

2019 Schedule KPI Instructions

Individual, estate and trust partner’s use of information provided on Schedule KPI

Purpose of Schedule KPI

Schedule KPI is a supplemental schedule provided by the partnership to its individual, estate or trust partners.

The partners will need this information to complete a Minnesota Form M1, *Individual Income Tax Return*, or Form M2, *Income Tax Return for Estates and Trusts*.

A partner who is a Minnesota resident will be taxed by Minnesota on all of his or her distributive income from the partnership even if the income is apportioned between Minnesota and other states. A nonresident partner will be taxed on the Minnesota distributive income from the partnership.

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

You must include Schedule KPI 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 KPI from the partnership and your income or deductions have changed, you must file an amended Minnesota return.

Individuals: Use Form M1X, *Amended Minnesota Income Tax Return*, for the year you are amending.

Estates and trusts: You must use the current version of Form M2X, *Amended Income Tax Return for Estates and Trusts*, regardless of the year you are amending.

Line Instructions

Individuals: Include amounts as shown on Schedule KPI. For additional information, read the appropriate line instructions.

Estates and trusts: Include the amounts from:

Schedule KPI:	on Form M2:
line 1	line 25
line 2	line 26
line 3	line 27
line 4	does not apply
line 5	line 29 (see inst.)
line 6	line 33
line 7	line 34
line 8	does not apply
line 9	line 31
line 12	line 38
line 13	line 45
line 14	line 46
line 15	line 47
line 16	line 41
line 17	line 15f
line 18	line 15d
line 19	line 15c
line 20	line 15f
line 21	line 15c
line 22-25	Form M2MT
lines 26-38	see inst. on this page
line 39	information
lines 40-41	do not apply
line 42	line 15b

Please see M2 instructions for any amounts referring to line 15d.

Line 7 — Special Deduction under Section 965

Individuals: Not applicable.

Estates and Trusts: Include on line 34 of Form M2.

Line 8a and 8b — Accelerated Installment Sale Gains

Nonresident individuals – if any information is reported to you on line 8 of schedule KPI, file form M1AR with your Minnesota income tax return.

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Resident individuals – if information is reported to you on line 8, 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 non-resident in a future year while payments are being made you are required to file form M1AR with your final resident tax return.

Line 17 — Credit for Increasing Research Activities

Individuals: Include in the total on line 9 of Schedule M1C. To claim this credit, you *must* include this schedule with Form M1.

Line 18 — Tax Credit for Owners of Agricultural Assets

Include on line 8 of Schedule M1C. To claim this credit you must include this schedule with Form M1.

Line 19 — Historic Structure Rehabilitation Credit

Individuals: Include in the total 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.

Line 20 — Employer Transit Pass Credit

Individuals: Include in the total on line 2 of Schedule M1C. To claim this credit, you *must* include this schedule with Form M1.

Line 21 — Enterprise Zone Credit

Individuals: Include in the total on line 7 of Schedule M1REF. To claim this credit, you *must* include this schedule with your Form M1.

Line 26 — Minnesota Source Gross Income

Minnesota source gross income is used to determine if a nonresident individual, estate or trust is required to file a Minnesota income tax return. Gross income is income before business or rental deductions and does not include losses.

Nonresident individuals: If your 2019 Minnesota source gross income is \$12,200 or more and you did not elect composite filing, you are required to file Form M1 and Schedule M1NR, *Nonresidents/Part-Year Residents*.

If your 2019 Minnesota source gross income is less than \$12,200 and you had Minnesota tax withheld (see line 42 of Schedule KPI), file Form M1 and Schedule M1NR to receive a refund.

Estates and trusts: You are required to file Form M2 and pay tax if the Minnesota gross income is \$600 or more.

Lines 27 – 38

Lines 27-38 apply to nonresident partners. All income of a Minnesota resident is assigned to Minnesota, regardless of the source.

If certain items are not entirely included in your federal adjusted gross income (if an individual) or federal taxable income (if an estate or trust) because of passive activity loss limitations, capital loss limitations, section 179 limitations or for other reasons, include only the amounts that you included in your federal adjusted gross income (individuals) or federal taxable income (estates or trusts).

Nonresident individuals: Include lines 27-38 on the corresponding lines in column B of Schedule M1NR.

Estates and trusts: Lines 27-38 are used to determine the partnership's Minnesota sourced income and non-Minnesota sourced income to include on lines 2 and 7 of Form M2. To determine the non-Minnesota losses and income, subtract the amounts on lines 27-38 from the corresponding amounts on Schedule K-1.

Lines 40–42

Nonresident individuals: Although Minnesota source gross income (line 26) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

Lines 40-42 were used to determine your share of the partnership's Minnesota source distributive income. You may need to refer to these amounts when you file your home state's income tax return.

If you are required to pay Minnesota tax on your Minnesota source distributive income, the partnership is required to withhold tax, unless you elect to have the partnership pay composite tax to Minnesota on your behalf. If you elected for the partnership to pay composite tax, you are not required to file Form M1.

Line 40. Your Minnesota source distributive income is considered your Minnesota taxable income from this partnership.

Line 41. If you elected, the composite tax paid on your behalf equals 9.85 percent of your Minnesota taxable income (line 40), minus your share of any credits on lines 18-21.

You are not required to file an individual Minnesota return (Form M1).

Line 42. If you did not elect composite income tax, the partnership may be required to withhold tax from your Minnesota source distributive income. The amount withheld equals 9.85 percent of your Minnesota taxable income (line 40), minus your share of any credits on lines 18-21.

To claim nonresident withholding when you file your Form M1, you must enclose this schedule showing Minnesota tax was withheld.

2019 Schedule KPI Instructions (Continued)

Sale of a Partnership Interest

If you sell any portion of your interest in a partnership, some or all of the gain may be taxable. Or you can use any loss on the sale to offset other Minnesota income to the extent the losses are deducted on your federal return.

To determine the ratio of gain or loss that is assigned to Minnesota at the time of the sale, divide the original cost of the partnership's tangible property *in Minnesota* by the original cost of all tangible property of the partnership. (Tangible property includes real estate, inventory and equipment.) 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. Include the result on Schedule MINR, line 4, column B.