

2020 Schedule KS Instructions

Shareholder's use of information provided on Schedule KS

Purpose of Schedule KS

Schedule KS is a supplemental schedule provided by the S corporation to its shareholders. The shareholders need this information to complete:

- Form M1, *Minnesota Individual Income Tax Return*
- Form M2, *Minnesota Income Tax Return for Estates and Trusts*
- Form M2SB, *Minnesota Income Tax Computation for S Portion of ESBT*

An individual shareholder who is a Minnesota resident will be taxed by Minnesota on all of his or her distributive income from the S corporation even if the income is apportioned between Minnesota and other states. An individual nonresident shareholder will be taxed on the Minnesota distributive income from the S corporation.

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

You must include Schedule KS when you file your Form M1. If you do not include the schedule with your return as required, the department will disallow any credits and assess the tax or reduce your refund.

If you received an amended Schedule KS from the S corporation 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 KS.

Line 1 – Non-Minnesota State and Municipal Bond Interest

Individuals: Include on line 1 of Schedule M1M.

Estates and Trusts: Include on line 35 of Form M2.

Electing Small Business Trusts: Include on line 12 of Form M2SB

Line 2 – State Taxes Deducted

Individuals: Include on line 5 of Schedule M1M.

Estates and Trusts: Include on line 36 of Form M2.

Electing Small Business Trusts: Include on line 13 of Form M2SB.

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

Individuals: Include On line 6 of Schedule M1M.

Estates and Trusts: Include on line 37 of Form M2.

Electing Small Business Trusts: Include on line 14 of Form M2SB.

Line 4 – This Line Intentionally Left Blank

Line 5 – Federal Bonus Depreciation

Individuals: See Schedule M1M, worksheet for line 3 instructions, to determine how to report this amount.

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

Electing Small Business Trusts: Include on line 16 of Form M2SB.

Line 6 – Foreign Derived Intangible Income (FDII) Deduction

Individuals: Include on line 7 of Schedule M1M.

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

Electing Small Business Trusts: Include on line 16 of Form M2SB.

Line 7 – Special Deduction Under Section 965

Individuals: This line does not apply.

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

Electing Small Business Trusts: Include on line 21 of Form M2SB.

Lines 8a, and 8b – Accelerated Installment Sale Gains

Nonresident Individuals: If any information is reported to you on line 8a of Schedule KS, file Form M1AR, *Accelerated Recognition of Installment Sale Gains*, with your Minnesota individual income tax return.

2020 Schedule KS Instructions (Continued)

Resident Individuals: If any information is reported to you on line 8 of Schedule KS, 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.

Electing Small Business Trusts: This line does not apply.

Line 9 – Addition Due to Federal Changes Not Adopted by Minnesota

Individuals: This line does not apply.

Estates and Trusts: This line does not apply.

Electing Small Business Trusts: This line does not apply.

Line 12 – Interest on U.S. Government Bond Obligations

Individuals: Include on line 18 of Schedule M1M.

Estates and Trusts: Include on line 48 of Form M2.

Electing Small Business Trusts: Include on line 25 of Form M2SB.

Line 13 – Deferred Foreign Income (Section 965)

Individuals: Include on line 43 of Schedule M1M.

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

Electing Small Business Trusts: Include on line 32 of Form M2SB.

Line 14 – Global Intangible Low-Taxed Income (GILTI)

Individuals: Include on line 44 of Schedule M1M.

Estates and Trusts: Include On line 56 of Form M2.

Electing Small Business Trusts: Include on line 33 of Form M2SB.

Line 15 – Disallowed Section 280E Expenses of Medical Cannabis Manufacturers

Individuals: Include on line 31 of Schedule M1M.

Estates and Trusts: Include on line 57 of Form M2.

Electing Small Business Trusts: Include on line 34 of Form M2SB.

Line 16 – Subtraction Due to Federal Changes Not Adopted by Minnesota

Individuals: This line does not apply.

Estates and Trusts: This line does not apply.

Electing Small Business Trusts: This line does not apply.

Line 17 – Credit for Increasing Research Activities

Individuals: Include on line 12 of Form M1C. To claim this credit, you must include this schedule with Form M1.

Estates and Trusts: Include on line 18 of Form M2. To claim this credit, you must include this schedule with Form M2.

Electing Small Business Trusts: This line does not apply.

Line 18 – Tax Credit for Owners of Agricultural Assets

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.

Electing Small Business Trusts: This line does not apply.

Line 19 – 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 23 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.

Electing Small Business Trusts: This line does not apply.

Line 20 – Employer Transit Pass Credit

Of the credit amount from Schedule ETP, any amount not claimed on line 6 of Form M8 may be passed through to shareholders based on their distributive share.