DEPARTMENT OF REVENUE

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# 2024 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 for qualifying owners. Complete lines 1 through 27 with amounts attributable to shareholders and nonresident partners.

| | | | |
|---|---|---|---|
| **1** | 80% of federal bonus depreciation *(see instructions)* | **1** ■ | |
| **2** | Additions for foreign-derived intangible income (FDII) deduction | **2** ■ | |
| **3** | Addition or subtraction due to federal changes not adopted by Minnesota *(see instructions)* | **3** ■ | |
| **4** | State income taxes deducted by the entity to determine net income *(see instructions)* | **4** ■ | |
| **5** | Combine 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: Deferred foreign income, delayed business interest, and Employee Retention Credit | **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** | Amount on line 14 attributable to resident qualifying shareholders, nonresident qualifying shareholders, and nonresident qualifying partners whose Minnesota income tax liability is not satisfied by this entity level tax. | **15** ■ | |
| **16** | For qualifying shareholders and qualifying partners whose attributes are included on line 15, enter one-fifth of the bonus depreciation that was added back in a year the shareholder or partner elected to be included in the composite income tax or the entity filed Schedule PTE. | **16** ■ | |
| **17** | For qualifying shareholders and qualifying partners whose attributes are included on line 15, enter one-fifth of the section 179 expensing that was added back in a year the shareholder or partner elected to be included in the composite income tax or the entity filed Schedule PTE | **17** ■ | |
| **18** | Add lines 16 and 17 | **18** | |
| **19** | Multiply line 18 by line 6 | **19** ■ | |
| **20** | Subtract line 19 from line 15 | **20** | |

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**21** Multiply line 20 by 9.85% (.0985) . . . . . **21** ■ _____

**22** Subtract line 15 from line 14 . . . . . **22** _____

**23** For qualifying shareholders and qualifying partners whose attributes are included on line 22, enter one-fifth of the bonus depreciation that was added back in a year the shareholder or partner elected to be included in the composite income tax or the entity filed Schedule PTE . . . . . **23** ■ _____

**24** For qualifying shareholders and qualifying partners whose attributes are included on line 22, enter one-fifth of the section 179 expensing that was added back in a year the shareholder or partner elected to be included in the composite income tax or the entity filed Schedule PTE. . . . . **24** ■ _____

**25** Add lines 23 and 24, multiply the result by line 6 . . . . . **25** ■ _____

**26** Subtract line 25 from line 22 . . . . . **26** _____

**27** Multiply line 26 by 9.85% (.0985) . . . . . **27** ■ _____

**28** Enter the amount from Schedule PTE-RP line 13 . . . . . **28** ■ _____

**29** Add lines 21, 27, and 28. **Enter this amount on Form M3, line 2, or Form M8, line 3**. . . . . **29** _____

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

# 2024 Schedule PTE Instructions

## 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.** Partnerships and S corporations should not amend Schedule PTE for a refund as a result of the changes within the 2026 Minnesota tax bill, unless the partners or shareholders have elected for the entity to satisfy their filing requirement through the PTE election. If this situation applies, do the following:

- Update amounts on Schedule PTE, Lines 1 through 15 and 22 through 27 and 29
- Do not update amounts on Schedule PTE, Lines 16 through 21 and 28
- Do not update Schedule PTE-RP, Pass-through Entity Tax for Resident Partners
- Update Form M3X or Form M8X with the update PTE Tax amount and pay the additional tax due or receive a refund for overpayment.

### The May 2023 tax bill modified the PTE by:

- Expanding eligibility by allowing partial elections if not all owners are qualifying owners.
- Requiring 100% allocation to Minnesota for resident partners.
- Removing the requirement that one qualifying owner must be subject to the limitation on state and local taxes (SALT Cap).
- Clarifying that a single member limited liability company (LLC) is eligible only if the LLC is taxed as a partnership or S corporation.

## Who is eligible?

Partnerships and S Corporations who have one or more qualifying owners 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 an 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 portion of the qualifying entity that is owned by qualifying owners. Once made, the election is binding on all qualifying 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 partners or shareholders who have $1,000,000 or more in Minnesota net investment income must file an income tax return to report Minnesota Net Investment Income Tax. See Schedule NIIT.

Nonresident individual or estate partners and shareholders who have the entity-level tax fulfill their income tax filing requirement, and who are not subject to the net investment income tax, 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, and who are not subject to the net investment income tax, 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 of Schedule KS for all 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) or owners who are not qualifying owners.

### 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 or owners who are not qualifying owners.

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# 2024 Schedule PTE Instructions (Continued)

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

**Partnerships:** Determine the total distributive share of federal bonus depreciation for nonresident partners who are qualifying owners. This amount must equal the total amount reported to these partners on Schedule KPI, line 4, multiplied by 80%.

**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 Schedule KS, line 4, multiplied by 80%.

### Line 2 – Addition due to Foreign-Derived Intangible Income (FDII) Deduction

**Partnerships:** Enter the total distributive share of FDII for nonresident partners who are qualifying owners. This line must equal the total amount reported to these partners on Schedule KPI, line 5.

**S Corporations:** Enter the total pro rata share of FDII for all shareholders who are qualifying owners. This line must equal the total amount reported to shareholders on Schedules KS line 5.

### Line 3 – Addition or Subtraction Due to Federal Changes Not Adopted by Minnesota

**Partnerships:** Enter the total distributive share of the addition or subtraction due to federal changes not adopted by Minnesota. This line must equal the total amount reported to these partners on Schedules KPI line 6 or line 19. Include the amount as a positive number if the adjustments were reported on line 6 of Schedules KPI or a negative number if the adjustments were reported on line 19 of Schedule KPI.

**S Corporations:** Enter the total pro rata share of the addition or subtraction due to federal changes not adopted by Minnesota. This line must equal the total amount reported to these shareholders on Schedules KS line 6 or line 19. Include the amount as a positive number if the adjustments were reported on line 6 of Schedules KS or a negative number if the adjustments were reported on line 19 of Schedule KS.

### Line 4 – State Income Taxes Deducted

**Partnerships:** Enter the total distributive share of state income taxes deducted by the entity for nonresident partners who are qualifying owners. This line must equal the total amount reported to these 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 shareholders as if they were nonresidents.

**Partnerships:** Enter the total distributive share of federal amounts reported on Schedule K-1 (1065) for all nonresident partners who are qualifying owners. This line must equal the total amount reported to these partners on Schedule KPI lines 40 through 50, reduced by the amount on line 51.

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.

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 40 through 48, reduced by the amount on line 49.

### Line 10 – Deferred Foreign Income, Delayed Business Interest, and Employee Retention Credit

**Partnerships:** Enter the total distributive share of deferred foreign income (section 965) and delayed business interest for all nonresident partners who are qualifying owners. Also include the amount of wages not deducted from income in the current taxable year and used for the calculation of the federal Employee Retention Credit under CARES Act Sec. 2301; TCDTR20 Sec. 206 and 207; and/or ARPA Sec. 9651. This line must equal the total amount reported to these partners on Schedule KPI lines 15 and 17.

**S Corporations:** Enter the total pro rata share of DFI and delayed business interest for all shareholders. Also include the amount of wages not deducted from income in the current taxable year and used for the calculation of the federal Employee Retention Credit under CARES Act Sec. 2301; TCDTR20 Sec. 206 and 207; and/or ARPA Sec. 9651. This line must equal the total amount reported to shareholders on Schedule KS lines 15 and 17.

### 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 nonresident partners who are qualifying owners. This line must equal the total amount reported to these partners on Schedule KPI line 18.

**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 18.

### Line 15 – Income for Owners Whose Filing Requirement is Not Fulfilled by Schedule PTE

**Partnerships:** Do not include amounts attributable to resident partners. Determine the amount on line 14 attributable to nonresident partners whose filing requirement is not fulfilled by Schedule PTE. Enter that amount on line 15.

**S Corporations:** Determine the amount on line 14 attributable to resident and nonresident shareholders whose filing requirement is not fulfilled by Schedule PTE. Enter that amount on line 15.

### Line 16 – Delayed Bonus Depreciation

Determine the amount of bonus depreciation included on your 2021, 2022, and 2023 Schedule PTE, line 1, attributable to owners whose 2024 filing requirement is not fulfilled by Schedule PTE. Multiply that amount by 20%.

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# 2024 Schedule PTE Instructions (Continued)

Also include 20% of bonus depreciation added back in 2019 and 2020 attributable to owners whose 2024 filing requirement is not satisfied by Schedule PTE, who were included in the entity's composite return that year.

### Line 17 – Delayed Section 179

Determine the 2019 Sec. 179 expensing attributable to owners whose 2024 filing requirement is not satisfied by Schedule PTE, who were included in the entity's composite return that year. Enter 20% of that amount on line 17.

### Lines 22 through 27

Lines 22 though 27 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 33 of the Schedules KPI or KS you issue to these partners or shareholders.

### Lines 23 and 24 – 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 23 – 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 2019-2023. Do not included 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 2019-2023. Do not included federal bonus depreciation distributed to the shareholder in a year for which the shareholder filed Form Ml.

## Line 24 – 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 year 2019. Do not included amounts distributed to the partner in a year for which the partner filed Form Ml.

**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 year 2019. Do not include amounts distributed to the shareholder in a year for which the shareholder filed Form Ml.

### Line 27 – Tax Less Certain Credits

**Partnerships:** Multiply the amount on line 26 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 23-25, 27-32, and 34 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 26 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 23-25, 27-32, and 34 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 who are qualifying owners. Include partners whose attributes are included on Schedule PTE RP.

**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 2024 tax year. Enter "no" in the box if the partner or shareholder was not a Minnesota resident at any time during the 2024 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 20 or 26. Partnerships, also include partner's income amounts reported on Schedule PTR-RP, line 12.

**Share of Taxes Paid** – Enter the partners or shareholders share of the pass through entity tax. Also report this amount on line 33 of the Schedule KPI, or Schedule KS issued to the partner or shareholder.

**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.