



2018 Schedule LK, Like-Kind Exchanges

Used in combination with Schedules M1NC, M2NC, M2SBNC, M4NC, KFNC, KSNC, KPCNC, and KPINC.

Name _____ Social Security Number/Minnesota Tax ID Number/FEIN _____

Before you complete this schedule, read the instructions which are on a separate sheet.

Indicate which type of taxpayer is completing this Schedule LK:

Individual Partnership S Corporation C Corporation Trust or Estate

Part 1 – Information on the Like-Kind Exchange

Complete Part 1 to provide information regarding the like-kind exchange of personal property no longer available federally resulting from the federal law changes adopted as a part of PL 115-97, commonly referred to as the Tax Cuts and Jobs Act.

- 1 Description of like-kind personal property given up: _____
- 2 Description of like-kind personal property received: _____
- 3 Date the property listed on line 1 was originally acquired (MM/DD/YYYY) 3 _____
- 4 Date you actually transferred the property listed on line 1 to the other party (MM/DD/YYYY). 4 _____
- 5 Date the property listed on line 2 was identified by written notice to another party (MM/DD/YYYY) 5 _____
- 6 Date you actually received the property listed on line 2 from other party (MM/DD/YYYY). 6 _____
- 7 Check this box if the exchange of property given up or received was made with a party directly or indirectly related to you.
 Name of the related party: _____
 Related party's SSN or FEIN: _____
- 8 If you checked the box on line 7 and the related party sold or disposed of the property identified on line 1 within two years of the transfer date listed on line 4, **STOP HERE**. You cannot file Schedule LK. Otherwise, continue to line 9.

Part 2 – Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received

- 9 Fair market value (FMV) of other (not like-kind) property given up. 9 _____
- 10 Adjusted basis of other (not like-kind) property given up. 10 _____
- 11 Federal gain or (loss) recognized on other (not like-kind) property given up. Subtract line 10 from line 9 11 _____
- 12 Cash received, FMV of other (not like-kind) property received, plus net liabilities assumed by the other party, reduced (but not below zero) by any exchange expenses incurred 12 _____
- 13 FMV of the property listed on line 2 13 _____
- 14 Add lines 12 and 13 14 _____
- 15 Adjusted basis of the property listed on line 1, net amounts paid to other party, plus net liabilities assumed by the other party, reduced (but not below zero) by any exchange expenses incurred 15 _____
- 16 **Realized gain or (loss)**. Subtract line 15 from line 14 16 _____



- 17 Enter smaller of line 12 or line 16. If zero or less, enter zero 17 _____
 - 18 Ordinary income under recapture rules 18 _____
 - 19 Subtract line 18 from line 17. If more than zero, enter here. If zero or less, enter zero. 19 _____
 - 20 **Minnesota recognized gain.** Add lines 18 and 19 20 _____
 - 21 Minnesota deferred gain or (loss). Subtract line 20 from line 16 21 _____
 - 22 **Minnesota basis of like-kind property received.** Subtract line 12 from the sum of lines 15 and 20 22 _____
- Part 3 – Nonconformity Adjustment**
- 23 Gain or loss from your federal return. Enter a gain as a negative number.
Enter a loss as a positive number. See instructions 23 _____
 - 24 Enter the recognized gain reported above on Line 20 as a positive number. 24 _____
 - 25 If line 23 is a positive number, subtract line 24 from line 23. If line 23 is a negative number, add lines 24 and 23.
Enter here and on the nonconformity schedule corresponding to the tax type you checked before **Part 1** 25 _____
(see instructions for line reference)
 - 26 Enter the federal cost recovery you claimed for the property listed on line 2 26 _____
 - 27 Calculate your allowable cost recovery using your Minnesota adjusted basis on line 22. 27 _____
 - 28 Subtract line 27 from line 26. Enter here and on the nonconformity schedule
corresponding to the tax type you checked before **Part 1** (see instructions for line reference) 28 _____



2018 Schedule LK Instructions

Purpose of Schedule LK

The Schedule LK allows a taxpayer to claim like-kind exchange treatment for personal property that may no longer be claimed federally. Under Pub. L. 115-97, commonly referred to as the 2017 Tax Cuts and Jobs Act (TCJA), federal treatment of like-kind exchanges are limited to real property held for productive use in a trade or business or for investment purposes.

Minnesota has not adopted the federal changes within TCJA. Therefore, Minnesota defines net income according to the Internal Revenue Code, as amended through December 16, 2016 (Referred to as "2016 IRC"). Under 2016 IRC, a taxpayer may claim like-kind exchange treatment for personal property.

For purposes of this schedule, the qualifications and requirements for like-kind personal property are determined under applicable federal statutes, federal regulations, and other federal guidance in effect on December 16, 2016.

When to File

If during the 2018 tax year you transferred personal property to another party in a transaction that qualifies as a like-kind exchange, you must file the Minnesota Schedule LK claiming like-kind exchange treatment. If you made more than one like-kind exchange for personal property during the 2018 tax year, you must file a Schedule LK for each asset exchange. You may also file a summary Schedule LK totaling the amounts for Part 3 from all completed Schedules LK.

The Minnesota Schedule LK must be completed as a supplemental schedule calculating any like-kind exchange nonconformity adjustments. For businesses and fiduciaries, the Schedule LK must be completed at the entity level. Each partner's, shareholder's, or beneficiary's pro rata share of the Schedule LK nonconformity adjustments would flow from the entity's Schedule LK to the Schedules KFNC, KPINC, KPCNC, and KSNC.

The Minnesota Schedule LK should not be completed, if you:

- claimed federal like-kind exchange treatment on your 2018 federal income tax return for the disposition of the property.
- sold the like-kind property received during the exchange in 2018.
- exchanged property with a related party and the related party sold or disposed of the property. See instructions for Line 8.

Like-Kind Exchanges

Generally, if you exchange business or investment property solely for business or investment property of a like-kind, 2016 IRC section 1031 provides that no gain or loss is recognized in 2018. If, as a part of the exchange, you also receive other (not like-kind) property or money, gain is recognized to the extent of the other property and money received, but a loss is not recognized in 2018.

Personal Property

Under 2016 IRC, no gain or loss is immediately recognized on an exchange of like-kind personal property held for productive use in a trade or business or for investment.

Exception: Like-kind exchange treatment does not apply to an exchange of:

- Stock in trade or other property held primarily for sale;
- Stocks, bonds, or notes;
- Other securities or evidences of indebtedness or interest;
- Livestock of different sexes;
- Property located in the United States with property located outside the United States;
- Interests in a partnership;
- Certificates of trust or beneficial interests; or,
- Choses in action.

Personal properties are of like-kind if they are of the same nature or character, even if they differ in grade or quality. Personal properties of a like class are like-kind properties.

Personal property that is exchanged for a different type of personal property or class of personal property will not qualify as like-kind property.

Deferred and Multi-Asset Exchanges

For guidance on like-kind exchange treatment for personal property that is received in a deferred exchange or multi-asset exchange, refer to the 2017 federal Form 8824 instructions, 2016 IRC Section 1031, and the applicable regulations.

Do not complete lines 9 through 15 of Schedule LK if you transferred and received

- more than one group of like-kind properties, or
- cash or other (not like-kind) property;

Instead, attach your own statement showing how you figured the realized and recognized gain, and enter the correct amount on lines 16 through 22.

Exchanges Using a Qualified Exchange Accommodation Arrangement (QEAA)

For guidance on like-kind property transferred to an exchange accommodation titleholder (EAT) and held in a QEAA, refer to the 2017 federal Form 8824 instructions.

Exchanges of Stock in a Mutual Ditch, Reservoir, or Irrigation Company

For guidance on like-kind exchange of stock in a mutual ditch, reservoir, or irrigation company, refer to the 2017 federal Form 8824 instructions.

Line Instructions

Check Boxes

The Minnesota Schedule LK must be completed as a supplemental schedule calculating any like-kind exchange nonconformity adjustments for a Nonconformity Schedule. Indicate which type of taxpayer is completing this Schedule LK by checking the appropriate box.

For example, if you are taxed as a C corporation and must make nonconformity adjustments relating to like-kind exchange treatment, then you must complete both this Schedule LK and the Schedule M4NC. You would check the C Corporation checkbox.

Part 1 — Information on the Like-Kind Exchange

While completing Part 1 of the Schedule LK, use both the instructions below and the 2017 federal Form 8824 instructions.

Lines 1 and 2

Enter a short description of the personal property. For property located outside the United States, include the country.

Line 5

Enter on line 5 the date of the written identification of the like-kind property you received in a deferred exchange. For guidance on the 45-day written identification requirement, refer to the 2017 federal Form 8824 instructions.

Line 6

Enter on line 6 the date you received the like-kind property from the other party.

The property must be received by the earlier of the following dates:

- The 180th day after the date you transferred the property given up in the exchange.

Continued

- The due date (including extensions) of your federal tax return for the year in which you transferred the property given up.

Line 7

Check the box if the like-kind exchange occurred with a related party. If you check the box, list the legal name(s) of the related party and identification number(s) in the space provided.

Special rules apply to like-kind exchanges made with related parties, either directly or indirectly. A related party includes your spouse, child, grandchild, parent, grandparent, brother, sister, or a related C corporation, S corporation, partnership, trust, estate, or tax-exempt organization.

An exchange structured to avoid the related party rules is not a like-kind exchange and should not be reported on Minnesota Schedule LK. Instead, you should report the disposition of the property given up as if the exchange had been a sale. See the 2017 federal Form 8824 instructions for more details on the special rules for related party exchanges.

Line 8

If the related party (either directly or indirectly) disposes of property they received from you in the exchange during the tax year, **STOP**. Do not complete the remainder of the Schedule LK. A disposition of related party property within two years after the last transfer results in the deferred gain (or loss) to be recognized and the Schedule LK is not necessary.

The following are exceptions to the recognition of a deferred gain (or loss) of a related party exchange:

- The disposition was after the death of either of the related parties.
- The disposition was an involuntary conversion, and the threat of conversion occurred after the exchange.
- You can establish that neither the exchange nor the disposition had tax avoidance as one of its principal purposes.

If one of the above exceptions apply, you may complete Schedule LK to defer the gain (or loss) and include an attachment with the schedule providing an explanation of the exception.

Part 2 — Realized Gain or (Loss), Recognized Gain, and Basis of Like-Kind Property Received

While completing Part 2 of the Schedule LK, use both the instructions below and the 2017 federal Form 8824 instructions.

Lines 9, 10, and 11

Complete lines 9 through 11 only if you gave up property that was not like-kind. Otherwise go to line 12.

Line 9 should be completed if other property that does not qualify as like-kind property was part of the exchange. On Line 9, enter the fair market value (FMV) of the other property. On Line 10, enter the adjusted basis of the other property. The gain or loss from the other property is figured on Line 11 and must be reported as if the exchange were a sale.

Line 12

Include on line 12 the sum of:

- Any cash paid to you by the other party;
- The FMV of other (not like-kind) property you received, if any; and,
- Net liabilities assumed by the other party – the excess, if any, of liabilities assumed by the other party over the total of:
 - Any liabilities you assumed;
 - Cash you paid to the other party; and
 - The FMV of the other (not like-kind) property you gave up.

Reduce the sum of the above amounts (but not below zero) by any exchange expenses you incurred.

Line 15

Include on line 15 the sum of:

- The adjusted basis of the like-kind property you gave up;
- Exchange expenses (except any exchange expenses used to reduce the amount reported on Line 12); and
- Net amount paid to the other party – the excess, if any, of the total of:
 - Any liabilities you assumed;
 - Cash you paid to the other party; and
 - The FMV of the other (not like-kind) property you gave up over any liabilities assumed by the other party.

Line 18

See 2017 federal Form 8824 instructions for guidance on the ordinary income under recapture rules.

Line 21

If Line 16 is a loss, enter it on Line 21. Otherwise, subtract the amount on Line 20 from the amount on Line 16 and enter the result.

Line 22

The amount on Line 22 is your Minnesota basis of the like-kind property you received under 2016 IRC. Your basis in other property received in the exchange, if any, is its FMV.

Part 3 — Nonconformity Adjustment

Line 23

Federally, you cannot claim like-kind exchange treatment for personal property and instead must report recognition of the gain or loss on your federal return. As Minnesota has not adopted the federal changes within TCJA, you must claim like-kind exchange treatment for personal property and defer the recognition of any resulting gain for purposes of Minnesota tax. If a claim is made to defer gain, you must reverse any recognized gain or loss you reported on your federal return.

Enter on Line 23 the amount of any federally recognized gain or loss for the personal property from the transaction you are reporting on this Schedule LK. The federal recognition may have been reported on any of these federal forms:

- Federal Schedule D Capital Gains and Losses
- Federal Form 4797 Sales of Business Property
- Federal Form 8949 Sales and Other Dispositions of Capital Assets

If you recognized a loss federally, enter the amount of the federal loss as a positive number on Line 23. If you recognized a gain federally, enter the amount of the federal gain as a negative number on Line 23. The amount reported on Line 23 should not exceed the federal gain or loss deducted from or included within federal taxable income.

Include your calculation as an attachment to Minnesota Schedule LK.

Line 24

Enter on Line 24 the amount of the recognized gain reported on Line 20. This value is a recognized gain for Minnesota purposes only.

Line 25

If line 23 is a positive number, subtract line 24 from line 23. If line 23 is a negative number, add lines 24 and 23. Enter the amount on line 25 and on the appropriate Nonconformity Schedule line:

- Schedule M1NC, Line 17a
- Schedule M2NC, Line 9a
- Schedule M2SBNC, Line 9a
- Schedule M4NC, Line 9a
- Beneficiary's pro rata share on Schedule KFNC, Line 8a
- Shareholder's pro rata share on Schedule KSNC, Line 8a
- Partner's pro rata share on Schedule KPCNC, Line 8a or Schedule KPINC, Line 8a

Lines 26 through 28

If you claimed bonus depreciation or section 179 expensing for the line 2 property either on your federal return or for Minnesota purposes on this Schedule LK, report the difference between your federal depreciable basis and your Minnesota depreciable basis on the Worksheet for Bonus Depreciation Step 4 or Worksheet for Section 179 Expensing Step 5 on your Nonconformity Schedule. Enter amounts on lines 26 through 28 of Schedule LK only if you claimed federal MACRS depreciation (other than bonus depreciation or section 179 expensing) for the property.

Line 26

For the like-kind exchange property you received during the transaction, enter the total federal cost recovery (do not include any bonus depreciation or section 179 expensing) you claimed on the property during this taxable year.

Line 27

Using the Minnesota basis on Line 22, calculate your Minnesota allowable cost recovery (do not include any bonus depreciation or section 179 expensing) under 2016 IRC for the like-kind exchange property you received during the transaction. Enter the result on Line 27.

Line 28

Subtract the Minnesota cost recovery on Line 27 from the federal cost recovery on Line 26. Enter the amount here and on the appropriate Nonconformity Schedule line:

- Schedule M1NC, Line 17b
- Schedule M2NC, Line 9b
- Schedule M2SBNC, Line 9b
- Schedule M4NC, Line 9b
- Beneficiary's pro rata share on Schedule KFNC, Line 8b
- Shareholder's pro rata share on Schedule KS, Line 8b
- Partner's pro rata share on Schedule KPCNC, Line 8b or Schedule KPINC, Line 8b