

# Shareholder's Share of Income, Credits and Modifications 2016

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

Tax year beginning \_\_\_\_\_, 2016 and ending \_\_\_\_\_

Amended KS: ☐

Print or Type	Shareholder's Federal ID or Social Security Number		S Corporation's Federal ID Number		S Corporation's Minnesota Tax ID	
	Shareholder's Name		S Corporation's Name			
	Mailing Address		Mailing Address			
	City	State	Zip Code	City	State	Zip Code
	Entity of Shareholder (place an X in one box):		<input type="checkbox"/> Individual	<input type="checkbox"/> Estate	Shareholder's percentage of stock ownership for tax year: _____ %	
		<input type="checkbox"/> Trust	<input type="checkbox"/> Exempt Organization			

Calculate lines 1–18 the same for all resident and nonresident shareholders. Calculate lines 19–33 for nonresident shareholders only. Round amounts to the nearest whole dollar.

## Modifications to Federal Taxable Income

**Form M1 filers,  
include on:**

- 1 Interest income from non-Minnesota state and municipal bonds . . . . . **1** ■ \_\_\_\_\_ M1M, line 4
- 2 State income tax deducted in arriving at ordinary or net rental income . . . . **2** ■ \_\_\_\_\_ M1M, line 7
- 3 Expenses deducted that are attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) . . . . **3** ■ \_\_\_\_\_ M1M, line 9
- 4 If the S corporation elected section 179 expensing, enter the shareholder's flow-through section 179 expensing **for Minnesota purposes** . . . **4** ■ \_\_\_\_\_ M1M, see line 6 inst.
- 5 100% of shareholder's pro rata share of federal bonus depreciation . . . . **5** ■ \_\_\_\_\_ M1M, see line 5 inst.
- 6 Fines, fees and penalties deducted federally as a trade or business expense . . . . . **6** ■ \_\_\_\_\_ M1M, line 10
- 7 Addition due to federal changes not adopted by Minnesota . . . .  . . **7a** ■ \_\_\_\_\_ M1NC, see inst.  
 . . **7b** ■ \_\_\_\_\_ M1NC, see inst.
- 8 Interest from U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income . . . . **8** ■ \_\_\_\_\_ M1M, line 16
- 9 Subtraction due to federal changes not adopted by Minnesota . . . .  . . **9a** ■ \_\_\_\_\_ M1NC, see inst.  
 . . **9b** ■ \_\_\_\_\_ M1NC, see inst.
- 10 Credit for increasing research activities . . . . . **10** ■ \_\_\_\_\_ M1C, line 3
- 11 Greater Minnesota Internship Credit . . . . . **11** ■ \_\_\_\_\_ M1B, line 3
- 12 Credit for historic structure rehabilitation and enter NPS project number: . . . . .  . . **12** ■ \_\_\_\_\_ M1B, line 2
- 13 Employer Transit Pass Credit . . . . . **13** ■ \_\_\_\_\_ M1C, line 4
- 14 Enterprise Zone Credit . . . . . **14** ■ \_\_\_\_\_ M1B, line 4

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## Shareholder's Share of Income, Credits and Modifications 2016 (continued)

Shareholder's Name		Shareholder's Social Security Number
S Corporation's Name	S Corporation's Federal ID Number	S Corporation's Minnesota ID Number

**Relating to Alternative Minimum Tax**

All Shareholders

- 15** Intangible drilling costs ..... **15** ☐ Lines 15-18 are used to compute M1MT, lines 6 and 7. See M1MT instructions for details.
- 16** Gross income from oil, gas and geothermal properties ..... **16** ☐
- 17** Deductions allocable to oil, gas and geothermal properties ..... **17** ☐
- 18** Depletion ..... **18** ☐

**Minnesota Portion of Amounts From Federal Schedule K-1 (1120S)**

Nonresident Shareholders

- 19** Minnesota source gross income ..... **19** ☐ information (see *inst.*)
- 20** Ordinary Minnesota source income (loss) from trade or business activities ..... **20** ☐ M1NR, line 6, col B
- 21** Income (loss) from Minnesota rental real estate and other Minnesota rental activities ..... **21** ☐ M1NR, line 6, col B
- 22** Interest income ..... **22** ☐ M1NR, line 2, col B
- 23** Ordinary dividends ..... **23** ☐ M1NR, line 2, col B
- 24** Royalties ..... **24** ☐ M1NR, line 6, col B
- 25** Net Minnesota short-term capital gain (loss) ..... **25** ☐ M1NR, line 4, col B
- 26** Net Minnesota long-term capital gain (loss) ..... **26** ☐ M1NR, line 4, col B
- 27** Section 1231 Minnesota net gain (loss) ..... **27** ☐ M1NR, line 4 or 8, col B
- 28** Other Minnesota income (loss). (Describe type of income or include separate sheet: ..... ) ..... **28** ☐ M1NR, line 8, col B
- 29** Section 179 expense deduction apportionable to Minnesota ..... **29** ☐ M1NR inst, line 6, col B
- 30** S corporation's Minnesota apportionment factor (line 5, column C of M8A) ..... **30** ☐ information only

**Composite Income Tax or Nonresident Withholding**

- 31** Minnesota source distributive income (see instructions) ..... **31** ☐ see instructions
- 32** Minnesota composite income tax paid by S corporation. If the shareholder elected composite income tax, mark an X in this box: ☐ ..... **32** ☐ composite income tax
- 33** Minnesota income tax withheld for nonresident shareholder not electing to file composite income tax. If the shareholder completed and signed a Form AWC, mark an X in this box: ..... ☐ ..... **33** ☐ M1W, line 7, col C

**S corporations:** Include this schedule and copies of federal Schedules K and K-1 when you file your Form M8.**Shareholders:** Include this schedule when you file your Minnesota Form M1.

## Schedule KS Instructions 2016

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 a *Minnesota Individual Income Tax Return*, Form M1.

A 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. A 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*.

### Line Instructions

*Include amounts on the appropriate lines as shown on Schedule KS. Be sure to read the following line instructions for additional information.*

#### Line 4

##### Section 179 Expensing

See Schedule M1M, worksheet for line 6 instructions, to determine how to report this amount.

#### Line 5

##### Federal Bonus Depreciation Addition

Include this amount on the appropriate line on the worksheet for line 5 in the Schedule M1M instructions.

#### Line 10

##### Increasing Research Activities Credit

Include in the total on line 3 of Schedule M1C. To claim this credit, you must include this schedule with Form M1.

#### Line 11

##### Greater Minnesota Internship Credit

Include on line 3 of Schedule M1B. To claim this credit, you must include this schedule with Form M1.

#### Line 12

##### Historic Structure Rehabilitation Credit

Include in the total on line 2 of Schedule M1B and enter the NPS project number in the space provided. To claim this credit, you *must* include this schedule with Form M1.

#### Line 13

##### Employer Transit Pass Credit

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

Include this amount on line 4 of your Schedule M1C. To claim this credit, you *must* include this schedule with Form M1.

#### Line 14

##### Enterprise Zone Credit

Include on line 4 of Schedule M1B. To claim this credit, you *must* include this schedule with Form M1.

#### Line 19

##### Minnesota Source Gross Income

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

If your 2016 Minnesota source gross income is \$10,350 or more and you did not elect composite filing, you are required to file Form M1 and Schedule M1NR, *Nonresidents/Part-Year Residents*.

If your 2016 Minnesota source gross income is less than 10,350 and you had Minnesota tax withheld (see line 33), file Form M1 and Schedule M1NR to receive a refund.

#### Lines 20–29

##### Minnesota Portion of Federal Amounts

Lines 20–29 apply to nonresident shareholders. All income of a Minnesota 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 limitations, capital loss limitations, section 179 limitations or for other reasons, include only the amounts that you included in your federal adjusted gross income.

Include the amounts from lines 20–29 on the corresponding lines in column B of Schedule M1NR.

#### Lines 31–33

##### Composite Income Tax and Nonresident Withholding

Although Minnesota source gross income (line 19) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

Lines 31–33 were used to determine your share of the S corporation's Minnesota source distributive income. You may need to refer to these amounts when you file your home state's income tax return.

If you are required to pay Minnesota tax on your Minnesota source distributive income, the S corporation is required to withhold tax, unless you elect to have the S corporation pay composite tax to Minnesota on your behalf. If you elected for the S corporation to pay composite tax, you are not required to file Form M1.

**Line 31.** Your Minnesota source distributive income is considered your Minnesota taxable income from this S corporation.

If there is an amount on line 33 for Minnesota income tax was withheld, you must include your Minnesota source distributive income from line 31 on Schedule M1W, line 7, column B.

**Line 32.** If you elected composite income tax, the amount paid on your behalf equals 9.85 percent of your Minnesota taxable income on line 31, minus your share of any credits on lines 11–14. You are not required to file Form M1.

**Line 33.** If you did not elect composite income tax, the S corporation may be required to withhold tax from your Minnesota source distributive income. The amount withheld equals 9.85 percent of your Minnesota taxable income on line 31, minus your share of any credits on lines 11–14.

To claim nonresident withholding when you file your Form M1, include the amount from Schedule KS, line 33 on Schedule M1W, line 7, column C. Also include the amount from Schedule KS, line 31 on Schedule M1W, line 7, column B. You must include this schedule when you file your return.

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