

# 2021 Schedule KF Instructions

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## 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. A beneficiary who is a Minnesota resident must report all income from the trust or estate. A nonresident beneficiary 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 38 of Form M2.

#### Line 2 – State Taxes Deducted

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

**Estates and Trusts:** Include on line 39 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 40 of Form M2.

#### Line 4 – 80% Suspended Loss

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

**Estates and Trusts:** Include on line 41 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 42 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 – Addition Due to Federal Changes Not Adopted by Minnesota

**Individuals:** Not applicable.

**Estates and Trusts:** Not applicable.

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

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

**Estates and Trusts:** Include on line 45 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 46 of Form M2.

#### Lines 10 through 14

These lines are intentionally left blank.

#### Line 15 – Special Deduction Under Section 965

**Individuals:** Not applicable.

**Estates and Trusts:** Include on line 47 of Form M2.

## 2021 Schedule KF Instructions (continued)

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

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

**Estates and Trusts:** Include on line 54 of Form M2.

### Line 17 – State Income Tax Refund

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

**Estates and Trusts:** Include on line 55 of Form M2.

### Line 18 – Federal Bonus Depreciation Subtraction

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

**Estates and Trusts:** Include on line 56 of Form M2.

### Line 19 – Subtraction for Prior Addback of Reacquisition of Business Indebtedness Income

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

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

### Line 20 – Subtraction for Railroad Maintenance Expenses

**Individuals:** Include on line 15 of Schedule M1MB.

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

### Line 21 – Subtraction Due to Federal Changes not Adopted by Minnesota

**Individuals:** Not applicable.

**Estates and Trusts:** Not applicable.

### Line 22 – Net Operating Loss (NOL) Carryover Adjustment

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

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

### Line 23 – Deferred Foreign Income (Section 965)

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

**Estates and Trusts:** Include on line 61 of Form M2.

### Line 24 – Global Intangible Low-Taxed Income (GILTI)

**Individuals:** Include on line 19 of Schedule M1MB.

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

### Line 25 – Disallowed Section 280E Expenses of Medical Cannabis Manufacturers

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

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

### Lines 26 through 30

These lines are intentionally left blank.

### Line 31 –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 24 of Form M2. To claim this credit, you must include this schedule with Form M2.

### Line 32 – Credit for Increasing Research Activities

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

**Estates and Trusts:** Include on line 19 of Form M2. To claim this credit, you must include this schedule with Form M2.

### Line 33 - Film Production Tax Credit

**Individuals:** Include on line 11 of Form 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 16 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 34 – Tax Credit for Owners of Agricultural Assets

**Individuals:** Include on line 12 of Form 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.

## 2021 Schedule KF Instructions (continued)

### Line 35 – Credit for Historic Structure Rehabilitation

**Individuals:** Include on line 6 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 26 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 36 - Pass-Through Entity Tax Credit

**Individuals:** Include on line 9 of Schedule M1REF. To claim this credit, you must include this schedule with Form M1.

**Estates and Trusts:** Include on line 23 of Form M2. To claim this credit, you must include this schedule with Form M2.

### Line 37 – 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 38 – 41 Minnesota Portion of Federal Amounts

Lines 38-41 apply to nonresident beneficiaries. All income of a Minnesota individual resident is assigned to Minnesota, regardless of the source.

If certain items are not entirely included in your federal adjusted gross 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 adjusted gross income.

**Individuals:** Use the information on lines 38-41 to complete Schedule M1NR.

**Estates and Trusts:** Use the information on lines 38-41 to complete line 7 of Form M2. See Form M2 instructions for details.

### Line 42 – Minnesota Source Gross Income

Minnesota source gross income is used to determine if a nonresident 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 2021 Minnesota source gross income is \$12,525 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 2021 Minnesota source gross income is less than \$12,525 and you had Minnesota tax withheld (see line 31 and line 37 of Schedule KF), file Form M1 and Schedule M1NR to receive a refund.

### Line 43 – Minnesota Source Distributive Income

Although Minnesota source gross income (line 42 of Schedule KF) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

Lines 43 – 44 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 44 – Minnesota Composite Income Tax

If you elected composite income tax, the amount paid on your behalf equals 9.85% of your Minnesota taxable income on line 43, minus your share of any credits on lines 31, 33-35, and 37. 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.