

# 2021 Schedule KS Instructions

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Shareholder's use of information provided on Schedule KS

## Purpose of Schedule KS

Schedule KS is a supplemental schedule provided by the S corporation to its shareholders. The shareholders need this information to complete:

- Form M1, *Minnesota Individual Income Tax Return*
- Form M2, *Minnesota Income Tax Return for Estates and Trusts*
- Form M2SB, *Minnesota Income Tax Computation for S Portion of ESBT*

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

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

**You must include Schedule KS when you file your Form M1.** 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 KS** from the S corporation 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 KS.

### 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.

*Electing Small Business Trusts:* Include on line 12 of Form M2SB

### Line 2 – State Taxes Deducted

*Individuals:* Include on line 2 of Schedule M1MB.

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

*Electing Small Business Trusts:* Include on line 13 of Form M2SB.

### 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.

*Electing Small Business Trusts:* Include on line 14 of Form M2SB.

### Line 4 – Federal Bonus Depreciation

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

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

*Electing Small Business Trusts:* Include on line 16 of Form M2SB.

### 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.

*Electing Small Business Trusts:* Include on line 20 of Form M2SB.

### Line 6 – Special Deduction Under Section 965

*Individuals:* This line does not apply.

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

*Electing Small Business Trusts:* Include on line 21 of Form M2SB.

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

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

# 2021 Schedule KS Instructions (Continued)

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

*Electing Small Business Trusts:* This line does not apply.

## **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.

*Electing Small Business 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.

*Electing Small Business Trusts:* Include on line 28 of Form M2SB.

## **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.

*Electing Small Business Trusts:* Include on line 35 of Form M2SB.

## **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.

*Electing Small Business Trusts:* Include on line 36 of Form M2SB.

## **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.

*Electing Small Business Trusts:* Include on line 37 of Form M2SB.

## **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.

*Electing Small Business 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.

*Electing Small Business Trusts:* This line does not apply.

## **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.

*Electing Small Business Trusts:* This line does not apply.

## **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.

*Electing Small Business Trusts:* This line does not apply.

# 2021 Schedule KS Instructions (Continued)

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## **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.

*Electing Small Business Trusts:* This line does not apply.

## **Line 28 – Employer Transit Pass Credit**

Of the credit amount from Schedule ETP, any amount not claimed on line 7 of Form M8 may be passed through to shareholders 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.

*Electing Small Business Trusts:* This line does not apply.

## **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.

*Electing Small Business Trusts:* This line does not apply.

## **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.

*Electing Small Business Trusts:* This line does not apply.

*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 M2.

*Electing Small Business Trusts:* This line does not apply.

## **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.

*Electing Small Business Trusts:* These lines do not apply.

## **Lines 36 – 47 Minnesota Portion of Federal Amounts**

Lines 36-47 apply to nonresident individual shareholders, 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 37 of Schedule KF), 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 40**

*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 48 – Minnesota Source Distributive Income**

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

## 2021 Schedule KS Instructions (Continued)

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### **Line 49 – Minnesota Composite Income Tax**

*Individuals:* If you elected composite income tax filing, the amount paid on your behalf equals 9.85% of your Minnesota taxable income on line 48, minus your share of any credits on lines 25-31. You are not required to file Form M1.

*Estates and Trusts:* This line does not apply.

### **Line 50 – Minnesota Nonresident Withholding**

*Individuals:* Include the amount from line 50 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 50 on Form M2, line 24.

# 2020 Schedule KSNC Instructions

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Shareholder's use of information provided on Schedule KSNC

## Purpose of Schedule KSNC

Schedule KSNC is a supplemental schedule provided by the S corporation to its shareholders. The shareholders need this information to complete one of the following:

- *Minnesota Schedule M1NC* if you are an individual shareholder.
- *Minnesota Schedule M2NC* if you are a trust or estate shareholder.
- *Minnesota Schedule M2SBNC* if you are an electing small business trust shareholder.

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

**You must include Schedule KSNC 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 KSNC** from the S corporation and your nonconformity adjustments have changed, you must file an amended Minnesota return.

To amend your return, use one of the following:

- *Form 1199-MIN, Amended Minnesota Income Tax Return*, if you are an individual shareholder.
- *Form 1199-MIN, Amended Income Tax Return for Estate and Trust*, if you are a trust or estate shareholder.

## 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Use this amount when calculating Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, line 9.

## 2020 Schedule KSNC Instructions *(continued)*

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### **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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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.

*Electing Small Business Trust:* Include this amount on Schedule M2SBNC, 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 KS, line 9. If the total on this line is a negative, enter it as a positive number on Schedule KS, line 16.