with your return as required, the department will disallow any credits and assess the tax or reduce your refund.

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

Individuals: Use Form M1X, *Amended Minnesota Income Tax Return*, for the year you are amending.

Estates and trusts: You must use the current version of Form M2X, *Amended Income Tax Return for Estates and Trusts*, regardless of the year you are amending.

Line Instructions

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

Line 1 – Non-Minnesota State and Municipal Bond Interest

Individuals: Include on line 1 of Schedule M1M.

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

Line 2 – State Taxes Deducted

Individuals: Include on line 2 of Schedule M1MB.

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

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

Individuals: Include on line 3 of Schedule M1M.

Estates and Trusts: Include on line 40 of Form M2.

Line 4 – Federal Bonus Depreciation

Individuals: See Schedule M1MB, worksheet for line 1 instructions, to determine how to report this amount.

Estates and Trusts: Include this amount on step 2 for the worksheet to determine Line 42 of the Form M2.

Line 5 – Foreign Derived Intangible Income (FDII) Deduction

Individuals: Include on line 3 of Schedule M1MB.

Estates and Trusts: Include on line 46 of Form M2.

Line 6 – Special Deduction Under Section 965

Individuals: This line does not apply.

Estates and Trusts: Include on line 47 of Form M2.

Lines 7a, and 7b – Accelerated Installment Sale Gains

Nonresident Individuals: If any information is reported to you on line 7a of Schedule KPI, 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 7 of Schedule KPI, 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.

2021 Schedule KPI Instructions (Continued)

Line 8 – Addition Due to Federal Changes Not Adopted by Minnesota

Individuals: This line does not apply.

Estates and Trusts: This line does not apply.

Lines 9 through 13

These lines are intentionally left blank.

Line 14 – Interest on U.S. Government Bond Obligations

Individuals: Include on line 14 of Schedule M1M.

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

Line 15 – Deferred Foreign Income (Section 965)

Individuals: Include on line 18 of Schedule M1MB.

Estates and Trusts: Include on line 61 of Form M2.

Line 16 – Global Intangible Low-Taxed Income (GILTI)

Individuals: Include on line 19 of Schedule M1MB.

Estates and Trusts: Include on line 62 of Form M2.

Line 17 – Disallowed Section 280E Expenses of Medical Cannabis Manufacturers

Individuals: Include on line 17 of Schedule M1MB.

Estates and Trusts: Include on line 63 of Form M2.

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

Individuals: This line does not apply.

Estates and Trusts: This line does not apply.

Lines 19 through 23

These lines are intentionally left blank.

Line 24 – Credit for Increasing Research Activities

Individuals: Include on line 13 of Form M1C. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 19 of Form M2. To claim this credit, you must include this schedule with Form M2.

Line 25 – Film Production Tax Credit

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.

Line 26 – Tax Credit for Owners of Agricultural Assets

Individuals: Include on line 12 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 17 of Form M2 and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M2.

Line 27 – 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 26 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 28 – Employer Transit Pass Credit

Of the credit amount from Schedule ETP, any amount not claimed on line 6 of Form M3 may be passed through to partners based on their distributive share.

Individuals: Include on line 5 of Form M1C. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 20 of Form M2. To claim this credit, you must include this schedule with Form M2.

2021 Schedule KPI Instructions (Continued)

Line 29 – Enterprise Zone Credit

Individuals: Include on line 7 of Form M1REF. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 27 of Form M2. To claim this credit, you must include this schedule with Form M2.

Line 30-Pass-Through Entity Tax Credit

Individuals: Include on line 9 of Schedule M1REF. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 23 of Form M2. To claim this credit, you must include this schedule with Form M2.

Nonresidents: If your only Minnesota source income is from entities making a PTE tax election, or entities in which you elected composite income tax, you do not need to file Form M1.

Line 31 – 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. You must include this schedule with Form M1.

Lines 32 – 35 Items Relating to Alternative Minimum Tax

Individuals: Use the information on lines 32 through 35 to complete Schedule M1MT.

Estates and Trusts: Use the information on lines 32 through 35 to complete Schedule M2MT.

Lines 36 – 49 Minnesota Portion of Federal Amounts

Lines 36-49 apply to nonresident individual partners, and Estate and Trust income tax payers.

If certain items are not entirely included in your federal 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.

Individuals: Use the information on lines 36 through 48 to complete Schedule M1NR.

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 2021 Minnesota source gross income is \$12,525 or more and you did not elect composite filing, you are required to file Form M1 and Schedule M1NR, Nonresident/Party-Year Residents.

If your 2021 Minnesota source gross income is less than \$12,525 and you had Minnesota tax withheld (see line 31 and line 52 of Schedule KPI), file Form M1 and Schedule M1NR to receive a refund.

Estates and Trusts: Use the information on lines 36 through 47 to complete line 7 of Form M2. See Form M2 instructions for details.

Line 50 – Minnesota Source Distributive Income

Although Minnesota source gross income (line 36 of Schedule KPI) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

Line 51 – Minnesota Composite Income Tax

Individuals: If you elected composite income tax, the amount paid on your behalf equals 9.85% of your Minnesota taxable income on line 50, minus your share of any credits on lines 26-31. You are not required to file Form M1.

Estates and Trusts: This line does not apply.

Line 52 – Minnesota Nonresident withholding

Individuals: Include the amount from line 52 on Schedule M1W, line 7, column C. Also include the amount from line 50 on Schedule M1W, line 7, column B.

Estates and Trusts: Include the amount from line 52 on Form M2, line 24.

Sale of a Partnership Interest

If you sell any portion of your interest in a partnership, some or all of the gain may be taxable. Or you can use any loss on the sale to offset other Minnesota income to the extent the losses are deducted on your federal return.

To determine the ratio of gain or loss that is assigned to Minnesota at the time of the sale, divide the original cost of the partnership's tangible property *in Minnesota* by the original cost of all tangible property of the partnership. (Tangible property includes real estate, inventory and equipment.) 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. Include the result on Schedule M1NR, line 4, column B.

2020 Schedule KPINC Instructions

Individual, estate, and trust partner's use of information provided on Schedule KPINC

Purpose of Schedule KPINC

Schedule KPINC is a supplemental schedule provided by the partnership to its individual, estate, or trust partners. The partners need this information to complete one of the following:

- *Minnesota Schedule M1NC* if you are an individual partner.
- *Minnesota Schedule M2NC* if you are a trust or estate partner.

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

You must include Schedule KPINC 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 KPINC 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 MIX, Amended Minnesota Income Tax Return*, if you are an individual partner.
- *Form M2X, Amended Income Tax Return for Estate and Trust*, if you are a trust or estate 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)

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; ARPA Sec. 9651)

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; ARPA Sec. 9641)

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

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

Line 8 – TCDTR and TCDTR20 Basis and Depreciation Provisions (TCDTR Sec. 114, 115, 118; 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 and TCDTR20 Credit Provisions Impacting Basis and Depreciation (TCDTR Sec. 112, 122, 124, 125, 126, 129; 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.

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.

2020 Schedule KPINC Instructions (*continued*)

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

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 KPI, line 9. If the total on this line is a negative, enter it as a positive number on Schedule KPI, line 16.