





Partner's Name	Partner's Federal ID Number or Social Security Number
Partnership's Name	Partnership's Federal ID Number

12 Greater Minnesota Internship Credit .....	12 ■ _____	M1B, line 3
13 Credit for historic structure rehabilita- tion and enter NPS project number: ... <input type="text"/> ..	13 ■ _____	M1B, line 2
14 Employer Transit Pass Credit.....	14 ■ _____	M1C, line 4
15 Enterprise Zone Credit.....	15 ■ _____	M1B, line 4
<b>Relating to Alternative Minimum Tax</b>		
16 Intangible drilling costs .....	16 ■ _____	Use lines 16-19 to compute M1MT, lines 6 and 7. See M1MT instructions for details.
17 Gross income from oil, gas and geothermal properties .....	17 ■ _____	
18 Deductions allocable to oil, gas and geothermal properties .....	18 ■ _____	
19 Depletion .....	19 ■ _____	
<b>Minnesota Portion of Amounts From Federal Schedule K-1 (1065)</b>		
20 Minnesota source gross income .....	20 ■ _____	info only (see inst.)
21 Ordinary Minnesota source income (loss) from trade or business activities .....	21 ■ _____	M1NR, line 6, col B
22 Income (loss) from Minnesota rental real estate .....	22 ■ _____	M1NR, line 6, col B
23 Other net income (loss) from Minnesota rental activities .....	23 ■ _____	M1NR, line 6, col B
24 Guaranteed payments .....	24 ■ _____	M1NR, line 6, col B
25 Interest income .....	25 ■ _____	M1NR, line 2, col B
26 Ordinary dividends .....	26 ■ _____	M1NR, line 2, col B
27 Royalties .....	27 ■ _____	M1NR, line 6, col B
28 Net Minnesota short-term capital gain (loss) .....	28 ■ _____	M1NR, line 4, col B
29 Net Minnesota long-term capital gain (loss) .....	29 ■ _____	M1NR, line 4, col B
30 Section 1231 Minnesota net gain (loss) .....	30 ■ _____	M1NR, line 4 or 8, col B
31 Other Minnesota income (loss). (Describe type of income or include separate sheet: _____) .....	31 ■ _____	M1NR, line 8, col B
32 Section 179 expense deduction apportionable to Minnesota .....	32 ■ _____	M1NR inst, line 6, col B

Continued next page



Partner's Name

Partner's Federal ID Number or Social Security Number

Partnership's Name

Partnership's Federal ID Number

33 Partnership's Minnesota apportionment factor (line 5, column C of M3A) . . . . . 33 ■ \_\_\_\_\_ information only

**Nonresident Individual Partners Only:  
Composite Income Tax or Nonresident Withholding**

34 Minnesota source distributive income (see instructions) . . . . . 34 ■ \_\_\_\_\_ If an amount is on line 36 below, include line 34 on

35 Minnesota composite income tax paid by partnership. If the partner elected composite income tax, check this box:  . . . . . 35 ■ \_\_\_\_\_ M1W, line 7, col. B. composite income tax

36 Minnesota income tax withheld for nonresident individual partner not electing to file composite income tax. If the partner completed and signed a Form AWC, check this box:  . . . . . 36 ■ \_\_\_\_\_ M1W, line 7, col C

**Partnership:** Include this schedule and copies of federal Schedules K and K-1 with your Form M3.

**Partner:** Include this schedule with your Form M1 (individuals) or Form M2 (estates and trusts).



# 2017 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  
line 6 ..... line 30  
line 7 ..... does not apply  
line 8 ..... does not apply  
line 9 ..... line 35  
line 10 ..... does not apply  
line 11 ..... 15d  
line 12 ..... 15c

*Estates and trusts (continued):* Include the amounts from

Schedule KPI:            on Form M2:

line 13 ..... line 15c  
line 14 ..... line 15d  
line 15 ..... line 15c  
lines 16–19 ..... see M2MT  
lines 20–32 ..... see inst. on this page  
line 33 ..... information  
lines 34–35 ..... do not apply  
line 36 ..... line 15b

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

### Line 7a and 7b — Accelerated Installment Sale Gains

Nonresident individuals – if any information is reported to you on line 7 of schedule KPI, file form M1AR with your Minnesota income tax return.

Resident individuals – if information is reported to you on line 7, 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 8 — Addition Due to Federal Changes Not Adopted by Minnesota

- Report any Code 11 amount on the Schedule M1NC, Line 3.
- Report any Code 12 amount on the Schedule M1NC, Line 12.
- Report any Code 13 amount on the Schedule M1NC, Line 6.
- Report any Code 14 amount on the Schedule M1NC, Line 3.
- Report any Code 15 amount on the Schedule M1NC, Line 14.
- Retain any Code 16 amount information for your 2018 tax return filing.

### Line 10 — Subtraction Due to Federal Changes Not Adopted by Minnesota

- Report any Code 11 amount on the Schedule M1NC, Line 3.
- Report any Code 12 amount on the Schedule M1NC, Line 12.
- Report any Code 13 amount on the Schedule M1NC, Line 6.
- Report any Code 14 amount on the Schedule M1NC, Line 3.

- Report any Code 15 amount on the Schedule M1NC, Line 14. --
- Retain any Code 16 amount information for your 2018 tax return filing.

### Line 11 — Increasing Research Activities Credit

*Individuals:* Include in the total on line 3 of Schedule M1C. To claim this credit, you *must* include this schedule with Form M1.

### Line 12 — Greater Minnesota Internship Credit

*Individuals:* Include in the total on line 3 of Schedule M1B. To claim this credit, you *must* include this schedule with Form M1.

### Line 13 — Historic Structure Rehabilitation Credit

*Individuals:* Include in the total on line 2 of Schedule M1B and enter the NPS project number in the space provided. To claim this credit, you *must* include this schedule with Form M1.

### Line 14 — Employer Transit Pass Credit

*Individuals:* Include in the total on line 4 of Schedule M1C. To claim this credit, you *must* include this schedule with Form M1.

### Line 15 — Enterprise Zone Credit

*Individuals:* Include in the total on line 4 of Schedule M1B. To claim this credit, you *must* include this schedule with your Form M1.

### Line 20 — 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 2017 Minnesota source gross income is \$10,400 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 2017 Minnesota source gross income is less than \$10,400 and you had Minnesota tax withheld (see line 36 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.

*Continued*

## 2017 Schedule KPI Instructions (continued)

---

### Lines 21 – 32

Lines 21-32 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 21-32 on the corresponding lines in column B of Schedule M1NR.

*Estates and trusts:* Lines 21-32 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 21-32 from the corresponding amounts on Schedule K-1.

### Lines 34-36

*Nonresident individuals:* Although Minnesota source gross income (line 20) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

Lines 34-36 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 34.** Your Minnesota source distributive income is considered your Minnesota taxable income from this partnership.

**Line 35.** If you elected, the composite tax paid on your behalf equals 9.85 percent of your Minnesota taxable income (line 34), minus your share of any credits on lines 12-15.

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

**Line 36.** 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 34), minus your share of any credits on lines 12-15.

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

### 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 M1NR, line 4, column B.