2025 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 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.
- 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.

Line 7 — 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 4.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 4, or KPC, line 7.

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2025 Schedule KPC Instructions (Continued)

Line 8 — Foreign-Derived Intangible Income (FDII) Deduction
C corporations: Not applicable.
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 — This line is intentionally left blank.

Lines 10a and 10b — Accelerated Installment Sale Gains
S corporations receiving Schedules KPC with positive values on lines 10a or 10b 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 10a or 10b 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 10a or 10b should disregard this information**.**

Lines 11 through 15
These lines are intentionally left blank.

Line 16 – Employee Retention Credit Subtraction
C corporations: Include this amount on Form M4I, line 4n.
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 — Net Interests on U.S. Bonds
C corporations: Not applicable
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 – 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 15.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 15, or KPC, line 18.

Line 19 – Disallowed Section 280E Expenses of a Licensed Cannabis or Hemp Business
C corporations: Include this amount on Form M4I, line 4m.
S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 16.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 16, or KPC, line 19.

Line 20 – State Income Tax Refund Included in Income
C corporations: Include this amount on Form M4I, line 4a
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 20.

Lines 21 and 22
These lines are intentionally left blank.

Lines 23 and 24 – 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.

Line 25 – State Housing Tax Credit
C corporations: Include this amount on Form M4T, line 21.
S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 23.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 23, or KPC, line 25.

Line 26 – Short Line Railroad Infrastructure Modernization Credit
C corporations: Include this amount on Form M4T, line 22.
S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 24.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 24, or KPC, line 26.

Line 27 – Credit for Sales of Manufactured Home Parks to Cooperatives
C corporations: Include this amount on Form M4T, line 23.
S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 25.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 25, or KPC, line 27.

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2025 Schedule KPC Instructions (Continued)

Line 28 — 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 26.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 26, or KPC, 28.

Line 29 — Film Production Tax Credit
C corporations: Include this amount and the credit certificate number on Form M4T, line 18 and include the credit certificate number.
S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 27 and include the credit certificate number.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 27, or KPC, line 29. Include the credit certificate number.

Line 30 — 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 28.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 28, or KPC, line 30.

Line 31 — Credit for Sustainable Aviation Fuel
C corporations: Include this amount on Form M4, line 6.
S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 29.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 29, or KPC, line 31.

Line 32 — Credit for Historic Structure Rehabilitation
C corporations: Include this amount and the NPS project number on Form M4, line 5 and include the NPS certificate number.
S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 30 and include the NPS project number.
Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 30 or KPC, line 32 and include the NPS project number.

Line 33 — Employer Transit Pass Credit
C corporations: Include this amount on Form M4T, line 20.
S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 31. 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 31 or KPC, line 33. You must enclose a copy of this schedule even if you are passing the credit through to your partners.

Line 34 — 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 32. 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 32 or KPC, line 34. You must enclose a copy of this schedule even if you are passing the credit through to your partners.

Line 35 — Minnesota Backup Witholding
C corporations: Include this amount on Form M4, line 8.
S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 34. 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 34, or KPC, line 35. You must enclose a copy of this schedule even if you are passing the credit through to your partners.

Apportionment Factors
Line 36 — 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 20a, 21 and 22 (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 37 and 38 — 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. Report nonunitary partnership income on line 4b of the M4T.