

2013 Schedule KPC Instructions

Corporation and partnership partners' use of information provided on Schedule KPC.

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:

- 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; or
- 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 4.

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. This line does not apply to individual, estate or trust partners.

Lines 3 and 4—JOBZ Business and Investment Income

C corporations: Lines 3 and 4 do not apply to C corporation partners.

S corporations: Pass the amounts from lines 3 and 4 through, pro rata, to shareholders on Schedule KS, line 10.

Partnerships: For your individual, estate and trust partners, pass the amounts from lines 3 and 4 through, pro rata, on Schedule KPI, line 10.

For your partnership partners, pass the amounts from lines 3 and 4 through, pro rata, on Schedule KPC, lines 3 and 4.

For your S corporation partners, pass the amount from line 3 through, pro rata, on Schedule KPC, line 3.

Lines 3 and 4 do not apply to C corporation partners.

Line 5—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 5, to your corporate and partnership partners. Line 5 does not apply to individual, estate or trust partners.

Line 6—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 or KPC.

Line 7—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 or KPC.

Line 8—Federal Bonus Depreciation

C corporations: Include this amount on Form M4I, line 2g. Enclose a copy of this schedule with Form M4.

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 or KPC.

Line 10—Section 179 Expensing

C corporations: Include this amount on the appropriate line in the worksheet for Form M4I, line 2i. Enclose a copy of this schedule with Form M4.

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 or KPC.

Line 11—Fines, Fees and Penalties

C corporations: Include this amount on Form M4I, line 2j. Enclose a copy of this schedule with Form M4.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 7.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI or KPC.

Continued

2013 Schedule KPC Instructions (continued)

Line 12—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 or KPC.

Line 13—Addition Due to Federal Changes Not Adopted by Minnesota

Minnesota has not adopted all of the federal changes affecting the 2013 tax year. The following codes each reference a single nonconformity issue which will require an adjustment to Minnesota income. Place the code number in the first box on line 13 and the amount on the corresponding line. **If you need additional lines because you have more than three nonconformity issues please attach additional KPC schedules.**

Code	Description of Issue
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| 10 | If you claimed depreciation for business property on an Indian reservation on federal schedule 4562 using the alternative depreciation class life, you must use this code in the first available box on line 8. Enter "10" in the first available box and enter the difference between the depreciation allowed federally at the alternative class life and the recomputed amount using the regular class life on the corresponding line. |
| 11 | If you claimed the modified treatment of qualified television productions on federal form 4562, you must use this code in the first available box on line 8. Enter "11" in the first available box and enter the difference between the modified amount reported federally and the recomputed amount using the conventional method on the corresponding line. |
| 12 | If you placed in service in 2013 qualified leasehold improvement, restaurant or retail improvement property, you must use this code in the first available box on line 8. Enter "12" in the first available box and enter the difference between the depreciation allowed federally over 15 years, (amount on the federal 4562) and the recomputed amount allowed under a 39 year life on the corresponding line. |

- 13 If you utilized the 7 year recovery period for property used for land improvements and support facilities for motor sports entertainment, you must use this code in the first available box on line 8. Enter "13" in the first available box and enter the difference between the amount of the special 7 year cost recovery period and the amount of depreciation using a 15 or 39 year life (as appropriate) on the corresponding line.

- 14 If you elected to expense 50% of the cost of qualified mine safety equipment placed in service in 2012, you must use this code in the first available box on line 8. Enter "14" in the first available box and enter the difference between the total amount expensed federally and recomputed amount of depreciation using the conventional method on the corresponding line.

40 Other Additions

C corporations: Include this amount any amounts in the instruction's worksheet for line 2k, on Form M4I, and enclose any statements or worksheets and a copy of this schedule when you file your return.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 8 and enclose any statements or worksheets when you file your return.

Partnerships: Pass this information through, pro rata, to partners as an addition on Schedule KPI, line 8 of KPC, line 13 and enclose any statements or worksheets when you file your return.

Line 15—Net Interest on U.S. Bonds

C corporations: Not applicable.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 9.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI or KPC.

Line 16—Subtraction Due to Federal Changes Not Adopted by Minnesota

Use the respective code in the first available box on line 16 and the amount in the corresponding line.

Code	Description of Issue
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50 Other general subtractions

C corporations: Include this amount on Form M4I, line 4n, and enclose any statements or worksheets and a copy of this schedule with your return.

S corporations: Pass this information through, pro rata, to shareholders on schedule KS, line 11 and include any statements or worksheets with your return.

Partnerships: Pass this information through, pro rata, to partners on Schedule KPI, line 11 or KPC, line 16 and include any statements or worksheets with your return.

Line 17—Employer Transit Pass

C corporations: Include this amount on Form M4T, line 21. Be sure to enclose a copy of this schedule with Form M4.

S corporations: Include this amount on Form M8, line 6, or if you are passing it through to your shareholders, enter pro rata share on Schedule KS, line 12. You must enclose a copy of this schedule even if you are passing the credit through to your shareholders.

Partnerships: Include this amount on Form M3, line 5, or if you are passing it through to the partners, enter the pro rata share on Schedule KPI or KPC. Be sure to enclose a copy of this schedule even if you are passing the credit through to your partners.

Line 18—Research Credit

C corporations: Include this amount on Schedule RD, line 30. Enclose a copy of this schedule with Form M4.

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 or KPC.

Line 19—Historic Structure Rehabilitation Credit

C corporations: Include this amount and the NPS project number on Form M4, line 6. Be sure to enclose a copy of this schedule with Form M4.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 15 and include the NPS project number.