

# 2024 Schedule KF Instructions

## Beneficiary's use of information provided on Schedule KF

### Purpose of Schedule KF

Schedule KF is a supplemental schedule provided by the fiduciary to its beneficiaries. The beneficiaries need this information to complete a Form M1, *Minnesota Individual Income Tax Return*, or Form M2, *Income Tax Return for Estates and Trusts*.

The schedule shows each beneficiary their specific share of the fiduciary's income, credits and modifications. An individual beneficiary who is a Minnesota resident must report all income from the trust or estate. All other beneficiaries must report income which is allocable to Minnesota.

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

**If you received an amended Schedule KF** from the fiduciary and your income or deductions have changed, you must file an amended Minnesota return. To amend your return, use Form M1X, *Amended Minnesota Income Tax Return*, or Form M2X, *Amended Income Tax Return for Estates and Trusts*.

### Line Instructions

*Include amounts on the appropriate lines as shown on Schedule KF.*

#### Line 1 – State and Municipal Bond Interest

**Individuals:** Include on line 1 of Schedule M1M.

**Estates and Trusts:** Include on line 43 of Form M2.

#### Line 2 – State Taxes Deducted

**Individuals:** Include on line 2 of Schedule M1MB.

**Estates and Trusts:** Include on line 44 of Form M2.

#### Line 3 – Expenses Deducted Attributed to Income Not Taxed by Minnesota

**Individuals:** Include on line 3 of Schedule M1M.

**Estates and Trusts:** Include on line 45 of Form M2.

#### Line 4 – 80% Suspended Loss of Bonus Depreciation

**Individuals:** See Schedule M1MB, worksheet for line 4 instructions, to determine how to report this amount.

**Estates and Trusts:** Include on line 46 of Form M2.

#### Line 5 – 80% Federal Bonus Depreciation

**Individuals:** See Schedule M1MB, worksheet for line 1 instructions, to determine how to report this amount.

**Estates and Trusts:** Include this amount on step 2 for the worksheet to determine Line 47 of the Form M2.

#### Lines 6a, 6b, and 6c – Accelerated Installment Sale Gains

**Nonresident Individuals:** If any information is reported to you on line 6 of Schedule KF, file Form M1AR, *Accelerated Recognition of Installment Sale Gains*, with your Minnesota individual income tax return.

**Resident Individuals:** If any information is reported to you on line 6 of Schedule KF, retain a copy of this schedule for your records for the entire period that you or an entity you have an interest in is receiving installment sale payments. If you become a nonresident in a future year while payments are being made, you are required to file Form M1AR, *Accelerated Recognition of Installment Sale Gains*, with your final resident tax return.

**Estates and Trusts:** Pass through pro rata to your beneficiaries.

#### Line 7

This line is intentionally left blank.

#### Line 8 – Net Operating Loss (NOL) Carryover Adjustment

**Individuals:** Include on line 5 of Schedule M1MB.

**Estates and Trusts:** Include on line 50 of Form M2.

#### Line 9 – Foreign Derived Intangible Income (FDII) Deduction

**Individuals:** Include on line 3 of Schedule M1MB.

**Estates and Trusts:** Include on line 51 of Form M2.

#### Line 10 - Other Additions

**Individuals:** Include on the appropriate line on Schedule M1M.

**Estates and Trusts:** Include on line 52 of Form M2.

## 2024 Schedule KF Instructions (continued)

### Lines 11 through 15

These lines are intentionally left blank.

### Line 16 – Interest on U.S. Government Bond Obligations

**Individuals:** Include on line 14 of Schedule M1M.

**Estates and Trusts:** Include on line 58 of Form M2.

### Line 17 – State Income Tax Refund

**Individuals:** Include on line 6 of Form M1.

**Estates and Trusts:** Include on line 59 of Form M2.

### Line 18 – Federal Bonus Depreciation Subtraction

**Individuals:** Include on line 10 of Schedule M1MB.

**Estates and Trusts:** Include on line 60 of Form M2.

### Line 19 – Subtraction for Railroad Maintenance Expenses

**Individuals:** Include on line 14 of Schedule M1MB.

**Estates and Trusts:** Include on line 62 of Form M2.

### Line 20

This line is intentionally left blank.

### Line 21 – Net Operating Loss (NOL) Carryover Adjustment

**Individuals:** Include on line 13 of Schedule M1MB.

**Estates and Trusts:** Include on line 63 of Form M2.

### Line 22 – Deferred Foreign Income/Employee Retention Credit

**Individuals:** Include on line 17 of Schedule M1MB.

**Estates and Trusts:** Include on line 64 of Form M2.

### Line 23 – Disallowed Section 280E Expenses of a Licensed Cannabis or Hemp Business

**Individuals:** Include on line 16 of Schedule M1MB.

**Estates and Trusts:** Include on line 65 of Form M2.

### Line 24 - Delayed Business Interest

**Individuals:** Include on line 18 of Schedule M1MB.

**Estates and Trusts:** Include on line 66 of Form M2.

### Line 25 - Other Subtractions

**Individuals:** Include on the appropriate line on Schedule M1M.

**Estates and Trusts:** Include on Line 68 of Form M2.

### Lines 26 through 29

These lines are intentionally left blank.

### Lines 30 and 31 – Adjustments to Net Investment Income

Individuals, estates and trusts with investment income in excess of \$1 million may need to pay a Minnesota net investment income tax. The net gain on the sale of Class 2a property and related expenses are excluded from the calculation of Minnesota net investment income subject to the Minnesota net investment income tax. Use Schedule NIIT, Net Investment Income Tax, to determine if you are required to pay the tax on your Form M1 or Form M2 return.

### Line 32 – Minnesota Income Tax Withholding Credit

**Individuals:** Include on line 7, column C of Schedule M1W. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 28 of Form M2. To claim this credit, you must include this schedule with Form M2.

### Line 33 – Credit for Increasing Research Activities

**Individuals:** Include on line 16 of Schedule M1C. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 22 of Form M2. To claim this credit, you must include this schedule with Form M2.

### Line 34 - Film Production Tax Credit

**Individuals:** Include on line 11 of Schedule M1C and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 17 of Form M2 and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M2.

## 2024 Schedule KF Instructions (continued)

### Line 35 – Tax Credit for Owners of Agricultural Assets

**Individuals:** Include on line 12 of Schedule M1C and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 18 of Form M2 and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M2.

### Line 36 - State Housing Tax Credit

**Individuals:** Include on line 15 of Schedule M1C and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 19 of Form M2 and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M2.

### Line 37 - Short Line Railroad Infrastructure Modernization Credit

**Individuals:** Include on line 14 of Schedule M1C. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 20 of Form M2. To claim this credit, you must include this schedule with Form M2.

### Line 38 - Credit for Sales of Manufactured Home Parks to Cooperatives

**Individuals:** Include on line 13 of Schedule M1C. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 21 of Form M2. To claim this credit, you must include this schedule with Form M2.

### Line 39 - Carryover Credits from Prior Years

**Individuals:** See Schedule M1C line 17 instructions to determine how to report this information.

**Estates and Trusts:** See Form M2 line 24 instructions to determine how to report this information.

### Line 40 - Credit for Sustainable Aviation Fuel

**Individuals:** Include on line 12 of Schedule M1REF and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 31 of Schedule M2 and enter the certificate number in the space provided. To claim this credit, you must include this schedule with Form M2.

### Line 41 – Credit for Historic Structure Rehabilitation

**Individuals:** Include on line 7 of Schedule M1REF and enter the NPS project number in the space provided. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 30 of Form M2 and enter the NPS project number in the space provided. To claim this credit, you must include this schedule with Form M2.

### Line 42 - Pass-Through Entity Tax Credit

**Individuals:** Include on line 10 of Schedule M1REF. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 27 of Form M2. To claim this credit, you must include this schedule with Form M2.

### Line 43 – Minnesota Backup Withholding

**Individuals:** Include on line 7, column C of Schedule M1W. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Pass through pro rata to your beneficiaries.

### Lines 44 – 47 Minnesota Portion of Federal Amounts

Lines 44 through 47 apply to estate, trust, and nonresident individual beneficiaries. All income of a Minnesota individual resident beneficiary is assigned to Minnesota, regardless of the source.

If certain items are not entirely included in your federal income because of passive activity loss limitation, capital loss limitations, section 179 limitations or for other reasons, include only the amounts that you included in your federal income.

**Individuals:** Use the information on lines 44 through 47 to complete Schedule M1NR.

**Estates and Trusts:** Use the information on lines 44 through 47 to complete Schedule M2NM.

### Line 48 – Minnesota Source Gross Income

Minnesota source gross income is used to determine if a nonresident individual is required to file a Minnesota individual income tax return. Gross income is income before business or rental deductions and does not include losses.

If your 2024 Minnesota source gross income is \$14,575 or more and you did not elect composite filing or have your filing requirement satisfied through a PTE tax filing, then you are required to file Form M1 and Schedule M1NC, *Nonresident/Party-Year Residents*.

If your 2024 Minnesota source gross income is less than \$14,575 and you had Minnesota tax withheld (see line 32 and line 43 of Schedule KF), file Form M1 and Schedule M1NR to receive a refund.

## 2024 Schedule KF Instructions (continued)

### Line 49 – Minnesota Source Distributive Income

Although Minnesota source gross income (line 48 of Schedule KF) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

Lines 49 and 50 were used to determine your share of the fiduciary's Minnesota source distributive income. You may need to refer to these amounts when you file your state's income tax return.

If you elected for the fiduciary to pay composite tax or have your filing requirement satisfied through a PTE tax filing, then you are not required to file Form M1.

### Line 50 – Minnesota Composite Income Tax

If you elected composite income tax, the amount paid on your behalf equals 9.85% of your Minnesota source distributive income on line 49, minus your share of any credits on lines 32, 34 through 41, and 43. You are not required to file Form M1.

## Forms and Information

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

Phone: 651-556-3075

This information is available in alternate formats.