

Partner's Share of Income, Credits and Modifications 2014

(for corporate and partnership partners)

Partnership: Complete and provide Schedule KPC to each corporate or partnership partner that is domiciled in another state and to any Minnesota corporate or partnership partner who has adjustments to income. For individual, estate and trust partners, use Schedule KPI instead.

Tax year beginning \_\_\_\_\_, 2014 and ending \_\_\_\_\_

Amended KPC:

Filing Information

Form with fields for Partner's Federal ID Number, FEIN of partner ultimately taxed, Partnership's Federal ID Number, Partnership's Minnesota ID, Partner's Name, Partnership's Name, JOBZ ID Number, Legal Address, Address, City, State, Zip Code, Entity of Partner (check one box), and Partner's Distributive Share.

Corporate and Partnership Partners

Round amounts to the nearest dollar.

Corporate and Partnership Partners

Form with numbered lines 1 through 20 for reporting income, expenses, and credits. Includes checkboxes for 'This line intentionally left blank' and input boxes for NPS project number.

Apportionment

Table for Apportionment information (partner's share) with columns for Property, Payroll, and Sales, and rows for Minnesota and Everywhere.

Partnership: Include this schedule and copies of federal Schedules K and K-1 with your Form M3. Partner: Include this schedule when you file your Form M3, M4 or M8.

## Schedule KPC Instructions 2014

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—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 6.

#### Line 7—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 7.

#### Line 8—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:* Schedule KPI, line 3, or KPC, line 8.

#### Line 9—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:* Schedule KPI, line 4 or KPC, line 9.

#### Line 10—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:* Schedule KPI, line 5, or KPC, line 10.

## Schedule KPC Instructions 2014 (continued)

### 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:* Schedule KPI, line 6, or KPC, line 11.

### Line 13—Net Interests on U.S. Bonds

*C corporations:* Not applicable

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

*Partnerships:* Schedule KPI, line 8, or KPC, line 13.

### Line 15—Research Credit

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

*S corporations:* Schedule KS, line 11.

*Partnerships:* Schedule KPI, line 11, or KPC, line 15.

### Line 16—Greater Minnesota Internship Credit

*C corporations:* Include this amount on Form M4, line 7. 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 12.

*Partnerships:* Pass this information through, pro rata, to partners on Schedule KPI, line 12, or KPC, line 16.

### Line 17—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:* Schedule KS, line 13 and include the NPS project number.

*Partnerships:* Schedule KPI, line 13 or KPC, line 17 and include the NPS project number.

### Line 18—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:* Schedule KS, line 14. You must enclose a copy of this schedule even if you are passing the credit through to your shareholders.

*Partnerships:* Schedule KPI, line 14 or KPC, line 17. Be sure to enclose a copy of this schedule even if you are passing the credit through to your partners.

### Line 19—Enterprise Zone Credit

*C corporations:* Include this amount on Form M4, line 4. Be sure to enclose a copy of this schedule with Form M4.

*S corporations:* Schedule KS, line 15. You must enclose a copy of this schedule even if you are passing the credit through to your shareholders.

*Partnerships:* Schedule KPI, line 15 or KPC, line 19. You must enclose a copy of this schedule even if you are passing the credit through to your partners.

### Lines 20—Jobs Credit for Participating in a JOBZ Zone

*C corporations:* Include this amount on Form M4, line 5, and enclose a copy of this schedule when you file your return.

*S corporations:* Include this amount on Form M8, line 11, or if you are passing it through to your shareholders, enter the shareholder's pro rata share on Schedule KS, line 16. You must enclose a copy of this schedule with your Form M8, even if you are passing the credit through to your shareholders.

*Partnerships:* Schedule KPI, line 16 or KPC, line 20. Be sure to enclose a copy of this schedule when you file your return even if you are passing the credit through to your partners.

### Lines 22 and 23—Apportionment Factors

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 corporate 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.