



# 2022 Schedule PTE, Pass-through Entity Tax

**Partnerships, Limited Liability Companies (LLCs), and S-Corporations:** Complete Schedule PTE and file with Form M3 or M8 if you are electing to file and pay tax at the entity level.

Name of LLC, Partnership, or S corporation \_\_\_\_\_ FEIN \_\_\_\_\_ Minnesota Tax ID Number \_\_\_\_\_

Entity is a  Partnership  LLC  S corporation

**Part 1. Tax Calculation.** Complete this part to determine the pass-through entity tax due from the entity.

- 1 80% of federal bonus depreciation (see instructions) . . . . . 1 ■ \_\_\_\_\_
- 2 Additions for foreign-derived intangible (FDII) deduction and federal changes not adopted by Minnesota (see instructions) . . . . . 2 ■ \_\_\_\_\_
- 3 Special deduction under section 965 (see instructions) . . . . . 3 ■ \_\_\_\_\_
- 4 State income taxes deducted by the entity to determine net income (see instructions) . . . . . 4 ■ \_\_\_\_\_
- 5 Add lines 1 through 4. . . . . 5 \_\_\_\_\_
- 6 Minnesota apportionment factor (from line 5, column C, of Form M3A or Form M8A) . . . . . 6 ■ \_\_\_\_\_
- 7 Multiply line 5 by line 6 . . . . . 7 ■ \_\_\_\_\_
- 8 Minnesota portion of amounts from Schedules K-1 (see instructions) . . . . . 8 ■ \_\_\_\_\_
- 9 Add lines 7 and 8 . . . . . 9 \_\_\_\_\_
- 10 Subtractions for deferred foreign income (section 965), global intangible low-taxed income (GILTI), and federal changes not adopted by Minnesota (see instructions) . . . . . 10 ■ \_\_\_\_\_
- 11 State income tax refund included in income (see instructions) . . . . . 11 ■ \_\_\_\_\_
- 12 Add lines 10 and 11 . . . . . 12 \_\_\_\_\_
- 13 Multiply line 12 by line 6 . . . . . 13 ■ \_\_\_\_\_
- 14 Subtract line 13 from line 9 . . . . . 14 \_\_\_\_\_
- 15 Distributive income percentage, or stock ownership percentage for resident partners, members, or shareholders, and non-resident partners, members, and shareholders whose Minnesota income tax filing requirement is not satisfied by this entity level tax (see instructions) . . . . . 15 ■ \_\_\_\_\_
- 16 Multiply line 15 by line 14. (see inst. if the entity filed a 2021 Schedule PTE and reported an amount on line 1). 16 ■ \_\_\_\_\_
- 17 Multiply line 16 by 9.85% (0.0985). . . . . 17 ■ \_\_\_\_\_
- 18 Subtract line 16 from line 14 (see inst. if the entity filed a 2021 Schedule PTE and reported an amount on line 1) . . 18 \_\_\_\_\_
- 19 Section 179 expensing attributable to prior year composite tax (see instructions) . . . . . 19 ■ \_\_\_\_\_
- 20 Federal bonus depreciation attributable to prior year composite tax (see instructions) . . . . . 20 ■ \_\_\_\_\_
- 21 Add lines 19 and 20 . . . . . 21 \_\_\_\_\_
- 22 Multiply line 21 by line 6 . . . . . 22 ■ \_\_\_\_\_





- 23 Subtract line 22 from line 18. . . . . 23 \_\_\_\_\_
- 24 Multiply line 23 by 9.85% (.0985). (See instructions if you reported an amount on Schedule KPI or Schedule KS, lines 25-29 or 31) . . . 24 ■ \_\_\_\_\_
- 25 Add lines 17 and 24. Enter this amount on Form M3, line 2 or Form M8, line 3 . . . . . 25 \_\_\_\_\_

**Part 2. Credit Distribution.** Complete this part to identify the distribution of the PTE tax credit distributed to partners, members, or shareholders.

	Social Security Number	Name	Is the owner a Minnesota resident? (Yes/No)	Is owner's Minnesota filing requirement fulfilled by Schedule PTE (see inst.)? (Yes/No)	Share of income (see inst.)	Share of taxes paid (see inst.)
1					\$	\$
2					\$	\$
3					\$	\$
4					\$	\$
5					\$	\$
6					\$	\$
7					\$	\$
8					\$	\$
9					\$	\$
10					\$	\$

If there are more than 10 partners, members, or shareholders, attach additional Parts 2 reporting information for those additional owners.

# 2022 Schedule PTE Instructions

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## Who should file Form PTE?

You must complete Schedule PTE if you are a Partnership or S Corporation that is electing to pay income tax at the entity level on behalf of the owners. For the purposes of these instructions the terms “partnership” and “S corporation” include LLCs taxed as a partnership or S corporation, and “partner” and “shareholder” refer to a member if the entity is an LLC.

The election must be made by the due date or extended due date of the entity’s return.

**Conformity:** If you are amending your income tax return due to the January 2023 Minnesota tax bill, you must also amend Schedule PTE.

**If conformity increased your Minnesota source income:** Complete the amended Schedule PTE based on the line instructions. Issue amended Schedules KPI or Schedules KS showing the updated PTE credit amounts.

**If conformity decreased your Minnesota source income:** Complete the amended Schedule PTE, lines 1-16 based on the line instructions. Do not update the amount on line 17 from the previously filed return. Complete lines 18-25 based on the line instructions. Do **not** issue amended Schedules KPI or Schedules KS to owners. Do **not** update the PTE credit amount for those partners or shareholders filing their own income tax return. The net tax change will be determined on their income tax return.

## Who is eligible?

Partnerships and S Corporations that do not have a partnership, LLC, or corporation, other than a disregarded entity, as a partner or shareholder, may elect to file and pay income tax at the entity level on behalf of their owners..

Single-member limited liability companies (SMLLCs), not taxed as a partnership or S corporation, are not eligible to file Schedule PTE.

## How is the election made?

The election is made by filing Schedule PTE. The election must be made by the due date or extended due date of the entity’s return.

The election may only be made by qualifying owners who collectively own more than 50% of the qualifying entity. Once made, the election is binding on all owners and cannot be revoked after the original due date.

## Does the election satisfy owners’ Minnesota income tax filing requirement?

Partners and shareholders who are Minnesota residents at any time during the tax year may not have the entity-level tax fulfill their Minnesota income tax filing requirement and must file a Form M1, Individual Income Tax, if they are required to file a federal income tax return. Partners and shareholders who are not Minnesota residents at any time during the tax year may have the entity level tax fulfill their Minnesota income tax filing requirement. To qualify, the partner or shareholder must not have Minnesota source income other than from:

- Entities that file Schedule PTE
- Entities for which the partner or shareholder elects to be included in the entity’s composite income tax return.

Nonresident partners and shareholders who receive a share of gross profit or income from an installment sale reported on line 7a or 7b of Schedule KPI or Schedule KS are not eligible to have the entity-level tax fulfill their individual income tax filing requirement and must file Form M1AR Accelerated Recognition of Installment Sale Gains.

Nonresident individual or estate partners and shareholders who have the entity-level tax fulfill their income tax filing requirement are not required to file Form M1, *Individual Income Tax*, or Form M2, *Income Tax Return for Estates and Trusts*.

Trusts that are shareholders of a qualifying S-Corporation who have the entity-level tax fulfill their income tax filing requirement are not required to file Form M2, *Income Tax Return for Estates and Trusts*.

## How do owners report the entity-level tax on their income tax return?

Partners and shareholders may claim a refundable credit equal to the PTE tax paid by the entity on their behalf. Such claims are reported on Schedule M1REF, Refundable Credits, or Form M2, *Income Tax Return for Estates and Trusts*.

## Line Instructions

Complete all lines on Schedules KPI and KS for all partners and shareholders as if they were nonresidents. Do not include amounts attributable to partners or shareholders who are exempt from income taxes, such as an Employee Stock Ownership Plan (ESOP).

### Part 1. Tax Calculation

Complete Part 1 to determine the pass-through entity tax. Do not include partners or shareholders who are exempt from income taxes.

#### Line 1 – 80% of Federal Bonus Depreciation

**Partnerships:** Determine the total distributive share of federal bonus depreciation for all partners. This amount must equal the total amount reported to partners on Schedules KPI, line 4. Multiply the amount by 80% and enter the result on line 1.

**S Corporations:** Determine the total pro rata share of federal bonus depreciation for all shareholders. This amount must equal the total amount reported to shareholders on Schedules KS, line 4. Multiply the amount by 80% and enter the result on line 1.

#### Line 2 – Addition due to Foreign-Derived Intangible Income (FDII) Deduction and Addition Due to Federal Changes Not Adopted by Minnesota

**Partnerships:** Enter the total distributive share of FDII and federal changes not adopted by Minnesota for all partners. This line must equal the total amount reported to partners on Schedules KPI lines 5 and 8.

## 2022 Schedule PTE Instructions (Continued)

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**S Corporations:** Enter the total pro rata share of FDII and federal changes not adopted by Minnesota for all shareholders. This line must equal the total amount reported to shareholders on Schedules KS lines 5 and 8.

### Line 3 – Special Deduction Under Section 965

Include the sum of amounts reported only to those partners and shareholders that are an estate or trust.

**Partnerships:** Enter the total distributive share of the special deduction under Section 965 for estate and trust partners. This line must equal the total amount reported to estate and trust partners on Schedule KPI line 6.

**S Corporations:** Enter the total pro rata share of the special deduction for estate and trust shareholders. This line must equal the total amount reported to estate and trust shareholders on Schedule KS line 6.

### Line 4 – State Income Taxes Deducted

**Partnerships:** Enter the total distributive share of state income taxes deducted by the entity for all partners. This line must equal the total amount reported to partners on Schedule KPI line 2.

**S Corporations:** Enter the total pro rata share of state income taxes deducted by the entity for all shareholders. This line must equal the total amount reported to shareholders on Schedule KS line 2.

### Line 8 – Minnesota Portion of Amounts from Federal Schedule K-1 (1065 and 1120S)

You must complete this line for all partners and shareholders as if they were nonresidents.

**Partnerships:** Enter the total distributive share of federal amounts reported on Schedule K-1 (1065) for all partners. This line must equal the total amount reported to partners on Schedule KPI lines 37 through 47, reduced by the amount on line 48.

**Guaranteed payments and special allocations:** If you paid guaranteed payments or made special allocations to a partner, include the Minnesota portion of those payments on line 8. Also include the amount of guaranteed payments attributable to owners whose income tax filing requirement is not satisfied by the entity level tax on line 16.

In the Part 2 Credit Distribution, include the guaranteed payment amounts in the “share of income” column for the partner who received the payments.

**S Corporations:** Enter the total pro rata share of federal amounts reported on Schedule K-1 (1120S) for all shareholders. This line must equal the total amount reported to shareholders on Schedule KS, lines 37 through 45, reduced by the amount on line 46.

### Line 10 – Deferred Foreign Income (Section 965) (DFI), Global Intangible Low-Taxed Income (GILTI), and Subtraction due to Federal Changes Not Adopted by Minnesota

**Partnerships:** Enter the total distributive share of DFI, GILTI, and the subtraction due to federal changes not adopted by Minnesota for all partners. This line must equal the total amount reported to partners on Schedule KPI lines 15, 16, and 18.

**S Corporations:** Enter the total pro rata share of DFI, GILTI, and the subtraction due to federal changes not adopted by Minnesota for all shareholders. This line must equal the total amount reported to shareholders on Schedule KS lines 15, 16, and 18.

### Line 11 - State Income Tax Refund Included in Income

**Partnerships:** Enter the total distributive share of state income tax refund included in the entity’s income for all partners. This line must equal the total amount reported to partners on Schedule KPI line 19.

**S Corporations:** Enter the total pro rata share of state income tax refund included in the entity’s income for all shareholders. This line must equal the total amount reported to shareholders on Schedule KS line 19.

### Line 15 – Distributive Income or Stock Ownership Percentage

**Partnerships:** Enter the sum of the partners’ distributive share percentage for those partners for whom Schedule PTE does not satisfy their Minnesota income tax filing requirement.

**S Corporations:** Enter the sum of the shareholders’ percentage stock ownership for those shareholders for whom Schedule PTE does not satisfy their Minnesota income tax filing requirement.

### Line 16 – Income for owners whose filing requirement is not fulfilled by Schedule PTE

Generally, the amount on line 16 should be line 15 multiplied by line 14. However, if the Partnership or S Corporation filed Schedule PTE for tax year 2021 and reported an amount on line 1 of that schedule, you may be able to subtract a portion of that bonus depreciation.

#### To determine the subtraction:

**Partnerships:** Determine the distributive share of the 2021 bonus depreciation addition attributable to owners whose 2022 filing requirement is not being fulfilled by Schedule PTE. Multiply that amount by 20%. Then multiply that amount by 2022 Schedule PTE, line 6.

**S Corporations:** Multiply the amount on 2021 Schedule PTE line 1, by the amount on 2022 Schedule PTE, line 15. Multiply that amount by 20%. Then multiply that amount by 2022 Schedule PTE, line 6.

### Line 18 – Income for owners whose filing requirement is fulfilled by Schedule PTE

If you calculated a subtraction for bonus depreciation using the instructions for line 16, determine line 18 without the subtraction determined in the instructions.

### Lines 19 through 24

Lines 18 through 23 calculate the PTE tax attributable to partners and shareholders whose Minnesota income tax filing requirement is fulfilled by Schedule PTE.

Check the box next to line 30 of the Schedules KPI or KS you issue to these partners or shareholders.

# 2022 Schedule PTE Instructions (Continued)

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## Lines 19 and 20 – Delayed Federal Bonus Depreciation and Section 179

These lines apply only to partners or shareholders:

- Whose income tax filing requirement is fulfilled by the Schedule PTE, and
- Who, in a year the entity was required to add back a portion of federal bonus depreciation or Section 179 expensing, elected to be included in the entity's composite income filing or Schedule PTE fulfill their filing requirement in a prior tax year.

### Line 19 – Section 179 Expensing

**Partnerships:** For those partners described above, include 1/5 of the sum of the partner's distributive share of federal Section 179 expensing distributed to the partner in tax years 2017-2019. Do not include amounts distributed to the partner in a year for which the partner filed Form M1.

**S Corporations:** For those shareholders described above, include 1/5 of the sum of the shareholder's share of federal Section 179 expensing for tax years 2017-2019. Do not include amounts distributed to the shareholder in a year for which the shareholder filed Form M1.

### Line 20 – Federal Bonus Depreciation

**Partnerships:** For those partners described above, include 1/5 of the sum of the partner's distributive share of federal bonus depreciation distributed to the partner in tax years 2017-2021. Do not include federal bonus depreciation distributed to the partner in a year for which the partner filed Form M1.

**S Corporations:** For those shareholders described above, include 1/5 of the sum of the shareholder's share of federal bonus depreciation for tax years 2017-2021. Do not include federal bonus depreciation distributed to the shareholder in a year for which the shareholder filed Form M1.

### Line 24 - Tax Less Certain Credits

**Partnerships:** Multiply the amount on line 23 by 9.85% (.0985). For partners whose income tax filing requirement is fulfilled by Schedule PTE, reduce the result by the sum of the amounts reported on lines 25-29 and 31 of Schedule KPI. Do not enter less than \$0.

This is the amount of PTE tax the partnership is required to pay on behalf of its partners whose Minnesota income tax filing requirement is fulfilled by Schedule PTE.

**Shareholders:** Multiply the amount on line 23 by 9.85% (.0985). For shareholders whose income tax filing requirement is fulfilled by Schedule PTE, reduce the result by the sum of the amounts reported on lines 25-29 and 31 of Schedule KS. Do not enter less than \$0.

This is the amount of PTE tax the S corporation is required to pay on behalf of its shareholders whose Minnesota income tax filing requirement is fulfilled by Schedule PTE.

## Part 2. Credit Distribution

Complete Part 2 to include information on all partners and shareholders.

**Name and Social Security Number** – Enter the partner or shareholder's name and social security number exactly as you entered that information on Schedule KPI or KS.

If the partner or shareholder does not have a Social Security Number, enter the same Tax Identification Number you entered on Schedule KPI or KS for that owner.

**Minnesota resident** – Enter "yes" in the box if the partner or shareholder was a Minnesota resident for any part of the 2022 tax year. Enter "no" in the box if the partner or shareholder was not a Minnesota resident at any time during the 2022 tax year.

**Income Tax Requirement** – Partners and shareholders who are not a Minnesota resident for any time during the year may qualify to have Schedule PTE satisfy their income tax filing and payment requirements. To qualify, the partner or shareholder must not have Minnesota source income other than pass-through entities that are filing Schedule PTE, or pass-through entities paying composite income tax on behalf of the owner.

**Share of Income** – Enter the partner or shareholder's share of the entity's income included on line 16 or 23.

**Share of Taxes Paid** – Enter the partners or shareholders share of the pass through entity tax. Also report this amount on line 30 of the Schedule KPI, or Schedule KS issued to the partner or shareholder.

This amount may or may not be the partner or shareholder's distributive share percentage, or percentage of stock ownership multiplied by the amount on line 25. The amount for each owner will generally be the amount on line 17 or line 24 multiplied by ratio of the owner's distributive share percentage, or percentage of stock ownership, to the total distributive share percentage, or percentage of stock ownership, for all owners who are included on that line.

**Example:** Shareholder A and B are the only shareholders whose filing requirement is not fulfilled by Schedule PTE. Shareholder A owns 40% of the shares; shareholder B owns 10% of shares. If the tax amount on line 15 is \$1,000, Shareholder A's share of taxes paid will generally be \$800 and Shareholder B's share of taxes paid will generally be \$200.

**Partnerships:** If you are including guaranteed payments or special allocation in the PTE tax calculation, include the taxes attributable to that income in the "Share of taxes paid" for the partner who received that income. Include a statement explaining how the "share of taxes paid" was determined.