# 2025 Schedule KS Instructions

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 Trust*s
- 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 estate, trust, and 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 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 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 44 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 45 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 46 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 this amount within the worksheet to determine Line 48 of the 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 52 of Form M2.

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

### Line 6 – 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 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.

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# 2025 Schedule KS Instructions (Continued)

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

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

### Lines 8 through 12
These lines are intentionally left blank.

### Line 13 – Employee Retention Credit Subtraction
*Individuals:* Include on line 21 of Schedule M1MB.

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

*Electing Small Business Trusts:* Include on line 38 of Form M2SB.

### Line 14 – 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.

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

### Line 15 – Deferred Foreign Income (Section 965)
*Individuals:* Include on line 17 of Schedule M1MB.

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

*Electing Small Business Trusts:* Include on line 34 of Form M2SB.

### Line 16 – 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.

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

### Line 17 - Delayed Business Interest
*Individuals:* This line does not apply.

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

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

### Line 18 – State income tax refund included in income
*Individuals:* Include on line 6 of Form M1.

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

*Electing Small Business Trusts:* Include on line 29 of Form M2SB.

### Line 19 – 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.

### Line 20
This line is intentionally left blank.

### Lines 21 and 22 – 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 23 – 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.

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

### Line 24 – 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.

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

### Line 25 – 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.

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

### Line 26 – 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.

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

### Line 27 – 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.

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

### Line 28 – 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.

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

### Line 29 - 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.

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

### Line 30 – Credit for Historic Structure Rehabilitation

I*ndividuals:* 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.

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

### Line 31 – 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 Schedule M1C. 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.

### Line 32 – Enterprise Zone Credit

*Individuals:* Include on line 8 of Schedule M1REF. To claim this credit, you must include this schedule with Form M1.

*Estates and Trusts:* Include on line 33 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 33 – 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.

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

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# 2025 Schedule KS Instructions (Continued)

*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 34 – 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. You must include this schedule with Form M2.

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

### Lines 35 – 38 Items Relating to Alternative Minimum Tax

*Individuals:* Use the information on lines 35 through 38 to complete Schedule M1MT.

*Estates and Trusts:* Use the information on lines 35 through 38 to complete Schedule M2MT.

*Electing Small Business Trusts:* Use the information on lines 35 through 38 to complete Schedule M2MT.

### Lines 39 – 50 Minnesota Portion of Federal Amounts

Lines 39-50 apply to estate, trust, and nonresident individual shareholders.

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 39 through 50 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 2025 Minnesota source gross income is $14,950 or more and you did not elect composite tax filing or elected to have the PTE tax filing to fulfill your filing requirement, 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 34 and line 53 of Schedule KS), file Form M1 to receive a refund.

*Estates and Trusts:* Use the information on lines 39 through 50 to complete Schedule M2NM.

### Line 43 – Ordinary Dividends

*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 Schedule M2NM.

### Line 51 – Minnesota Source Distributive Income

Although Minnesota source gross income (line 39 of Schedule KS) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

### Line 52 – Minnesota Composite Income Tax

*Individuals:* If you elected composite income tax filing, the amount paid on your behalf equals 9.85% of your Minnesota source distributive income on line 51, minus your share of any credits on lines 23-25, 27-32, and 34. You are not required to file Form M1.

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

### Line 53 – Minnesota Nonresident Withholding

*Individuals:* Include the amount from line 53 on Schedule M1W, line 3, column D. Also include the amount from line 51 on Schedule M1W, line 3, column C.

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