

Shareholder's Share of Income, Credits and Modifications 2010

S corporation: Complete and provide Schedule KS to each nonresident shareholder and Minnesota shareholder who has adjustments to income.

Amended KS:

Print or type	Tax year beginning _____, 2010 and ending _____					
	Shareholder's federal ID or Social Security number		S corporation's federal ID number	S corporation's Minnesota tax ID		
	Shareholder's name		S corporation's name	JOBZ ID number, if any		
	Address		Address			
	City	State	Zip code	City	State	Zip code
	Entity of shareholder (place an X in one box):		<input type="checkbox"/> Individual	<input type="checkbox"/> Estate	Shareholder's percentage of stock ownership for tax year: _____ %	
		<input type="checkbox"/> Trust	<input type="checkbox"/> Exempt Organization			

Calculate lines 1–21 the same for all resident and nonresident shareholders. Calculate lines 22–36 for nonresident shareholders only. Round amounts to the nearest whole dollar.

All shareholders	Modifications to federal taxable income		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 S corporation elected section 179 expensing, enter the shareholder's flow-through section 179 expensing for Minnesota purposes	4	M1M, see line 4 inst.
	5 100% of shareholder's pro rata 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 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
	Relating to alternative minimum tax		
	18 Intangible drilling costs	18	Lines 18–21 are used 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		

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Shareholder's name		Shareholder's Social Security number
S corporation's name	S corporation's federal ID number	S corporation's Minnesota ID number

Minnesota portion of amounts from federal Schedule K-1 (1120S)

Nonresident shareholders	22 Minnesota source gross income	22		<i>information (see inst.)</i>
	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 and other Minnesota rental activities	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
	33 S corporation's Minnesota apportionment factor (line 18 of M8A)	33		<i>information only</i>
	Composite income tax or nonresident withholding			
34 Minnesota source distributive income	34		If an amount is on line 36 below, include line 34 on M1W, line 3a, col. B.	
35 Minnesota composite income tax paid by S corporation. If the shareholder elected composite income tax, mark an X in this box: <input type="checkbox"/>	35		<i>composite income tax</i>	
36 Minnesota income tax withheld for nonresident shareholder not electing to file composite income tax. If the shareholder completed and signed a Form AWC, mark an X in this box: <input type="checkbox"/>	36		M1W, line 3a, col C	

S corporations: Include this schedule and copies of federal Schedules K and K-1 when you file your Form M8.

Shareholders: Include this schedule when you file your Minnesota Form M1.

Schedule KS Instructions 2010

Shareholder's use of information provided on Schedule KS

Purpose of Schedule KS

Schedule KS is a supplemental schedule provided by the S corporation to its shareholders. The shareholders need this information to complete a *Minnesota Individual Income Tax Return*, Form M1.

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

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

You must include Schedule KS 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 KS from the S corporation and your income or deductions have changed, you must file an amended Minnesota return. To amend your return, use Form M1X, *Amended Minnesota Income Tax Return*.

Line instructions

Include amounts on the appropriate lines as shown on Schedule KS. Be sure to read the following line instructions for additional information.

Line 4 Section 179 expensing

See Schedule M1M, worksheet for line 4 instructions, to determine how to report this amount.

**Line 5
Federal bonus depreciation addition**
Include this amount on the appropriate line on the worksheet for line 3 in the Schedule M1M instructions.

**Line 13
Employer transit pass credit**
Include this amount on line 4 of your Schedule M1C. To claim this credit, you *must* include this schedule with Form M1.

**Line 14
Enterprise zone credit**
Include on line 6 of Schedule M1B. To claim this credit, you *must* include this schedule with Form M1.

**Line 15
Increasing research activities credit**
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**
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 zone jobs credit**
Include this amount on line 4 of Schedule M1B. To claim this credit, you *must* include this schedule with your Form M1.

**Line 22
Minnesota source gross income**
Minnesota source gross income is used to determine if a nonresident is required to file a Minnesota income tax return. Gross income is income before business or rental deductions and does not include losses.

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 36), file Form M1 and Schedule M1NR to receive a refund.

**Lines 23–33
Minnesota portion of federal amounts**
Lines 23–33 apply to nonresident shareholders. 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 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.

Include the amounts from lines 23–33 on the corresponding lines in column B of Schedule M1NR.

Lines 34–36 Composite income tax and nonresident withholding

Although Minnesota source gross income (line 22) 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 S corporation'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 S corporation is required to withhold tax, unless you elect to have the S corporation pay composite tax to Minnesota on your behalf. If you elected for the S corporation 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 S corporation.

If there is an amount on line 36 for Minnesota income tax was withheld, you must include your Minnesota source distributive income from line 34 on Schedule M1W, line 3a, column B.

Line 35. If you elected composite income tax, the amount paid on your behalf equals 7.85 percent of your Minnesota taxable income on line 34, minus your share of any credits on lines 13–17.

You are not required to file Form M1.

Line 36. If you did not elect composite income tax, the S corporation may be required to withhold tax from your Minnesota source distributive income. The amount withheld equals 7.85 percent of your Minnesota taxable income on line 34, minus your share of any credits on lines 13–17.

To claim nonresident withholding when you file your Form M1, include the amount from Schedule KS, line 36 on Schedule M1W, line 3a, column C. Also include the amount from Schedule KS, line 34 on Schedule M1W, line 3a, column B. You must include this schedule when you file your return.