



# 2018 KPC, Partner's Share of Income, Credits and Modifications

**Partnership:** Complete and provide Schedule KPC to each corporate or partnership partner that is domiciled in another state and to any Minnesota corporate or partnership partner who has adjustments to income. For individual, estate and trust partners, use Schedule KPI instead.

Tax year beginning \_\_\_\_\_, 2018 and ending \_\_\_\_\_

Amended KPC:

Partner's Federal ID Number	FEIN of Partner Ultimately Taxed (see inst)	Partnership's Federal ID Number	Partnership's Minnesota 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): <input type="checkbox"/> S Corporation <input type="checkbox"/> C Corporation <input type="checkbox"/> Exempt Organization <input type="checkbox"/> Partnership			Partner's Distributive Share: _____ %

Round amounts to the nearest dollar.

**Corporate and Partnership Partners**

- 1 Nonapportionable Minnesota source income ..... 1 ■ \_\_\_\_\_
- 2 Total nonapportionable income ..... 2 ■ \_\_\_\_\_
- 3 Partnership's minimum fee ..... 3 ■ \_\_\_\_\_
- 4 Interest income exempt from federal tax ..... 4 ■ \_\_\_\_\_
- 5 State income taxes deducted in arriving at partnership's net income ..... 5 ■ \_\_\_\_\_
- 6 Expenses deducted that are attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) ..... 6 ■ \_\_\_\_\_
- 7 If the partnership elected section 179 expensing, enter the partner's flow-through section 179 expensing for Minnesota purposes ..... 7 ■ \_\_\_\_\_
- 8 100% of partner's distributive share of federal bonus depreciation ..... 8 ■ \_\_\_\_\_
- 9 Fines, fees and penalties deducted federally as a trade or business expense ..... 9 ■ \_\_\_\_\_
- 10a Partner's pro rata gross profit from installment sales of pass-through businesses (see instructions) ..... 10a ■ \_\_\_\_\_
- 10b Partner's pro rata installment sale income from pass-through businesses (see instructions) ..... 10b ■ \_\_\_\_\_
- 11 This line intentionally left blank. .... 11 ■ \_\_\_\_\_
- 12 Interest from U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income ..... 12 ■ \_\_\_\_\_
- 13 This line intentionally left blank ..... 13 ■ \_\_\_\_\_





Partner's Name

Partner's Federal ID Number or Social Security Number

Partnership's Name

Partnership's Federal ID Number

Round amounts to the nearest dollar.

14 Credit for increasing research activities . . . . . 14 ■ \_\_\_\_\_

15 Tax Credit for Owners of Agricultural Assets . . . . . 15 ■ \_\_\_\_\_

Enter the certificate number from the certificate received from the Rural Finance Authority:

AO\_\_-\_\_\_\_\_

16 Credit for historic structure rehabilitation . . . . . 16 ■ \_\_\_\_\_

National Park Service (NPS) number \_\_\_\_\_

17 Employer Transit Pass Credit . . . . . 17 ■ \_\_\_\_\_

18 Enterprise Zone Credit . . . . . 18 ■ \_\_\_\_\_

**Apportionment Information (partner's share)**

19 Pro Rata Share MN Source Gross Income . . . . . 19 ■ \_\_\_\_\_

	Property	Sales
20 Minnesota . . . . . 20 ■ _____	_____	_____
21 Everywhere . . . . . 21 ■ _____	_____	_____

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

**Partner:** Include this schedule when you file your Form M3, M4 or M8.



## 2018 Schedule KPC Instructions

Corporation and partnership partners' use of information provided on Schedule KPC.

### Purpose of Schedule KPC

Schedule KPC is a supplemental schedule for partners who are corporations or partnerships.

The partnership listed on the front of this schedule has provided you with a completed schedule that reflects your specific share of the partnership's income, credits and modifications. You will need this information to complete Form M4, *Corporation Franchise Tax Return*, Form M8, *S Corporation Return*, or Form M3, *Partnership Return*, and you must include this schedule when you file your return. If the schedule is not included, the department will disallow any credits and assess the tax or reduce your refund.

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

There may be other items that a corporate partner would need to know in order to complete its corporate franchise tax return. If applicable, the partnership should pass that information through to you.

**If you received an amended Schedule KPC** from the partnership and your income or deductions have changed, you must file an amended Minnesota return.

To file an amended return, use:

- Form M4X, *Amended Franchise Tax Return*, if you are a corporate partner;
- Form M8X, *Amended S Corporation Return*, if you are an S corporation partner; or
- Form M3X, *Amended Partnership Return*, if you are a partnership partner.

### Sale of a Partnership Interest

Income from the sale of a partnership interest by an entity that is domiciled in another state is assignable to Minnesota. To determine the amount assigned to Minnesota, divide the original cost of the partnership's tangible property within Minnesota by the original cost of all tangible property of the partnership. 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.

### Line Instructions

#### Line 1 — Nonapportionable Minnesota Source Income

*C corporations:* Include this amount on Form M4T, line 4.

*S corporations:* Use this amount to help determine your Minnesota taxable income.

*Partnerships:* Use this amount to help determine your Minnesota taxable income.

#### Line 2 — Total Nonapportionable Income

*C corporations:* Include this amount on Form M4I, line 8.

*S corporations:* Not applicable.

*Partnerships:* Pass this information through, pro rata, to any corporate or partnership partners on Schedule KPC, line 2. This line does not apply to individual, estate or trust partners.

#### Line 3 — Partnership's Minimum Fee

*C corporations:* Include this amount on Form M4I, line 2a.

*S corporations:* Not applicable.

*Partnerships:* Pass this amount through, pro rata, on Schedule KPC, line 3, to your corporate and partnership partners. Line 3 does not apply to individual, estate or trust partners.

#### Line 4 — Exempt Interest Income

*C corporations:* Include this amount on Form M4I, line 2c.

*S corporations:* Pass this information through, pro rata, to shareholders on Schedule KS, line 1. Exclude any interest income from Minnesota state and municipal bonds.

*Partnerships:* Pass this information through, pro rata, to partners on Schedule KPI, line 1, or KPC, line 4.

#### Line 5 — State Income Tax Deducted

*C corporations:* Include this amount on Form M4I, line 2a.

*S corporations:* Pass this information through, pro rata, to shareholders on Schedule KS, line 2.

*Partnerships:* Pass this information through, pro rata, to partners on Schedule KPI, line 2, or KPC, line 5.

#### Line 6 — Expenses Attributable to Exempt Income

*C corporations:* Not applicable.

*S corporations:* Pass this information through, pro rata, to shareholders on Schedule KS, line 3.

*Partnerships:* Schedule KPI, line 3, or KPC, line 6.

#### Line 7 — Section 179 Expensing

*C corporations:* Include this amount on the appropriate line in the worksheet for Form M4I, line 2i. Enclose a copy of this schedule with Form M4.

*S corporations:* Pass this information through, pro rata, to shareholders on Schedule KS, line 4.

*Partnerships:* Schedule KPI, line 4 or KPC, line 7.

#### Line 8 — Federal Bonus Depreciation

*C corporations:* Include this amount on Form M4I, line 2g. Enclose a copy of this schedule with Form M4.

*S corporations:* Pass this information through, pro rata, to shareholders on Schedule KS, line 5.

*Partnerships:* Schedule KPI, line 5, or KPC, line 8.

#### Line 9 — Fines, Fees and Penalties

*C corporations:* Include this amount on Form M4I, line 2j. Enclose a copy of this schedule with Form M4.

*S corporations:* Pass this information through, pro rata, to shareholders on Schedule KS, line 6.

*Partnerships:* Schedule KPI, line 6, or KPC, line 9.

#### Lines 10a and 10b — Accelerated Installment Sale Gains

S corporations receiving Schedules KPC with positive values on lines 10a or 10b are required to check the "Installment Sale of Pass-through Assets or Interests" box on page 1, of Minnesota Form M8, and must report the full amount of gross installment sale gain, and installment sale income, pro-rata to its shareholders on Schedules KS.

## 2018 Schedule KPC Instructions (continued)

Partnerships receiving Schedules KPC with positive values on lines 10a or 10b are required to check the "Installment Sale of Pass-through Assets or Interests" box on page 1, of Minnesota Form M3, and must report the full amount of gross installment sale gain, and installment sale income, to each partner to whom the gains and income are allocated on Schedules KPC or KPI.

C corporations receiving Schedules KPC with positive values on lines 10a or 10b should disregard this information.

### **Line 11 — This line intentionally left blank**

#### **Line 12 — Net Interests on U.S. Bonds**

*C corporations:* Not applicable

*S corporations:* Pass this information through, pro rata, to shareholders on Schedule KS, line 9.

*Partnerships:* Schedule KPI, line 9, or KPC, line 12.

### **Line 13 — This line intentionally left blank**

#### **Line 14 — Research Credit**

*C corporations:* Include this amount on Schedule RD, line 30. Enclose a copy of this schedule with Form M4.

*S corporations:* Schedule KS, line 11.

*Partnerships:* Schedule KPI, line 11, or KPC, 14.

### **Line 15 — Tax Credit for Owners of Agricultural Assets**

*C corporations:* Include this amount on Form M4T, line 19. Be sure to enclose a copy of this schedule with Form M4.

*S corporations:* Pass this information through, pro rata, to shareholders on Schedule KS, line 12.

*Partnerships:* Pass this information through, pro rata, to partners on Schedule KPI, line 12, or KPC, line 15.

### **Line 16 — Historic Structure Rehabilitation Credit**

*C corporations:* Include this amount and the NPS project number on Form M4, line 5. Be sure to enclose a copy of this schedule with Form M4.

*S corporations:* Schedule KS, line 13 and include the NPS project number.

*Partnerships:* Schedule KPI, line 13 or KPC, line 16 and include the NPS project number.

### **Line 17 — Employer Transit Pass**

*C corporations:* Include this amount on Form M4T, line 21. Be sure to enclose a copy of this schedule with Form M4.

*S corporations:* Schedule KS, line 14. You must enclose a copy of this schedule even if you are passing the credit through to your shareholders.

*Partnerships:* Schedule KPI, line 14 or KPC, line 17. Be sure to enclose a copy of this schedule even if you are passing the credit through to your partners.

### **Line 18 — Enterprise Zone Credit**

*C corporations:* Include this amount on Form M4, line 4. Be sure to enclose a copy of this schedule with Form M4.

*S corporations:* Schedule KS, line 15. You must enclose a copy of this schedule even if you are passing the credit through to your shareholders.

*Partnerships:* Schedule KPI, line 15 or KPC, line 18. You must enclose a copy of this schedule even if you are passing the credit through to your partners.

## **Apportionment Factors**

### **Line 19 — Minnesota Source Gross Income**

Minnesota source gross income is used to determine whether an eventual nonresident partner has a filing requirement with the state of Minnesota. This line will help tiered partnerships determine their Minnesota source gross income.

Minnesota source gross income is the total of the amounts apportioned to Minnesota that are included on lines 3, 6, and 7 (other than losses) of federal Form 1065; lines 18a, 19 and 20 (other than losses) of federal Form 8825; line 9 of Schedule F; lines 3a, 5, 6a, 7, 8, 9a, 10 and 11 of Schedule K (Form 1065); plus Minnesota source gross income from other partnerships, estates, and trusts which the entity may be a partner or beneficiary.

### **Line 20 and 21 — Apportionment Information**

The apportionment factors are used to determine the Minnesota apportioned income.

If the partnership and partner are considered unitary under Minnesota Statutes 290.17, subd. 4, [disregarding paragraph (e) (50 percent indirect or direct ownership needed

for unity of ownership)] these factors are included with the partners' own factors in determining the income apportioned to Minnesota on the partner's supplemental schedule. (The supplemental schedule is Form M4A for corporation partners, M8A for s corporation partners, or M3A for partnership partners.) The partner's entire income is then multiplied by the partner's apportionment ratio to determine the Minnesota portion of its income.

If the partner is not unitary with the partnership, it will use only these factors to calculate the Minnesota apportionment ratio to be used in determining the Minnesota source income from that K-1. It will be the same ratio as the partnership's Minnesota apportionment ratio, and it will be multiplied by the K-1 income to determine the Minnesota portion of income from that partnership.