



2017 KPI, Partner's Share of Income, Credits and Modifications

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.

Tax year beginning _____, 2017 and ending _____

Amended KPI:

| Partner's Federal ID or SSN Number | FEIN/SSN of partner ultimately taxed (see inst) | Partnership's Federal ID Number | Partnership's Minnesota Tax ID |
|------------------------------------|-------------------------------------------------|---------------------------------|--------------------------------|
| Partner's Name | | Partnership's Name | |
| Mailing Address | | Mailing Address | |
| City | State | ZIP Code | City |
| | | | State |
| | | | ZIP Code |

Entity of Partner (check one box): Individual Trust Estate Partner's distributive share: _____ %

Calculate lines 1–19 the same for all resident and nonresident partners. Calculate lines 20-36 for nonresident partners only. Round amounts to the nearest whole dollar.

Individual, Estate and Trust Partners

Form M1 filers, include on:

- 1 Interest income from non-Minnesota state and municipal bonds **1** ■ _____ M1M, line 4
- 2 State income tax deducted in arriving at ordinary or net rental income . . . **2** ■ _____ M1M, line 7
- 3 Expenses deducted attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) **3** ■ _____ M1M, line 9
- 4 If the partnership elected section 179 expensing, enter the partner's flow-through section 179 expensing for **Minnesota purposes** **4** ■ _____ M1M, see line 6 inst
- 5 100% of partner's distributive share of federal bonus depreciation **5** ■ _____ M1M, see line 5 inst
- 6 Fines, fees and penalties deducted federally as a trade or business expense **6** ■ _____ M1M, line 10
- 7a Partner's Pro rata gross profit from installment sales of pass-through businesses (see instructions) **7a** ■ _____ M1AR, line 1
- 7b Partner's pro rata installment sale income from pass-through businesses (see instructions) **7b** ■ _____ M1AR, line 2
- 8a This line intentionally left blank **8a** ■ _____
- 8b Addition due to federal changes not adopted by Minnesota **8 b** ■ _____ **M1NC, line 4**
- 9 Interest from U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income **9** ■ _____ M1M, line 18
- 10a Section 965 Deferred Foreign Income **10a** ■ _____ M1NC, line 14
- 10b Subtraction due to federal changes not adopted by Minnesota **10b** ■ _____ **M1NC, line 4**
- 11 Credit for increasing research activities. **11** ■ _____ M1C, line 3





| | |
|--------------------|-------------------------------------------------------|
| Partner's Name | Partner's Federal ID Number or Social Security Number |
| Partnership's Name | Partnership's Federal ID Number |

| | | |
|-----------------------------------------------------------------------------------------------------------|------------|------------------------------------------------------------------------------------|
| 12 Greater Minnesota Internship Credit | 12 ■ _____ | M1B, line 3 |
| 13 Credit for historic structure rehabilitation and enter NPS project number: ... <input type="text"/> .. | 13 ■ _____ | M1B, line 2 |
| 14 Employer Transit Pass Credit..... | 14 ■ _____ | M1C, line 4 |
| 15 Enterprise Zone Credit..... | 15 ■ _____ | M1B, line 4 |
| Relating to Alternative Minimum Tax | | |
| 16 Intangible drilling costs | 16 ■ _____ | Use lines 16-19 to compute M1MT, lines 6 and 7. See M1MT instructions for details. |
| 17 Gross income from oil, gas and geothermal properties | 17 ■ _____ | |
| 18 Deductions allocable to oil, gas and geothermal properties | 18 ■ _____ | |
| 19 Depletion | 19 ■ _____ | |
| Minnesota Portion of Amounts From Federal Schedule K-1 (1065) | | |
| 20 Minnesota source gross income | 20 ■ _____ | info only (see inst.) |
| 21 Ordinary Minnesota source income (loss) from trade or business activities | 21 ■ _____ | M1NR, line 6, col B |
| 22 Income (loss) from Minnesota rental real estate | 22 ■ _____ | M1NR, line 6, col B |
| 23 Other net income (loss) from Minnesota rental activities | 23 ■ _____ | M1NR, line 6, col B |
| 24 Guaranteed payments | 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 |

Continued next page





Partner's Name

Partner's Federal ID Number or Social Security Number

Partnership's Name

Partnership's Federal ID Number

33 Partnership's Minnesota apportionment factor (line 5, column C of M3A) 33 ■ _____ information only

**Nonresident Individual Partners Only:
Composite Income Tax or Nonresident Withholding**

34 Minnesota source distributive income (see instructions) 34 ■ _____ If an amount is on line 36 below, include line 34 on

35 Minnesota composite income tax paid by partnership. If the partner elected composite income tax, check this box: 35 ■ _____ M1W, line 7, col. B. composite income tax

36 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: 36 ■ _____ M1W, line 7, col C

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

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



2017 Schedule KPI Instructions

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 25 |
| line 2 | ..... | line 26 |
| line 3 | ..... | line 27 |
| line 4 | ..... | does not apply |
| line 5 | ..... | line 29 |
| line 6 | ..... | line 30 |
| line 7 | ..... | does not apply |
| line 8 | ..... | line 31 |
| line 9 | ..... | line 35 |
| line 10 | ..... | line 38 |
| line 11 | ..... | 15d |
| line 12 | ..... | 15c |

Estates and trusts (continued): Include the amounts from

Schedule KPI: on Form M2:

| | | |
|-------------|-------|------------------------|
| line 13 | ..... | line 15c |
| line 14 | ..... | line 15d |
| line 15 | ..... | line 15c |
| lines 16–19 | ..... | see M2MT |
| lines 20–32 | ..... | see inst. on this page |
| line 33 | ..... | information |
| lines 34–35 | ..... | do not apply |
| line 36 | ..... | line 15b |

Please see M2 instructions for any amounts referring to line 15d.

Line 7a and 7b — Accelerated Installment Sale Gains

Nonresident individuals – if any information is reported to you on line 7 of schedule KPI, file form M1AR with your Minnesota income tax return.

Resident individuals – if information is reported to you on line 7, retain a copy of this schedule for your records for the entire period that you, or an entity you have an interest in is receiving installment sale payments. If you become a non-resident in a future year while payments are being made you are required to file form M1AR with your final resident tax return.

Line 8a — This instruction no longer applies

Line 8b — Addition Due to Federal Changes Not Adopted by Minnesota

Report any code 17, 18, 20, or 21 amounts on the Schedule M1NC, line 4. If you are filing Minnesota Form M1X to report only this change, this adjustment will offset the change in your federal taxable income. Write “TCDTR”, “FFCRA”, and/or “CARES Act” (all that are applicable) in red on top of your Form M1X.

Line 10a — Section 965 Deferred Foreign Income

- Report on Schedule M1NC, line 14.

Line 10b — Subtraction Due to Federal Changes Not Adopted by Minnesota

Report any code 17, 18, 20, or 21 amounts on the Schedule M1NC, line 4. If you are filing Minnesota Form M1X to report only this change, this adjustment will offset the change in your federal taxable income. Write “TCDTR”, “FFCRA”, and/or “CARES Act” (all that are applicable) in red on top of your Form M1X.

Line 11 — Increasing Research Activities Credit

Individuals: Include in the total on line 3 of Schedule M1C. To claim this credit, you *must* include this schedule with Form M1.

Line 12 — Greater Minnesota Internship Credit

Individuals: Include in the total on line 3 of Schedule M1B. To claim this credit, you *must* include this schedule with Form M1.

Line 13 — Historic Structure Rehabilitation Credit

Individuals: Include in the total on line 2 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 14 — 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 15 — Enterprise Zone Credit

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

Line 20 — 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 2017 Minnesota source gross income is \$10,400 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 2017 Minnesota source gross income is less than \$10,400 and you had Minnesota tax withheld (see line 36 of Schedule KPI), 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 21 – 32

Lines 21-32 apply to nonresident partners. All income of a Minnesota resident is assigned to Minnesota, regardless of the source.

Continued

2017 Schedule KPI Instructions (continued)

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 21–32 on the corresponding lines in column B of Schedule M1NR.

Estates and trusts: Lines 21–32 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 21–32 from the corresponding amounts on Schedule K-1.

Lines 34–36

Nonresident individuals: Although Minnesota source gross income (line 20) 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 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.

Line 34. Your Minnesota source distributive income is considered your Minnesota taxable income from this partnership.

Line 35. If you elected, the composite tax paid on your behalf equals 9.85 percent of your Minnesota taxable income (line 34), minus your share of any credits on lines 12-15.

You are not required to file an individual Minnesota return (Form M1).

Line 36. 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 9.85 percent of your Minnesota taxable income (line 34), minus your share of any credits on lines 12-15.

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.