2025 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. An individual beneficiary who is a Minnesota resident must report all income from the trust or estate. All other beneficiaries 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 44 of Form M2.

Line 2 – State Taxes Deducted

Individuals: Include on line 2 of Schedule M1MB.

Estates and Trusts: Include on line 45 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 46 of Form M2.

Line 4 – 80% Suspended Loss of Bonus Depreciation

Individuals: See Schedule M1MB, worksheet for line 4 instructions, to determine how to report this amount.

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

Line 5 – 80% 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 within the worksheet to determine line 48 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 5 of Schedule M1MB.

Estates and Trusts: Include on line 51 of Form M2.

Line 9 – Foreign Derived Intangible Income (FDII) Deduction

Individuals: Include on line 3 of Schedule M1MB.

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

Line 10 - Other Additions

Individuals: Include on the appropriate line on Schedule M1M.

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

Continued

2025 Schedule KF Instructions (continued)

Lines 11 through 15
These lines are intentionally left blank.

Line 16 – Interest on U.S. Government Bond Obligations
Individuals: Include on line 14 of Schedule M1M.

Estates and Trusts: Include on line 59 of Form M2.

Line 17 – State Income Tax Refund
Individuals: Include on line 6 of Form M1.

Estates and Trusts: Include on line 60 of Form M2.

Line 18 – Federal Bonus Depreciation Subtraction
Individuals: Include on line 10 of Schedule M1MB.

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

Line 19 – Subtraction for Railroad Maintenance Expenses
Individuals: Include on line 14 of Schedule M1MB.

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

Line 20 – Subtraction Due to Federal Changes Not Adopted by Minnesota
Individuals: Not applicable.

Estates and Trusts: Not applicable.

Line 21 – Net Operating Loss (NOL) Carryover Adjustment
Individuals: Include on line 13 of Schedule M1MB.

Estates and Trusts: Include on line 64 of Form M2.

Line 22 – Deferred Foreign Income (Section 965)
Individuals: Include on line 17 of Schedule M1MB.

Estates and Trusts: Include on line 65 of Form M2.

Line 23 – Disallowed Section 280E Expenses of a Licensed Cannabis or Hemp Business
Individuals: Include on line 16 of Schedule M1MB.

Estates and Trusts: Include on line 66 of Form M2.

Line 24 – Delayed Business Interest
Individuals: Include on line 18 of Schedule M1MB.

Estates and Trusts: Include on line 67 of Form M2.

Line 25 – Employee Retention Credit Subtraction
Individuals: Include on line 21 of Schedule M1MB.

Estates and Trusts: Include on line 69 of Form M2.

Line 26 – Other Subtractions
Individuals: Include on the appropriate line on Schedule M1M.

Estates and Trusts: Include on Line 70 of Form M2.

Lines 27 through 30
These lines are intentionally left blank.

Lines 31 and 32 – Adjustments to Net Investment Income
Individuals, estates and trusts with investment income in excess of $1 million may need to pay a Minnesota net investment income tax. The net gain on the sale of Class 2a property and related expenses are excluded from the calculation of Minnesota net investment income subject to the Minnesota net investment income tax. Use Schedule NIIT, Net Investment Income Tax, to determine if you are required to pay the tax on your Form M1 or Form M2 return.

Line 33 – Minnesota Income Tax Withholding Credit
Individuals: Include on line 3, column D of Schedule M1W. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 28 of Form M2. To claim this credit, you must include this schedule with Form M2.

Line 34 – Credit for Increasing Research Activities
Individuals: See Schedule M1C, worksheet for line 16 instructions, to determine how to report this amount. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: See the Form M2 instructions for line 22 To determine how to report this amount. To claim this credit, you must include this schedule with Form M2.

Continued

2025 Schedule KF Instructions (continued)

Line 35 – Film Production Tax Credit

Individuals: Include on line 11 of Schedule 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 36 – Tax Credit for Owners of Agricultural Assets

Individuals: Include on line 12 of Schedule 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 18 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 37 – State Housing Tax Credit

Individuals: Include on line 15 of Schedule 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 19 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 38– Short Line Railroad Infrastructure Modernization Credit

Individuals: Include on line 14 of Schedule 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 20 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 39 – Credit for Sales of Manufactured Home Parks to Cooperatives

Individuals: Include on line 13 of Schedule M1C. 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 40 – Carryover Credits from Prior Years

Individuals: See Schedule M1C line 17 instructions to determine how to report this information.

Estates and Trusts: See Form M2 line 24 instructions to determine how to report this information.

Line 41 – Credit for Sustainable Aviation Fuel

Individuals: Include on line 12 of Schedule M1REF 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 31 of Schedule M2 and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M2.

Line 42 – Credit for Historic Structure Rehabilitation

Individuals: Include on line 7 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 30 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 43 – Pass-Through Entity Tax Credit

Individuals: Include on line 10 of Schedule 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 44 – Minnesota Backup Withholding

Individuals: Include on line 3, column D 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 45 through 48 – Minnesota Portion of Federal Amounts

Lines 45 through 48 apply to estate, trust, and nonresident individual beneficiaries. All income of a Minnesota individual resident beneficiary is assigned to Minnesota, regardless of the source.

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 income.

Individuals: Use the information on lines 45 through 48 to complete Schedule M1NR.

Estates and Trusts: Use the information on lines 45 through 48 to complete Schedule M2NM.

2025 Schedule KF Instructions (continued)

Line 49 – Minnesota Source Gross Income

Minnesota source gross income is used to determine if a nonresident individual 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 2025 Minnesota source gross income is $14,950 or more and you did not elect composite filing or have your filing requirement satisfied through a PTE tax filing, then you are required to file Form M1 and Schedule M1NR, *Nonresident/Part-Year Residents*.

If your 2025 Minnesota source gross income is less than $14,950 and you had Minnesota tax withheld (see line 33 and line 44 of Schedule KF), file Form M1 and Schedule M1NR to receive a refund.

Line 50 – Minnesota Source Distributive Income

Although Minnesota source gross income (line 49 of Schedule KF) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

Lines 50 and 51 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 state's income tax return.

If you elected for the fiduciary to pay composite tax or have your filing requirement satisfied through a PTE tax filing, then you are not required to file Form M1.

Line 51 – Minnesota Composite Income Tax

If you elected composite income tax, the amount paid on your behalf equals 9.85% of your Minnesota source distributive income on line 50, minus your share of any credits on lines 33, 35 through 42, and 44. 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.