

Partner's Share of Income, Credits and Modifications 2010

Partnership: Complete and provide Schedule KPI to each nonresident individual, estate or trust partner and any Minnesota individual, estate or trust partner who has adjustments to income.

For corporate and partnership partners, use Schedule KPC instead.

Filing information	Tax year beginning _____, 2010 and ending _____		Amended KPI: <input type="checkbox"/>			
	Partner's federal ID or SSN number	FEIN/SSN of partner ultimately taxed (see instructions):	Partnership's federal ID number	Partnership's Minnesota tax ID		
	Partner's name		Partnership's name	JOBZ ID number, if any		
	Address of legal residence		Address			
	City	State	Zip code	City	State	Zip code
	Entity of partner (check one box): <input type="checkbox"/> Individual <input type="checkbox"/> Trust <input type="checkbox"/> Estate			Partner's distributive share: _____%		

Calculate lines 1–21 the same for all resident and nonresident partners. Calculate lines 22–38 for nonresident partners only. Round amounts to the nearest whole dollar.

All individual, estate and trust partners	Individual, estate and trust partners		Form M1 filers: Include on:	
	1 Interest income from non-Minnesota state and municipal bonds	1		. M1M, line 1
	2 State income tax deducted in arriving at ordinary or net rental income	2		. M1M, line 5
	3 Expenses deducted that are attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds)	3		. M1M, line 10
	4 If the partnership elected section 179 expensing, enter the partner's flow-through section 179 expensing for Minnesota purposes	4		. M1M, see line 4 inst
	5 100% of partner's distributive share of federal bonus depreciation	5		. M1M, see line 3 inst
	6 Federal tax-exempt subsidies paid to employers for providing prescription drug coverage for their retirees	6		. M1M, line 11
	7 Fines, fees and penalties deducted federally as a trade or business expense	7		. M1M, line 12
	8 Discharge of indebtedness income from reacquisition of business debt	8		. M1M, line 14
	9 The need for line 9 has been eliminated. Leave blank.	9		
	10 Interest from U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income	10		. M1, line 6
	11 Job Opportunity Building Zone (JOBZ) business and investment income exemptions	11		. M1M, line 31
	12 The need for line 12 has been eliminated. Leave blank.	12		
	13 Employer transit pass credit	13		. M1C, line 4
	14 Enterprise zone credit	14		. M1B, line 6
	15 2010 credit for increasing research activities	15		. M1B, line 1
	16 Credit for historic structure rehabilitation and enter NPS project number: <input style="width: 100px;" type="text"/>	16		. M1B, line 3
17 Jobs credit for participating in a JOBZ zone	17		. M1B, line 4	

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Partner's name	Partner's federal ID number or Social Security number
Partnership's name	Partnership's federal ID number

All partners (continued)	Relating to alternative minimum tax			
	18 Intangible drilling costs	18	. Use lines 18–21 to compute M1MT, lines 6 and 7. See M1MT instructions for details.	
	19 Gross income from oil, gas and geothermal properties	19		
	20 Deductions allocable to oil, gas and geothermal properties	20		
21 Depletion	21			
Nonresident partners	Minnesota portion of amounts from federal Schedule K-1 (1065)			
	22 Minnesota source gross income	22	. info only (see inst.)	
	23 Ordinary Minnesota source income (loss) from trade or business activities	23	. M1NR, line 6, col B	
	24 Income (loss) from Minnesota rental real estate	24	. M1NR, line 6, col B	
	25 Other net income (loss) from Minnesota rental activities	25	. M1NR, line 6, col B	
	26 Guaranteed payments	26	. M1NR, line 6, col B	
	27 Interest income	27	. M1NR, line 2, col B	
	28 Ordinary dividends	28	. M1NR, line 2, col B	
	29 Royalties	29	. M1NR, line 6, col B	
	30 Net Minnesota short-term capital gain (loss)	30	. M1NR, line 4, col B	
	31 Net Minnesota long-term capital gain (loss)	31	. M1NR, line 4, col B	
	32 Section 1231 Minnesota net gain (loss)	32	. M1NR, line 4 or 8, col B	
	33 Other Minnesota income (loss). (Describe type of income or include separate sheet: _____)	33	. M1NR, line 8, col B	
	34 Section 179 expense deduction apportionable to Minnesota	34	. M1NR, line 6, col B	
	35 Partnership's Minnesota apportionment factor (line 6 of M3A)	35	. information only	
	Nonresident individual partners only: Composite income tax or nonresident withholding			
	36 Minnesota source distributive income (see instructions)	36	If an amount is on line 38 below, include line 36 on M1W, line 3a, col. B.	
	37 Minnesota composite income tax paid by partnership. If the partner elected composite income tax, check this box: <input type="checkbox"/>	37	. composite income tax	
38 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: <input type="checkbox"/>	38	. M1W, line 3a, col C		

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

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

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Schedule KPI Instructions 2010

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 23
line 2	.....	line 24
line 3	.....	line 25
line 4	.....	does not apply
line 5	.....	line 28
line 6	.....	see inst. on this page
line 7	.....	line 29
line 8	.....	line 30
line 9	.....	line 33
line 10	.....	line 35
line 11	.....	line 38
line 12	.....	line 41
line 13	.....	see M2 instructions
line 14	.....	see M2 instructions

Estates and trusts (continued): Include the amounts from

Schedule KPI:	on Form M2:
line 15	..... line 13e
line 16	..... line 13f
line 17	..... line 13c
lines 18–21	..... see M2MT
lines 22–34	..... see inst. on this page
line 35	..... information
lines 36–38	..... do not apply

Line 6 — Employer drug coverage

Estates and trusts: Include in the total on line 34 of Form M2. Write “employer drug coverage” and the amount to the left of line 34.

Line 13 — 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 14 — Enterprise zone credit

Individuals: Include in the total on line 6 of Schedule M1B. To claim this credit, you *must* include this schedule with your Form M1.

Line 15 — 2010 Increasing research activities credit

Individuals: Include in the total on line 1 of Schedule M1B. To claim this credit, you *must* include this schedule with Form M1.

Line 16 — Historic structure rehabilitation credit

Individuals: Include in the total on line 3 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 17 — JOBZ jobs credit

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

Line 22 — 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 2010 Minnesota source gross income is \$9,350 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 2010 Minnesota source gross income is less than \$9,350 and you had Minnesota tax withheld (see line 38), 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 23–34

Lines 23–34 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 23–34 on the corresponding lines in column B of Schedule M1NR.

Estates and trusts: Lines 23–34 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 23–34 from the corresponding amounts on Schedule K-1.

Lines 36–38

Nonresident individuals: Although Minnesota source gross income (line 22) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

Lines 36–38 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.

Continued

Instructions for Schedule KPI 2010 (continued)

Line 36. Your Minnesota source distributive income is considered your Minnesota taxable income from this partnership.

Line 37. If you elected, the composite tax paid on your behalf equals 7.85 percent of your Minnesota taxable income (line 36), minus your share of any credits on lines 13-17. You are not required to file Form M1.

Line 38. 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 7.85 percent of your Minnesota taxable income (line 36), minus your share of any credits on lines 13-17.

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.