



**2018 Schedule M1AR, Accelerated Recognition of Installment Sale Gains**

Your First Name and Middle Initial		Last Name		Your Social Security Number
Mailing Address		City	State	ZIP
Name of S Corporation or Partnership		FEIN		Minnesota Tax ID Number
Final Year of Installment Agreement				

Complete this schedule if you are reporting installment sale gains from a sale executed after December 31, 2016 of any interest in, or assets of, an S corporation or partnership. These amounts are reported on federal Form 6252 or Minnesota Schedule KF, KPI, or KS. Do not complete this schedule if you are a full-year Minnesota resident.

- I elect to defer installment sale gains under Minnesota Statute 290.0137, paragraph (b), and agree to:
- File Minnesota income tax returns in all subsequent years when gains are recognized from an installment sale executed after December 31, 2016
  - Allocate gains to the state of Minnesota as though the gains were realized in the year of sale
  - Include all relevant federal tax documents reporting the installment sale with subsequent Minnesota tax returns

If you elect to defer, **STOP HERE**. Submit this form to verify your election. If you do **not** elect to defer installment sale gains, complete the rest of this schedule.

- 1 Gross profit from Minnesota Schedule KF line 7a, KPI line 7a, KS line 7a, or federal Form 6252 line 16 in the year of the sale . . . . . **1** ■ \_\_\_\_\_
- 2 Installment sale income received in prior year, from 2017 Minnesota Schedule KF line 7b, KPI line 7b, KS line 7b, or 2017 federal Form 6252 line 24. . . . . **2** ■ \_\_\_\_\_
- 3 Installment sale income from Minnesota Schedule KF line 7b, KPI line 7b, KS line 7b, or federal Form 6252 line 24 in the current year . . . . . **3** ■ \_\_\_\_\_
- 4 Add lines 2 and 3 . . . . . **4** ■ \_\_\_\_\_
- 5 Subtract line 4 from line 1. Enter the amount here and include on line 12 of Schedule M1M. . . . . **5** \_\_\_\_\_  
**Residents at the time of sale:** Also include this amount on line 10 of Column B of Schedule M1NR. **STOP HERE.**
- Nonresidents at the Time of Sale**
- 6 Enter the S corporation's or partnership's apportionment percentage for the year of sale . . . . . **6** ■ \_\_\_\_\_
- 7 Allocation percentage of nonbusiness income (*see instructions*) . . . . . **7** ■ \_\_\_\_\_
- 8 Enter the amount from line 5 that is nonbusiness income (*see instructions*) . . . . . **8** ■ \_\_\_\_\_
- 9 Subtract line 8 from line 5 . . . . . **9** \_\_\_\_\_
- 10 Multiply line 7 by line 8 . . . . . **10** \_\_\_\_\_
- 11 Multiply line 6 by line 9 . . . . . **11** \_\_\_\_\_
- 12 Add lines 10 and 11. Enter the result here and include on line 10, Column B, of Schedule M1NR . . . **12** ■ \_\_\_\_\_

## 2018 Schedule M1AR Instructions

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You must complete a separate Schedule M1AR for each installment gain you are reporting.

### Who should complete this schedule?

You may be required to complete this schedule to report one of the following:

- Installment sale income from the sale of S corporation stock, a partnership interest, or the assets of an S corporation or partnership
- Income from an S corporation, partnership, or trust that is reporting income from any installment sale of S corporation stock, a partnership interest, or the assets of an S corporation or partnership

If you report income from either situation above, complete Schedule M1AR if all of the following apply:

- The installment sale was executed after December 31, 2016.
- You were a nonresident or become a nonresident while recognizing income from the installment sale gains.
- The S corporation or partnership had a Minnesota filing requirement, or you were a Minnesota resident, during the year that the sale occurred.

Do not complete this schedule if you are a full-year Minnesota resident. You are not required to complete this schedule to report the installment sale of property not connected to the sale of an S corporation or partnership.

### What information will I need to complete this schedule?

If you completed an installment sale and reported it (or should have reported it) on federal Form 6252 with your federal individual income tax return, you must include information from Form 6252 on this schedule.

If you own an interest in an S corporation, partnership, or trust that completed an installment sale, you will need information reported to you on one of the following schedules:

- Schedule KS for S corporation shareholders
- Schedule KPI for partners in partnerships
- Schedule KF for trust beneficiaries

### What if installment gains from the sale are undetermined in the year of sale?

Complete and file Schedule M1AR even if the income from an installment sale is undetermined. This includes sales with no stated maximum selling price, such as a contingent payment sale. See Internal Revenue Service Publication 537, *Installment Sales*, for more information.

### How do I allocate nonbusiness income?

#### Partnership Interests

If you are declaring nonbusiness income from the sale of a partnership interest, use one of the following ratios.

- If the assets of the partnership consist of more than 50 percent **tangible** property at the time of sale, the ratio is equal to the original cost of tangible property in Minnesota divided by the original cost of all tangible property of the partnership.
- If the assets of the partnership consist of more than 50 percent **intangible** property at the time of sale, use the partnership's sales factor for the full tax period immediately before the tax period during which the partnership interest was sold.

#### Single Member Limited Liability Companies (LLC)

If you are declaring nonbusiness income from the sale of an interest in a company that is disregarded for federal income tax purposes, allocate it to Minnesota as if the company did not exist and the assets of the company are personally owned by the sole member.

#### Goodwill and Noncompete Covenants

If you are declaring nonbusiness income from the sale of goodwill or a covenant not to compete, allocate it to Minnesota using the entity's prior year sales factor. This includes federal allocations of purchase price to goodwill following the sale of an S corporation or single member LLC.

### Other Income

If the nonbusiness income is not assignable to Minnesota under the methods in this section, assign it to your state of domicile.

### Multiple Methods

If multiple methods of nonbusiness allocation are required, include additional information with your return detailing how you applied each percentage to the separate parts of the purchase price and how the percentages result in the amount listed on line 5.

### Line Instructions

#### Line 6

Enter the S corporation's or partnership's apportionment percentage for the year of sale. This information is reported on:

- Schedule KS, line 31, for S corporation shareholders
- Schedule KPI, line 33, for partners in partnerships
- Schedule KF, line 7c, for trust beneficiaries

Enter the amount as a decimal carried to five decimal places.

#### Line 7

If you are declaring nonbusiness income from an installment sale, use the appropriate method detailed in the instructions of this schedule. If you use multiple methods of nonbusiness allocation, include additional information with your return explaining how you calculated and applied each percentage to the separate parts of the purchase price.

Enter the amount as a decimal carried to five decimal places.

### Questions?

Forms and information are available on our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

If you have questions:

- Visit our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us)
- Send us an email at [businessincome.tax@state.mn.us](mailto:businessincome.tax@state.mn.us)
- Call us at 651-556-3075