

# 2017 S Corporation Form M8 Instructions

## S Corporation Information

### Website

[www.revenue.state.mn.us](http://www.revenue.state.mn.us)

### Phone

651-556-3075

### Email

[businessincome.tax@state.mn.us](mailto:businessincome.tax@state.mn.us)

*We provide our publications in other formats upon request to persons with disabilities.*

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## What's New for 2017

### For taxpayers affected by federal tax law passed after December 31, 2018.

In January 2023, Minnesota law was updated to recognize the Internal Revenue Code as amended through December 15, 2022. However, some nonconformity adjustments still apply due to retroactive Minnesota modifications enacted in the tax bill. Use the instructions on page 13 to calculate any remaining nonconformity adjustments.

We have updated these instructions to recognize enactment of this Minnesota legislation.

### Section 179 Expensing Addition

In October, as a result of the 2020 5th Special Session, the Minnesota legislature passed and the Governor signed into law full conformity to federal Section 179 expensing for property received as part of a transaction that qualified under Section 1031 like-kind exchange under

the Internal Revenue Code as amended through December 16, 2016 but not as amended through December 31, 2018. Minnesota no longer requires an 80% addition for federal Section 179 expensing claimed on this property.

If you are amending to reduce your Minnesota Section 179 expensing addition, you must also reduce subsequent year subtractions by the amount attributable to the reduced addition. Write "Like-Kind Exchange" in red at the top of the Minnesota Form M3X and the amended Schedules KPI or KPC you issue to partners.

## Filing Requirements

*Corporations doing business in Minnesota that have elected to be taxed as S corporations under section 1362 of the Internal Revenue Code (IRC) must file Form M8.*

### Who Must File

Any corporation with a valid federal election under IRC section 1362 is considered an S corporation for Minnesota purposes.

The entire share of an entity's income is taxed to the shareholder, whether or not it is actually distributed. Each shareholder must include their share of income on their tax return. However, the S corporation taxes and minimum fee are paid by the entity.

A C corporation is required to file Form M4, *Minnesota Corporation Franchise Tax*, instead of Form M8.

### Minimum Fee

An S corporation is subject to a minimum fee if the sum of its Minnesota source property, payroll and sales or receipts is at least \$970,000. S corporations that file as QSSS federally now include all factors under one parent company and are subject to only one minimum fee at the parent company level.

The minimum fee is computed on M8A, which is on page 3 of Form M8.

### File Electronically

Options are available to electronically prepare and file your S corporation tax return. Electronic filing is a secure, fast and easy way to file. For more information, go to our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

## Before You File

### Complete Your Federal Return

Before you complete Form M8, complete federal Form 1120S and supporting schedules. You will need to reference them.

### Minnesota Tax ID Number

Your Minnesota tax ID is the seven-digit number you're assigned when you register with the department. Generally, this is the same as your sales and use tax or Minnesota employer's withholding tax number.

It's important to include your Minnesota tax ID on your return so that any payments you make are properly credited to your account.

If you don't have a Minnesota tax ID, apply for one online at [www.revenue.state.mn.us](http://www.revenue.state.mn.us) or call 651-282-5225 or 1-800-657-3605.

## Due Date

File your return and pay the taxes payable as soon as possible after the end of the tax year, but no later than the due date for filing your federal income tax return.

Generally, the due date is:

- Calendar year returns: March 15, 2018, or
- Fiscal year returns: the 15th day of the third month after the end of your tax year.

If the due date falls on a weekend or legal holiday, returns and payments electronically made or postmarked on the next business day are considered timely.

### Extension of Time to File

All S corporations are granted an automatic six-month extension to file Form M8, if the tax payable for the year is paid by the regular due date.

However, if the IRS grants an extension of time to file your federal return that is longer than the Minnesota automatic six-month extension, your state filing due date is extended to the federal due date.

This is a filing extension only. To avoid penalties, you must make an extension tax payment by the regular due date. See *Extension Payment* on the next page for details.

# General Information (continued)

## Payments

There are four types of tax payments an S corporation can make — extension, estimated tax, tax return and amended return payments. You can pay electronically, by credit or debit card or by check. (See Payment Options to the right.)

**Note:** If you're currently paying electronically using the ACH credit method, continue to call your bank as usual. If you wish to make payments using the ACH credit method, instructions are available on our website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us).

## Extension Payment

Your tax is due by the regular due date, even if you are filing under an extension. Any tax not paid by the regular due date is subject to penalties and interest (see instructions for lines 14 and 15 on pages 4 and 5).

If you're filing after the regular due date, you can avoid penalties and interest by making an extension payment by the regular due date. See *Payment Options* on this page. If you're paying by check, go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) to create a voucher to print and submit with your check.

## Estimated Tax Payments

An S corporation must make quarterly estimated tax payments if the sum of its estimated S corporation taxes, minimum fee, nonresident withholding and composite income tax for all nonresident shareholders electing to participate in composite income tax, less any credits, is \$500 or more.

Payments are due by the 15th day of the fourth, sixth and ninth months of the tax year and the first month following the end of the tax year. If the due date lands on a week-end or legal holiday, payments electronically made or postmarked the next business day are considered timely.

If estimated tax is required for the S corporation taxes/minimum fee, composite income tax, and/or nonresident withholding, include all in the same quarterly payments.

To make an estimated payment, see *Payment Options* above. If you're paying by check, visit our website to complete and print a payment voucher to send along with your check.

For additional information, see the *S Corporation Estimated Tax instructions*.

## Tax Return Payment

If line 17 of Form M8 shows an amount due, you must make a tax return payment (see *Payment Options* above). If you're not

## Payment Options

If you're required to pay any Minnesota business tax electronically, you must pay all taxes electronically. A 5% penalty will be assessed if you fail to do so when required.

### ■ Pay Electronically

Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and log in. To be timely, you must complete your transaction and receive a confirmation number on or before the due date for that payment. You can cancel a payment up to one business day before the scheduled date, if needed. When paying electronically, you cannot use a foreign bank.

If you're using the system for the first time and need a temporary password, call 651-282-5225 or 1-800-657-3605.

### ■ Pay by Credit or Debit Card

Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us), and select **Make a Payment**. Select **Credit or Debit Card**. Your payment will be processed by a third-party vendor. The vendor charges a fee for the service.

### ■ Pay by Check

Go to [www.revenue.state.mn.us](http://www.revenue.state.mn.us) and select **Make a Payment**. Select **Check**. Use the **Payment Voucher System** to create a voucher.

Your check authorizes us to make a one-time electronic fund transfer from your account. You will not receive your canceled check.

required to pay electronically, you may complete and print a payment voucher on our website to send along with your check.

## Penalties and Interest

**Late Payment.** A late payment penalty is assessed on any tax not paid by the regular due date. The penalty is 6 percent of the unpaid tax.

If you file your return after the regular due date with a balance due, an additional 5 percent penalty will be assessed on the unpaid tax.

**Late Filing.** There is also a penalty if you file after the extended due date and owe tax. The late filing penalty is 5 percent of any tax not paid by the regular due date.

**Interest.** You must also pay interest on the penalty and tax you are sending in late. The interest rate for 2018 is 4 percent.

**Other Penalties.** There are also civil and criminal penalties for intentionally failing to file a Minnesota return, evading tax and for filing a frivolous, false or fraudulent return.

## Filing Reminders

### Accounting Period

You must use the same accounting period for Minnesota as you use for your federal return. If you change your federal accounting period, attach a copy of federal Form 1128, *Application to Adopt, Change or*

*Retain a Tax Year*, to your short-period Minnesota return.

## Composite Income Tax

An S corporation may pay composite Minnesota income tax on behalf of its nonresident shareholders who elect to be included in lieu of each shareholder filing his or her own Minnesota return. The electing individuals must not have any Minnesota source income other than the income from this S corporation and other entities electing composite filing.

Shareholders who receive a share of gross profit or income from an installment sale reported on line 7a or 7b of form KS are not eligible to elect the S Corporation to pay composite income tax on their behalf.

If you are paying composite income tax for your electing shareholders, check the box for composite income tax on the front of Form M8 and see the line 3 instructions on page 4.

Nonresidents included in the composite income tax are not subject to the nonresident withholding requirements (see the next section).

## Nonresident Withholding

S corporations are required to withhold Minnesota income tax for a nonresident shareholder if the shareholder:

- has a legal residence that is not Minnesota;

*Continued*

# General Information (continued)

- is not included in composite income tax;
- has Minnesota distributive income of \$1,000 or more from this S corporation; and
- has income that was not generated by a transaction related to the termination or liquidation of the S corporation in which no cash or property was distributed in the current or prior taxable year.

If you are required to pay nonresident withholding, see the line 4 instructions on page 4.

**Nonresident Entertainers:** Compensation paid to a nonresident entertainment entity for performances in Minnesota is not subject to Minnesota income tax. Instead, the compensation is subject to a 2 percent withholding tax on the gross compensation the entertainment entity receives for performances in Minnesota.

An S corporation is an entertainment entity if it is paid compensation for entertainment provided by entertainers who are shareholders. An entertainer includes, for example, a musician, singer, dancer, comedian, thespian, athlete or public speaker. If you are defined by law as an entertainment entity, file Form ETR, *Nonresident Entertainer Tax Return*, by April 15 of the following year the income was reported. For additional information, see Withholding Fact Sheet 11, *Nonresident Entertainer Tax*.

If you are an entertainment entity that received compensation for performances in Minnesota and have no other type of Minnesota income, you are not required to file Form M8.

## Use of Information

All information on this form is private, except for your Minnesota tax ID number, which is public. Private information cannot be given to others except as provided by state law.

The identity and income information of the shareholders are required under state law so the department can determine the shareholder's correct Minnesota taxable income and verify if the shareholder has filed a return and paid the tax. The Social Security numbers of the shareholders are required under M.S. 289A.12, subd. 13.

## Assembling Paper Returns

Arrange your Minnesota schedules in the order they were completed and place them behind your Form M8. Then place your federal return and its schedules behind the Minnesota material. **Do not staple or tape any enclosures to your return.**

## Where to File Paper Returns

Mail your Form M8 and all completed Minnesota and federal forms and schedules using a mailing label (below).

If you do not use the label, mail your forms to:

Minnesota S Corporation Income Tax  
Mail Station 1770  
St. Paul, MN 55145-1770

## Reporting Federal Changes

If the Internal Revenue Service (IRS) changes or audits your federal return or you amend your federal return, you must amend your Minnesota return. File your Form M8X within 180 days after you were notified by the IRS or after you filed your federal amended return. Enclose a copy of the IRS report or your amended federal return with your amended Minnesota return.

If you fail to report changes as required, a 10 percent penalty will be assessed on any additional tax.

If you are **amending** solely due to the **January 2023 Minnesota tax bill**, write **"Conformity"** in red at the top of the Minnesota Form M8X. For more details, see page 13.

If you are amending your return to reduce your federal Section 179 addition or subtraction as a result of Minnesota law 2020 5th Sp. Sess. Chap.3, write "Like-Kind Exchange" at the top of your Form M8X. Identify the property relinquished and received in the qualifying transactions, and the dates of disposition and receipt in the Explanation of Change on page 2 of Form M8X.

### Use a mailing label if filing a paper return

Use this mailing label on your own envelope to mail Form M8 and attachments. (Cut and tape to your envelope.)



**m** DEPARTMENT  
OF REVENUE  
S Corporation Tax  
Mail Station 1770  
600 N. Robert Street  
St. Paul, MN 55145-1770

# Completing Form M8

Before you complete Form M8, you must complete the following; you will need to reference them:

- Federal Form 1120S and supporting schedules, and
- Schedule KS for each nonresident shareholder and to any Minnesota shareholder who has adjustments to income (see page 9).

## Check Boxes

**Initial Return.** If this is the S corporation's first return filed in Minnesota, check the box on the front of the form.

**Composite Income Tax.** If you are paying composite income tax for your electing shareholders, check the box for composite income tax on the front of your return and see the instructions for line 3.

**Financial Institutions.** If you are a financial institution electing to be taxed as an S corporation for federal purposes, check the box on the front of the form.

**Qualified Subchapter S Subsidiary (QSSS)** If you are including a qualified subchapter S subsidiary (QSSS) on this return, check the box on the front of your Form M8.

**Out of Business (final return).** If the S corporation is out of business and/or is not required to file Form M8 in future years, check the "Out of Business" box on the front of the Form M8.

If you checked the "S election termination" box on your federal Form 1120S, you must attach a copy of your federal return to your Form M8.

**Installment Sale of Pass-through Assets or Interests.** You are required to check the "Installment Sale of Pass-through Assets or Interests" box if the entity:

- 1) executed an installment sale, after December 31, 2016, of S corporation stock or partnership interests being reported on Form 6252; or
- 2) executed an installment sale, after December 31, 2016, of S corporation assets and is reporting the sale on Form 6252; or
- 3) owns an interest in an S corporation, partnership, or trust reporting installment sale gains on line 7 of schedule KPI, KS, or KF, or line 10 of schedule KPC

If you are required to check the Installment Sale of Pass-through Assets or Interests, also complete line 7 of all applicable Schedules KS to report installment sale information to your shareholders.

## Line Instructions

Round amounts to whole dollars. Decrease amounts less than 50 cents and increase amounts 50 cents or more to the next higher dollar.

**Corporate Partners:** When completing Form M8 and Schedules KS, be sure to include any amounts reported on the Schedule KPC you received as a partner of a partnership (include Schedule KPC with your return).

### Line 1—S Corporation Taxes

Enter the total of the following S corporation taxes on line 1, and check the applicable boxes to indicate the tax types included. Show the detail for each type of tax and the percentage apportioned to Minnesota. Multiply that amount by 9.8 percent (.098)—the corporate tax rate—to determine your Minnesota tax. For each tax, enclose a separate schedule showing your computation.

- Determine the tax on the Minnesota portion of passive income subject to federal tax. Enclose a copy of the federal schedule used to figure your federal tax.
- Determine the tax on the Minnesota portion of recognized built-in gain and net capital gain subject to federal tax.
- If the S corporation is paying the LIFO recapture tax (figured for the last year the corporation was a C corporation) over a four-year period, include this year's installment.

### Line 2—Minimum Fee

Complete M8A of Form M8 to determine the minimum fee to enter on line 2. See the M8A instructions beginning on page 7.

### Line 3—Composite Income Tax

To determine line 3, you must first figure the amount of composite tax attributed to each electing shareholder. See the instructions for line 33 of Schedule KS on page 11.

Add the composite income tax attributed to all electing shareholders (the total of lines 33 from all KS schedules), and enter the result on line 3 of Form M8.

### Line 4—Nonresident Withholding

To determine line 4, you must first figure the amount to withhold for each nonresident shareholder. See the instructions for line 34 of Schedule KS on page 11.

Add the withholding required for all nonresident shareholders (the total of lines 34 from all KS schedules), and enter the result on line 4 of Form M8.

If you received a signed and dated Form AWC, *Alternative Withholding Certificate*, from one or more shareholders, check the box provided on line 4 of Form M8. You must include the certificate(s) when you file your return.

### Line 6—Employer Transit Pass Credit

If you provided transit passes at a reduced cost to your employees for use in Minnesota, complete and enclose Schedule ETP, *Employer Transit Pass Credit*.

Enter the amount of the credit that is being claimed directly by the S corporation and not passed through to the shareholders.

Line 6 cannot exceed the total of S corporation taxes and the minimum fee (sum of lines 1 and 2).

### Line 8—Minnesota Nongame Wildlife Fund

You can help preserve Minnesota's rare and endangered animals and plants by donating to this fund. Your donation will be added to your total tax and will decrease your refund or increase your balance due. Monies donated are deductible the following year.

For more information, go to the Minnesota Department of Natural Resources website at [www.dnr.state.mn.us](http://www.dnr.state.mn.us).

### Line 10—Enterprise Zone Credit

If your business has been certified and approved by the Minnesota Department of Employment and Economic Development (DEED) as employment property in an enterprise zone, enter the credit that is being claimed directly by the S corporation and not passed through to the shareholders.

For details about the zones, go to the DEED website at [www.positivelyminnesota.com](http://www.positivelyminnesota.com).

### Line 11—Estimated Tax and Extension Payments

Enter your total prepayments, including:

- your total 2017 estimated tax payments made in 2017 and 2018, paid either electronically or with a payment voucher

# Completing Form M8 *(continued)*

- any 2017 extension payment, paid electronically or with a payment voucher, that was made by the regular due date when filing under an extension; or
- the portion of your 2016 refund applied to your 2017 estimated tax

## Line 14—Penalty

Penalties are collected as part of the tax and are in addition to any additional charge for underpaying estimated tax. If you are paying your tax after the regular due date, include the appropriate penalties on line 14.

**Late Payment.** If the tax is not paid by the regular due date, a penalty is due of 6 percent of the unpaid tax on line 13.

**Late Filing.** If you file your return after the extended due date and owe tax, you must pay a late filing penalty. The late filing penalty is 5 percent of the unpaid tax on line 13.

**Balance Not Paid.** If you file your return after the regular due date and have a balance due, an additional penalty is assessed. The additional penalty is 5 percent of the unpaid tax on line 13.

**Payment Method.** If you are required to pay electronically and do not, an additional 5 percent penalty applies to payments not made electronically, even if your paper check is sent on time.

## Line 15—Interest

You must pay interest on the unpaid tax and penalty from the regular due date until the total is paid. The interest rate for calendar year 2018 is 4 percent.

To figure how much interest you owe, use the following formula with the appropriate interest rate:

$$\text{Interest} = (\text{tax} + \text{penalty}) \times \# \text{ of days late} \times \text{interest rate} \div 365$$

## Line 16—Additional Charge for Underpayment of Estimated Tax

If you did not pay the correct amount of estimated tax by the due dates, you may have to pay an additional charge for underpaying or not paying estimated tax.

You may also owe an additional charge if the sum of lines 1 and 2 (less any credits on lines 10 through 11), composite income tax on line 3 or nonresident withholding on line 3, is more than **\$1000**.

Complete Schedule EST, *Additional Charge for Underpayment of Estimated Tax*, to determine the additional charge for underpaying estimated tax. Compute

the underpayment charge separately for the S corporation taxes/minimum fee and for each nonresident shareholder who has **\$1000** or more of either composite income or nonresident withholding tax.

Enter the total charge, if any, on line 16. Enclose the schedule with your return.

## Line 17—Amount Owed

Add lines 13 through 16. This is the amount of tax you owe. Be sure to check the appropriate box on line 17 to indicate your method of payment. See *Payment Options* on page 2.

## Line 18—Overpayment

If line 12 is less than the sum of lines 9 and 16, subtract line 12 from the sum of lines 9 and 16. Enter the result on line 17 and enter zero on line 18.

If you have an overpayment, you may choose to have it direct deposited into your bank account. You may also choose to apply all or a portion of your overpayment toward your 2018 estimated tax account.

## Line 19—2018 Estimated Tax

Skip this line if you owe additional tax.

If you are paying 2018 estimated tax, you may apply all or a portion of your refund to your 2018 estimated tax. Enter the portion of line 18 you want to apply toward your 2018 estimated tax.


## Line 20—Refund

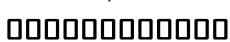
If you want to request your refund to be direct deposited into your bank account, complete line 21. Your bank statement will indicate when your refund was deposited to your account. Otherwise, skip line 21 and your refund will be sent to you in the mail.

## Line 21—Direct Deposit of Refund

If you want your refund to be directly deposited into your checking or savings account, enter the routing and account numbers. You must use an account not associated with any foreign banks.

You can find your bank's routing number and account number on the bottom of your check.

  
Bank's routing number

  
Account number

The **routing number** must have nine digits.

The **account number** may contain up to 17 digits (both numbers and letters). Enter the number and leave out any hyphens, spaces and symbols.

If the routing or account number is incorrect or is not accepted by your financial institution, your refund will be sent to you in the form of a paper check.

By completing line 21, you are authorizing the department and your financial institution to initiate electronic credit entries, and if necessary, debit entries and adjustments for any credits made in error.

## Signature

The return must be signed by a principal officer of the corporation.

If you paid someone to prepare your return, the preparer must also sign. The preparer's ID number and phone number should also be included.

You may check the box in the signature area to give us your permission to discuss your return with the paid preparer. This authorization remains in effect until you notify the department in writing (either by mail or fax) that the authorization is revoked.

Checking the box does not give your preparer the authority to sign any tax documents on your behalf or to represent you at any audit or appeals conference. For these types of authorities, you must file a power of attorney or Form REV184 with the department.

## Email address

If the department has questions regarding your return and you want to receive correspondence electronically, indicate the email address below your signature. Check a box to indicate if the email address belongs to an employee of the S corporation, the paid preparer or other contact person.

By providing an email address, you are authorizing the department to correspond with you or the designated person over the Internet and you understand that the entity's nonpublic tax data may be transmitted over the Internet.

**You also accept the risk that the data may be accessed by someone other than the intended recipient. The department is not liable for any damages that the entity may incur as a result of an interception.**

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# Completing Form M8 *(continued)*

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## Frequently Asked Questions

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**Q:** I filed federal Form 2553 with the IRS to elect to become an S corporation. Do I also need to file a similar form with Minnesota?

**A:** No. Once you have filed Form 2553 with the IRS and it has been approved, Minnesota automatically accepts your S corporation status.

**Q:** When determining composite income tax, can I reduce the taxable income by a prior year's net operating loss?

**A:** No. Only the current year's income is included when determining composite income tax.

**Q:** If the S corporation does business in a reciprocity state (Michigan or North Dakota) and the sole shareholder is a Minnesota resident, does the shareholder have to file a return in the other state?

**A:** Yes. The shareholder would be required to file a return in the other state. The income earned by an S corporation does not qualify for exemption under the reciprocity agreements.

**Q:** What information will I need to pay taxes electronically?

**A:** To pay electronically online or by phone you will need your user name, password and your bank routing and account numbers. When paying electronically, you must use an account not associated with any foreign banks.



# Completing Form M8A

*Complete M8A to determine your Minnesota source income and minimum fee.*

## Apportionment Factor

Minnesota completed the transition to 100% sales apportioned state in 2014. For tax period 2014 and after please use the single factor formula not the three factor formula.

Under Minnesota Statute, the minimum fee still takes into account your Minnesota apportioned property, payroll, and sales.

## Petitioning to Use Another Method of Allocation

State law (M.S. 290.20, subd. 1a and Minnesota Rules 8020.0100, subp. 3) allows entities to request permission from the department to allocate all, or any part of, taxable net income in a manner other than the statutory single sales factor formula.

To request permission, complete Form ALT, *Petition to Use Alternative Method of Allocation* (see Revenue Notice 04-07).

Permission will be granted only if you can show that the single-sales factor formula does not properly and fairly reflect your Minnesota income, and that the alternative formula you have chosen does.

## Qualified Subchapter S-Subsidiary

The S corporation parent must now calculate and report one minimum fee for all QSSS. The S corporation parent must also include all assets, liabilities, income, deductions, credits, and apportionment factors including property, payroll, and sales factors, from all QSSS and federally disregarded QSSS under one M8 return.

## Property Factor

If you are not required to complete federal Schedule L (Form 1120S), you may want to do so to determine the property factor. Enclose the completed federal Schedule L (Form 1120S) or a copy of the S corporation's balance sheet with your return.

The property factor consists of tangible property which includes land, buildings, machinery, equipment, inventories and other tangible personal property valued at original cost.

Original cost is your cost or original basis when you acquired the property. Depreciation and fair market value are not considered.

## M8A, lines 1–3

In column A, lines 1a - 1d, enter the total property items for your entire business in Minnesota.

**Line 1a.** Add the beginning and ending year inventories, divide by two and enter the result on line 1a. This is your average value of inventory for your business for the tax year.

**Line 1b.** Add the beginning and ending year values of the buildings, machinery, equipment and other tangible property and divide by two. Enter the result on line 1b.

**Line 1c.** Add the land's beginning and ending year values and divide by two. Enter the result on line 1c.

**Line 1d.** For financial institutions only. See the apportionment instructions on page 8.

**Line 2.** Rented property is based on the actual rent you paid for property (land, buildings, equipment, etc.) used during the tax year. The rents you receive are included in the sales factor.

To determine the value of rented property, multiply the rent paid for the tax year by eight.

## Payroll Factor

### M8A, line 4

In Column A, enter your total payroll paid or incurred in Minnesota, for the tax year in connection with the business.

## Sales Factor

### M8A, line 5

The sales factor includes all sales, rents, gross earnings or receipts received in the ordinary course of your business, except:

- interest;
- dividends;
- sales of capital assets under IRC section 1221;
- sales of property used in the trade or business, except sales of leased property that is regularly sold as well as leased; and
- sales of stock or sales of debt instruments under IRC section 1275(a)(1).

**Financial Institutions:** See *Apportionment for Financial Institutions* on page 8.

## Determining Minnesota Sales

### Real Property

Sales, rents, royalties and other income from real property are attributed to the state in which the property is located.

### Tangible Personal Property

Sales of tangible personal property are attributed to Minnesota if the property is received by a purchaser within Minnesota and the S corporation is taxed in this state, regardless of the f.o.b. point or other condi-

tions of sale, or the ultimate destination of the property.

Tangible personal property delivered to a common or contract carrier or foreign vessel for delivery to a purchaser in another state or nation is a sale in that state or nation, regardless of f.o.b. point or other conditions of sale.

Property is received by a purchaser in Minnesota if the recipient is located in this state, even if the property is ordered from outside Minnesota.

**Sales of tobacco products, beer, wine and other alcoholic beverages** to someone licensed to resell the products only within the state of ultimate destination is a sale in the destination state.

**Receipts from leasing or renting tangible personal property**, including finance leases and true leases, are attributed to the state in which the property is located. Receipts from the lease or rental of moving property are attributed to Minnesota to the extent the moving property is used in Minnesota.

The extent of use is determined as follows:

- A motor vehicle is used wholly in the state in which it is registered.
- Receipts from rolling stock are assigned to Minnesota in the ratio of miles traveled in Minnesota to total miles traveled.
- Receipts from aircraft are assigned to Minnesota in the ratio of landings in Minnesota to total landings.
- Receipts from vessels, mobile equipment and other mobile property are assigned to Minnesota in the ratio of days the property is in Minnesota to the total days of the tax year.

## Intangible Property

Sales of intangible property are attributed to the state in which the property is used by the purchaser.

Royalties, fees and similar income not qualifying for the foreign royalty subtraction, received for the use of or the privilege of using intangible property (such as patents, copyrights, trade names, franchises or similar items) are attributed to the state in which the property is used by the purchaser.

Intangible property is attributed to Minnesota if the purchaser uses the property, or rights in the property, to conduct business within this state, regardless of the location of the purchaser's customers.

If the property is used in more than one state, then the sales or royalties must be

*Continued*

# Completing Form M8A (continued)

apportioned to Minnesota pro rata based on the portion of use within this state.

If you cannot determine the portion of use in Minnesota, then exclude the sales or royalties from both the numerator and denominator of the sales factor.

## Personal Services

Receipts from the performance of personal services are attributed to the state in which the services are received.

Receipts from services provided to a corporation, partnership or trust may only be attributed to a state in which it has a fixed place of doing business.

If you can't determine where the service was received, or if it was received in a state where the corporation, partnership or trust doesn't have a fixed place of business, use the location of the office of the customer from which the service was ordered.

If you can't determine the ordering office, use the office location to which the service was billed.

## Minimum Fee

### M8A, lines 6-9

S corporations are subject to a minimum fee if the sum of its Minnesota source property, payroll and sales or receipts is at least \$970,000.

### M8A, line 7—Adjustments

The minimum fee is determined by your total Minnesota property, payroll and sales.

In some cases the property, payroll and sales used for computing the minimum fee will be different than those used for apportionment. The following adjustments should be made to your Minnesota factors on line 7.

**Add:** All tangible property owned or rented that is not included on line 6 of M8A. Some examples include construction in progress, idle property, any nonbusiness property or rent expense. The amounts should be determined in the same manner as the amounts on lines 1–5.

### Subtract:

- Any amounts included on lines 3, 4 or 5 that represent your share of the factors passed through from partnerships.
- For financial institutions only, the amount of intangible property listed on line 1d.
- The reduction of property owned for a short taxable year. To determine, multiply the sum of line 1 and line 2 by a fraction:

the numerator is 365 minus the number of days in the tax year; the denominator is 365.

Enclose a schedule showing the computation and pass-through information of any adjustments listed on M8A, line 7.

## Apportionment for Financial Institutions

Financial institution means any of the following:

- Any corporation or other business entity registered in one of these ways:
  - under state law as a bank holding company
  - under the federal Bank Holding Company Act of 1956, as amended
  - as a saving and loan holding company under the federal National Housing Act, as amended
- Any regulated financial corporation; or a national bank organized and existing as a national bank association pursuant to the provisions of U.S.C., title 12, chapter 2.
- A savings association or federal savings bank as defined in United States Code, title 12, section 1813(b)(1).
- Any bank or thrift institution incorporated or organized under the laws of any state.
- Any corporation organized under United States Code, title 12, sections 611 to 631.
- Any agency or branch of a foreign depository as defined under United States Code, title 12, section 3101.
- Any corporation or other business entity that is more than 50 percent owned, directly or indirectly, by any person or business entity described in clauses (1) to (6), other than an insurance company taxable under chapter 2971.
- A corporation or other business entity that derives more than 50 percent of its total gross income for financial accounting purposes from finance leases. For the purposes of this clause, "gross income" means the average from the current tax year and immediately preceding two years and excludes gross income from incidental or occasional transactions. For purposes of this clause, "finance lease" means any lease transaction that is the functional equivalent of an extension of credit and that transfers substantially all the benefits and risks incident to the ownership of property, including any direct financing lease or leverage lease that meets the criteria of Financial Accounting Standards Board Statement No. 13, accounting for leases, or any other lease that is accounted for as financing by a lessor under generally accepted accounting principles.

- Any other person or business entity, other than an insurance company, that derives more than 50 percent of its gross income from activities that an entity described in clauses (2) to (6) or (8) is authorized to transact. For the purposes of this clause, gross income does not include income from nonrecurring, extraordinary items.

Financial institutions complete M8A the same way as other S corporations, except for lines 1d and 5.

### Line 1d—Property Factor

The property factor for financial institutions includes certain intangible property.

The following are considered Minnesota property:

- coin and currency located in Minnesota
- lease financing receivables, to the extent the property is located in Minnesota
- secured loans if real or tangible personal property is located in Minnesota
- unsecured (or secured by intangible property) consumer loans to Minnesota residents
- unsecured (or secured by intangible property) commercial loans if the proceeds are applied in Minnesota
- credit card receivables if the fees and charges are regularly billed to Minnesota
- receivables from merchant discount income if the merchant is located in Minnesota, and
- securities, money market instruments and secondary market assets apportioned to Minnesota, in the ratio of Minnesota deposits to all deposits if a regulated financial institution, or in the ratio of Minnesota gross business income to total gross business income if unregulated.

Secondary market assets are obligations that are not originally solicited or entered into by the owner. They include secured, consumer and commercial loans and lease financing, credit card, and merchant discount receivables.

### Line 5—Sales or Receipts Factor

Financial institutions use a receipts factor instead of a sales factor.

Include the gross income from activities in the ordinary course of business, including income from securities and money market instruments.

The following are considered Minnesota income:

- interest income from loans secured by real or tangible personal property located in Minnesota
- interest on consumer loans not secured by real or tangible personal property if the borrower is a Minnesota resident
- interest on commercial loans not secured by real or tangible personal property if the proceeds are applied in Minnesota
- merchant discount income if the merchant is located in Minnesota
- receipts from travelers checks if purchased in Minnesota
- receipts from credit cards if regularly billed in Minnesota
- receipts for regulated financial institutions from securities, based on the ratio of total deposits from Minnesota to total deposits in and outside Minnesota
- receipts for nonregulated financial institutions from securities, based on the ratio of gross business income from Minnesota to total gross business income
- receipts from secondary market assets treated in the same way as securities
- receipts from the performance of services if the services are received in Minnesota.



# Completing Schedule KS

*Complete and provide Schedule KS to each nonresident shareholder and any Minnesota shareholder who has adjustments to income.*

## Purpose

An S corporation must provide each nonresident shareholder, and any Minnesota shareholder with adjustments to income, with enough information for them to complete a Minnesota income tax return and determine their correct Minnesota tax.

Schedule KS is used to provide shareholders with the information they need to file a Minnesota income tax return. The schedule shows each shareholder their specific share of the S corporation's income, credits and modifications. Be sure to provide the shareholder a copy of both the front and back of the completed Schedule KS and the instructions.

If there are no modifications or credits and there are no nonresident shareholders, you do not have to provide Schedule KS.

You must enclose with your Form M8 copies of the Schedules KS and attachments issued to your shareholders and copies of your federal Schedules K and K-1.

If you are required to amend your federal S corporation return or you have been audited by the IRS, you must file Form M8X and Schedules KS, if appropriate. See *Reporting Federal Changes* on page 3.

## Line Instructions

*Enter the name, address and identifying number of the shareholder. A \$50 penalty will be assessed for each incorrect tax ID number used for a shareholder after being notified by the department that the number is incorrect.*

*Calculate lines 1–19 the same for all resident and nonresident shareholders. Calculate lines 20–34 for nonresident shareholders only.*

**Corporate Partners:** *When completing Schedules KS, be sure to include the pro rata shares of any amounts reported on the Schedule KPC you received as a partner of a partnership (include Schedule KPC with your return).*

## All Shareholders— lines 1–19

### KS, line 1

Determine the interest you received from all non-Minnesota state and municipal

bonds. Include the Minnesota portion of exempt-interest dividends if less than 95 percent of the exempt-interest dividends are from Minnesota state and municipal bonds.

Enter the shareholder's pro rata share of this amount on line 1.

### KS, line 2

Determine the state income tax deducted in arriving at ordinary income or net rental income of the S corporation.

Do not include the minimum fee, the built-in gains tax, capital gains tax, LIFO recapture tax or excess net passive income tax in this amount.

Enter the shareholder's pro rata share of this amount on line 2.

### KS, line 3

Expenses or interest deducted on your federal return that relate to income not taxed by Minnesota must be added back to the shareholder's Minnesota income.

Enter the shareholder's pro rata share of any federal deductions that are attributable to income not taxed by Minnesota, other than U.S. government bond interest or other federal obligations.

If you had expenses attributable to interest or mutual fund dividends from U.S. bonds, see line 9 of Schedule KS. Do not include these expenses on line 3.

Enclose an explanation or statement showing your computation.

### KS, line 4

If, during the year, your total investment in qualifying property was more than \$200,000 or if you elected more than \$25,000 in section 179 expensing, your shareholders must add back to Minnesota 80 percent of the difference between the expensing allowed for federal and for state tax purposes. Your shareholders will be allowed to subtract their share of the addition in equal parts over the next five years when they file their state tax returns.

If you completed federal Form 4562 to claim the section 179 expensing for federal tax purposes, you must also complete lines 1 through 12 on a *separate* federal Form 4562 (referred to as your Minnesota Form 4562 below), to determine the amount required to be added back for Minnesota purposes.

Recalculate line 12 of your Minnesota Form 4562 using the same information from your federal Form 4562 and the fol-

lowing modifications:

- Subtract \$485,000 from line 1 of your federal Form 4562, and enter the result on line 1 of your Minnesota Form 4562.
- Enter line 2 of federal Form 4562 on line 2 of your Minnesota Form 4562.
- Subtract \$1,830,000 from line 3 of your federal Form 4562, and enter the result on line 3 of your Minnesota Form 4562.
- Enter the information from lines 6 and 7 of federal Form 4562 on lines 6 and 7 of your Minnesota Form 4562. However, if you have section 179 expensing from a flow through entity, use the amount from line 7 of Schedule KPC instead of the amount from line 11 of federal Schedule K-1.
- Enter line 10 of federal Form 4562 on line 7 of your Minnesota Form 4562.
- Recalculate lines 4, 5, 8, 9, 11 and 12 of your Minnesota Form 4562. The result on line 12 of Minnesota Form 4562 cannot be more than line 1 of that form.

Enter the shareholder's pro rata share of the amount on line 12 of the Minnesota Form 4562 and on line 4 of Schedule KS.

Do not include property received as part of an exchange that would have qualified under Section 1031 of the Internal Revenue Code as amended through December 16, 2016 but not as amended through December 31, 2018.

### KS, line 5

If you chose on your federal return the special depreciation allowance for certain qualified property, your shareholders must add back 80 percent of the bonus depreciation to Minnesota.

Follow the steps below to determine the shareholder's share to enter on line 5 of Schedule KS:

- 1 Add line 14 and line 25 of your federal form 4562 . . . . . \_\_\_\_\_
- 2 Total of any bonus depreciation amounts passed through to the S corporation as a partner of a partnership (from line 8 of Schedule KPC). . . . . \_\_\_\_\_
- 3 Add steps 1 and 2 . . . . . \_\_\_\_\_
- 4 Multiply step 3 by the shareholder's percentage of stock ownership . . . . . \_\_\_\_\_

Enter the result from step 4 on line 5 of the shareholder's Schedule KS.

*Continued*

# Completing Schedule KS (continued)

## Federal bonus depreciation subtraction.

For five years following the addback year, your shareholders may be able to subtract one-fifth of the addback on their Minnesota income tax return. See the instructions for Form M1 for details.

## KS, line 6

Enter the shareholder's pro rata share of any fines, fees and penalties that were deducted as business expenses paid to a government entity or nongovernment regulatory body as a result of a violation of law, or the investigation of any potential violation of law. This does not include amounts identified in a court order or settlement agreement as restitution or as an amount paid to come into compliance with the law.

## KS, line 7a

Enter shareholder's share of the gross profit from any installment sale of S corporation stock or assets, or partnership interests or assets executed after December 31, 2016.

If the sale was completed by the entity completing this schedule, the total gross profit to be allocated amongst shareholders is reported on federal Form 6252, line 16. If the sale was executed by an entity owned by this entity, or another entity in a multi-tiered structure, this information is reported on Schedule KF, or KS on line 7a, or Schedule KPC line 10a.

If installment sale information is reported to this entity on informational schedules from other entities, the amount reported to the partners should equal the total amount reported to this entity on all schedules KF, KS, and KPC.

If the trust receives installment payments from multiple sales executed after December 31, 2016, attach a schedule to Form M3 detailing the different sales and distributive allocations.

## KS, line 7b

Enter shareholder's share of installment sale income the sale of S corporation stock, partnership interests, and any installment sale income from the sale of the assets of any S corporation or partnership. If the sale was completed by the partnership completing this schedule, the total installment sale income to be allocated to the partners is reported on Form 6252, line 24. If the sale was executed by an entity owned by this entity, or another entity in multi-tiered structure, this information is reported on Schedule KF, or KS on line 7b, or Schedule KPC line 10b.

If installment sale information is reported to this entity on informational schedules from other entities, the amount reported to the partners should equal the total amount reported to this entity on all Schedules KF, KS, and KPC.

## KS, line 8a

This instruction no longer applies.

## KS, line 8b

Enter the amount of the subtraction from federal taxable income that is required when you recompute your federal taxable income without regard to the provisions included in the TCDTR, FFCRA, and CARES Act (see the Federal Adjustments for Businesses on page 13).

## KS, line 9

Interest earned on certain direct federal obligations is taxable on the federal return, but is not taxable on the state return.

Determine the net interest you received from primary obligations issued by the U.S. government, such as savings bonds and treasury notes, that are held directly by the S corporation. Do not include obligations where the U.S. government is only a guarantor. Be sure to subtract any investment interest and other expenses you deducted on the federal return that relate to this income.

Enter the shareholder's pro rata share of this amount on line 9.

## KS, line 10a

Minnesota law allows a subtraction from federal taxable income for deferred foreign income (DFI) reported on your federal return. If you reported DFI, enter the shareholder's pro rata share of the net amount (2017 IRC section 965(a) inclusion amount reduced by 2017 IRC section 965(c) participation exemption amount allowed) as a subtraction on line 10. Enter code 00 in the box provided.

## KS, line 10b

Enter the amount of the subtraction from federal taxable income that is required when you recompute your federal taxable income without regard to the provisions included in the TCDTR, FFCRA, and CARES Act (see the Federal Adjustments for Businesses on page 13).

## KS, line 11

Enter the shareholder's pro rata share of the 2017 credit for increasing research activities that is passed through to the shareholders.

If the business qualifies, the credit cannot be claimed by the S corporation and the full credit must be passed through to the shareholders.

## KS, line 12

If you operate a business in greater Minnesota and you hired a qualified student for an internship, you may be eligible for a tax credit.

- |  |         |
|--|---------|
| 1 Wages paid to the intern during the tax year             | 1 _____ |
| 2 Multiply line 1 by 0.4                                   | 2 _____ |
| 3 Enter the amount on line 2 or \$2,000, whichever is less | 3 _____ |

Add the amount for all interns. Pass the amount of credit through to each partner based on their pro rata share of the entity's income for the taxable year. Include a copy of the 2017 Internship Provider/Employer agreement you are required to file with the Minnesota Office of Higher Education with your return.

The Office of Higher Education (OHE) and eligible institutions certify eligible employers and determine the total credit each eligible employer may receive. For more information, visit the OHE website: [www.ohe.state.mn.us/mPg.cfm?pageID=2099](http://www.ohe.state.mn.us/mPg.cfm?pageID=2099).

## KS, line 13

Enter the shareholder's share of the Historic Structure Rehabilitation Credit based on the shareholder's share of the S corporation's assets, or as specifically allocated in the S corporation's organizational documents, as of the last day of the taxable year.

You must also include the NPS project number, which is provided on the credit certificate you received from the State Historic Preservation Office of the Minnesota Historical Society when the project was completed and placed into service.

## KS, line 14

Enter the shareholder's pro rata share of the Employer Transit Pass Credit that is passed through to the shareholders.

## KS, line 15

Enter the shareholder's pro rata share of the Enterprise Zone Credit that is passed through to the shareholders.

## KS, line 16

If, for regular tax purposes, you elected the optional 60-month write-off under

*Continued*

# Completing Schedule KS (continued)

IRC section 59(e) for all property in this category, skip lines 16–19. No adjustments are necessary.

Intangible drilling costs (IDCs) from oil, gas and geothermal wells are a tax preference item to the extent that the excess IDCs exceed 65 percent of the net income from the wells. The tax preference item is computed separately for oil and gas properties and for geothermal properties.

Enter the shareholder's pro rata share of the following: IDCs allowed for regular tax purposes under section 263(c), (but not including any section 263(c) deduction for nonproductive wells) less the amount that would be allowed had the IDCs been amortized over a 120-month period starting with the month the well was placed in production.

## KS, line 17

Gross income from oil, gas and geothermal properties are used in determining if the excess IDCs exceed 65 percent of the net income from the wells.

Enter the shareholder's pro rata share of the aggregate amount of gross income within the meaning of section 613(a) from all oil, gas and geothermal properties that was received or accrued during the tax year.

## KS, line 18

Deductions allocable to oil, gas and geothermal properties are used in determining if the excess IDCs exceed 65 percent of the net income from the wells.

Enter the shareholder's pro rata share of any deductions allocable to oil, gas and geothermal properties. Do not include any deductions for nonproductive wells.

## KS, line 19

In the case of oil wells and other wells of nonintegrated oil companies, enter the shareholder's pro rata share of the amount by which the depletion deduction exceeds the adjusted basis of the property at the end of the tax year.

In computing the year-end adjusted basis, use the rules of section 1016. However, do not reduce the adjusted basis by the current year's depletion. Figure the excess amount separately for each property. If the depletion deduction for any property does not exceed the adjusted basis at year-end, do not include a tax preference amount for that property.

## Nonresident Shareholders Lines 20-34

### KS, line 20

Enter the shareholder's pro rata share of the S corporation's Minnesota source gross income. Minnesota source gross income is the total amounts apportioned to Minnesota included on line 3, 4, and 5 (other than losses) of federal Form 1120S; lines 18a, 19, and 20 (other than losses) of federal Form 8825; line 9 of Schedule F (1040); lines 3a, 4, 5a, 6, 7, 8a, 9, and 10 of Schedule K (1120S).

### KS, lines 21–30

From the nonresident shareholder's federal Schedule K-1 (1120S), enter the Minnesota portion of the amounts on lines 21 through 30.

On line 29, include the Minnesota portion of any items from the Schedule K-1 that are not specifically labeled on lines 21-28 and 29.

Line 29 refers to the Minnesota apportioned amount of federal section 179 expense from the federal Schedule K-1, not the amount calculated on line 4 for the Minnesota addition.

All income of a Minnesota resident is taxed by Minnesota, regardless of the source.

## Composite Income Tax and Nonresident Withholding

### KS, line 32

Follow the steps below to determine line 32:

- 1 The difference between line 4 of Schedule KS (M8) and the shareholders federal section 179 deduction from box 11 of the federal Schedule K-1 (1120S) . . . . .
- 2 Federal bonus depreciation amount from line 5 of the shareholder's Schedule KS . . . . .
- 3 Add step 1 and step 2 . . . . .
- 4 Multiply step 3 by 80% (.80) . . . . .
- 5 Enter the total amount from line 8 of Schedule KS . . . . .
- 6 Combine steps 4 and 5 . . . . .
- 7 Multiply step 6 by apportionment factor from line 31 of Schedule KS . . . . .
- 8 Combine lines 21-29 of the shareholder's Schedule KS . . . . .

- 9 Add steps 7 and 8 . . . . .
- 10 To the extent allowed by law, enter one-fifth of the shareholder share of the section 179 expensing that was added back in a year the shareholder elected to be included in composite tax or nonresident withholding was required . . . . .
- 11 To the extent allowed by law, enter one-fifth of the federal bonus depreciation that was added back in a year the shareholder elected to be included in composite income tax or nonresident withholding was required . . . . .
- 12 Enter the total amount from line 10 of Schedule KS . . . . .
- 13 Add steps 10, 11, and 12 . . . . .
- 14 Multiply step 13 by the apportionment factor from line 31 of the shareholder's Schedule KS . . . . .
- 15 Enter amount from line 30 of shareholder's Schedule KS . . . . .
- 16 Add Steps 14 and 15 . . . . .
- 17 Subtract step 16 from step 9 . . . . .

Enter the result from step 17 on line 32 of the shareholder's Schedule KS. This amount is the shareholder's adjusted Minnesota source distributive income.

### KS, line 33

#### Composite Income Tax

Nonresident shareholders must pay tax if their Minnesota source gross income is more than the minimum filing requirement for the year (\$10,400 for 2017).

Shareholders who receive a share of gross profit or income from an installment sale reported on line 7a or 7b of form KS are not eligible to elect the S Corporation to pay composite income tax on their behalf.

Skip this line if the nonresident shareholder *did not* elect the S corporation to pay composite income tax on his or her behalf.

To determine the amount of composite income tax to pay on behalf of each electing shareholder, follow the steps below:

- 1 Multiply line 32 of Schedule KS by 9.85% (.0985) . . . . .
- 2 Add lines 12-15 of Schedule KS . . . . .
- 3 Subtract step 2 from step 1 . . . . .

Continued

# Completing Schedule KS (continued)

The result in step 3 is the amount you are required to pay on behalf of the electing shareholder. Enter this amount on line 33 of the shareholder's Schedule KS and check the box to indicate the shareholder's election to be included.

If the shareholder elects to be included in composite income tax but has zero tax due, enter zero on line 33. Even though the amount may be zero, be sure to check the box to indicate the election.

Once you have completed all the KS schedules for your electing nonresident shareholders, add the amounts on line 33 of all the schedules and enter the total on line 3 of Form M8. This is the amount of composite income tax you are required to pay on behalf of your electing shareholders.

## KS, line 34 Nonresident Withholding

Nonresident shareholders who are not included in the composite income tax may be subject to withholding. See *Nonresident Withholding* on page 3 to determine if your nonresident shareholders are subject to Minnesota withholding.

To determine the amount of tax to withhold for each nonresident shareholder, follow the steps below:

- 1 Multiply line 32 of Schedule KS by 9.85% (.0985) . . . . .
- 2 Add lines 12-15 of Schedule KS . . . . .
- 3 Subtract step 2 from step 1 . . . . .

The result in step 3 is the amount you are required to withhold from the nonresident shareholder, unless the individual submits Form AWC, *Alternative Withholding Certificate*.

If the individual submits Form AWC, withhold the amount from line 6 of the certificate. Check the box provided on line 34 of the shareholder's Schedule KS and also on line 4 of Form M8. Be sure to enclose a copy of the certificate when you file your return.

If the individual submits a false or fraudulent Form AWC, the department may require you to withhold the maximum percentage from that individual in the future, even if an exemption certificate is submitted.

Be sure to inform your shareholders that they must include their Schedule KS when they file their Form M1 to claim the Minnesota withholding. If the schedule is not included, the department will disallow the withholding and assess the tax or reduce their refund.

# Federal Adjustment for Businesses for Tax Year 2017

In January 2023 Minnesota law was updated to recognize the Internal Revenue Code as amended through December 15, 2022. However, some nonconformity adjustments still apply due to retroactive Minnesota modifications enacted in the tax bill.

## How to Report the Federal Adjustments

If any of the federal provisions in these instructions affect the amount of taxable income reported on your 2017 federal Form 1120S, U.S. Income Tax Return for an S Corporation, you must adjust your 2017 Minnesota return. The adjustment should reflect the change to your Minnesota return as a result of the retroactive Minnesota modifications.

If you have to amend as a result of conformity within the January 2023 Minnesota tax bill, only adjust your amended return to update composite income tax for electing shareholders.

You do **not** need to update nonresident withholding amounts. You may need to amend, and issue updated Schedules KS if your shareholder(s) need additional information to update their return(s). For example, if you claimed federal bonus depreciation on qualified improvement property (QIP) and adjusted the shareholder's bonus depreciation addition as a result of the QIP nonconformity adjustment.

If you are amending solely due to the January 2023 Minnesota tax bill, write "Conformity" in red at the top of the Minnesota Form M8X.

Subtotal all nonconformity adjustments (positive and negative) calculated from the provisions listed below. If the net of all adjustments results in an increase of your federal taxable income (FTI), enter the shareholder's share of the net adjustment as a positive number on line 8b of Schedule KS. If the net of all adjustments results in a reduction of your FTI, enter the shareholder's share of the net adjustment as a positive number on line 10b of Schedule KS. Enter the following codes in the box that corresponds with the line on which you included the appropriate adjustment:

- Code 17: **TCDTR section 203**
- Code 18: All FFCRA sections
- Code 20: CARES Act section 2307
- Code 21: All other CARES Act sections

To report the differences for Minnesota tax purposes, you must attach to your Form M8 or Form M8X a list of the federal provisions affecting your taxable income by section

number and show how you calculated each adjustment amount.

## Provisions that May Require an Income Adjustment

### TCDTR Sections

#### Section 124. Qualified Fuel Cell Motor Vehicles

**These instructions no longer apply.** If you claimed the Qualified Fuel Cell Motor Vehicles on your federal return that impacted your FTI, reverse the tax impacts to your FTI.

#### Section 125. Alternative Fuel Refueling Property Credit

If you claimed the Alternative Fuel Refueling Property Credit on your federal return, adjust the property's basis without regard to the basis reduction required under current federal law. Include any adjustments to FTI as a result of this Minnesota change in basis.

#### Section 126. 2-Wheeled Plug-in Electric Vehicle Credit

If you claimed the 2-Wheeled Plug-In Electric Vehicle Credit on your federal return, adjust the vehicle's basis without regard to the basis reduction required under current federal law. Include any adjustments to FTI as a result of this Minnesota change in basis.

#### Section 129. Energy Efficient Homes Credit

If you claimed the Energy Efficient Homes Credit on your federal return, adjust the property's basis without regard to the basis reduction required under current federal law. Include any adjustments to FTI as a result of this Minnesota change in basis.

#### Section 203. Employee Retention Credit for Employers Affected by Qualified Disasters

If you were not allowed to deduct wages due to claiming the Employee Retention Credit on your federal return, include the amount of the disallowed wages as a negative number.

### CARES Act Sections

#### Section 2307. Qualified Improvement

**These instructions no longer apply.** If you claimed federal bonus depreciation on qualified leasehold improvement property, qualified restaurant property, or qualified retail improvement property, determine the difference between the federal bonus depreciation you claimed on this property, and the cost recovery deduction or expensing method you would have been able to claim prior to the CARES Act. This may include a Minnesota modification for

section 179 expensing. Include the result as **These instructions no longer apply.**

If you filed an amended federal return increasing your federal bonus depreciation as a result of this provision of the CARES Act, do not adjust your Minnesota addition for bonus depreciation on line 5 of Schedule KS.