

Partner's Share of Income, Credits and Modifications 2010

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 _____, 2010 and ending _____ Amended KPC:

Filing information

Partner's federal ID number	FEIN of partner ultimately taxed (see instructions):	Partnership's federal ID number	Partnership's Minnesota ID
Partner's name		Partnership's name	JOBZ ID number, if any
Legal address		Address	
City	State	Zip code	City State Zip code
Entity of partner (check one box): <input type="checkbox"/> S corporation <input type="checkbox"/> C corporation <input type="checkbox"/> Exempt organization <input type="checkbox"/> Partnership			Partner's distributive share: _____ %

Corporate and partnership partners

Corporate and partnership partners **Round amounts to the nearest dollar.**

1 Nonapportionable Minnesota source income	1	
2 Total nonapportionable income	2	
3 Job Opportunity Building Zone (JOBZ) business exemption	3	
4 JOBZ zone investment income (partnership partner's share)	4	
5 Partnership's minimum fee	5	
6 State income taxes deducted in arriving at partnership's net income	6	
7 Interest income exempt from federal tax	7	
8 100% of partner's distributive share of federal bonus depreciation	8	
9 Federal subsidies paid to employers for providing prescription drug coverage for their retirees .	9	
10 If the partnership elected section 179 expensing, enter the partner's flow-through section 179 expensing for Minnesota purposes	10	
11 Fines, fees and penalties deducted federally as a trade or business expense	11	
12 Enhanced charitable contribution for the donation of computer equipment deducted federally .	12	
13 Discharge of indebtedness income from reacquisition of business debt	13	
14 Expenses deducted that are attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds)	14	
15 The need for line 15 has been eliminated. Leave blank.	15	
16 Extraterritorial income	16	
17 Interest from U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income	17	
18 The need for line 18 has been eliminated. Leave blank.	18	
19 Employer transit pass credit	19	
20 2010 credit for increasing research activities	20	
21 Credit for historic structure rehabilitation and enter NPS project number: <input style="width: 100px;" type="text"/> ..	21	
22 Enterprise zone credit	22	
23 Jobs credit for participating in a JOBZ zone	23	

Apportionment

	Property	Payroll	Sales
24 Minnesota	24		
25 Total	25		

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 2010

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 9.

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: Include the amount from line 3 on Form M4T, line 9. Line 4 does not apply to C corporations.

S corporations: Pass the amounts from lines 3 and 4 through, pro rata, to shareholders on Schedule KS, line 11.

Partnerships: For your individual, estate and trust partners, pass the amounts from lines 3 and 4 through, pro rata, on Schedule KPI, line 11.

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

For your corporate partners, pass the amount from line 3 through, pro rata, on Schedule KPC, line 3. Line 4 does not apply to C corporate 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 2k. 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 9—Federal subsidies for prescription drug plans

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

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 6.

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

Line 10—Section 179 expensing

C corporations: Include this amount on the appropriate line in the worksheet for Form M4I, line 2n. 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 any corporate or partnership partners on Schedule KPC.

Line 11—Fines, fees and penalties

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

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

Continued

Instructions for Schedule KPC 2010 (continued)

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

Line 12—Enhanced computer equipment donation

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

S corporations: Not applicable.

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

Line 13—Discharge of indebtedness income

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

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 8.

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

Line 14—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 15—Addition due to federal changes not adopted by Minnesota

The need for line 15 has been eliminated. Leave line 15 blank. Enclose a copy of this schedule when you file your return.

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

Partnerships: Pass this information through, pro rata, to partners as an addition on Schedule KPI, line 9 or KPC, line 15.

Line 16—Extraterritorial income

C corporations: Include this amount on Form M4I, line 5l.

S corporations: Not applicable.

Partnerships: For your C corporate and partnership partners, pass this amount through, pro rata, on Schedule KPC, line 16. Line 16 does not apply to individual, estate, trust or S corporate partners.

Line 17—Net interest on U.S. bonds

C corporations: Not applicable.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 10.

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

Line 18—Subtraction due to federal changes not adopted by Minnesota

The need for line 18 has been eliminated. Leave line 18 blank. Enclose a copy of this schedule when you file your return.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 12.

Partnerships: Pass this information through, pro rata, to partners as a subtraction on Schedule KPI, line 12 or KPC, line 18.

Line 19—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 13. 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 20—2010 Research credit

C corporations: Include this amount on Form M4, line 6. Enclose a copy of this schedule with Form M4.

S corporations: Pass this information through, pro rata, to shareholders on Schedule KS, line 15.

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

Line 21—Historic structure rehabilitation 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 16.

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

Line 22—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: Include this amount on Form M8, line 10, or if you are passing it through to your shareholders, enter the pro rata share on Schedule KS, line 14. 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 7, or if you are passing it through to the partners, enter the pro rata share on the appropriate line of Schedule KPI or KPC. Be sure to enclose a copy of this schedule even if you are passing the credit through to your partners.

Lines 23—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 17. You must enclose a copy of this schedule with your Form M8, even if you are passing the credit through to your shareholders.

Partnerships: Include this amount on Form M3, line 8, or if you are passing it through to the partners, enter the partner's distributive share on Schedule KPI or KPC. 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 24 and 25—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.