



# 2020 KS, Shareholder's Share of Income, Credits and Modifications

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

Tax year beginning (MM/DD/YYYY) \_\_\_\_/\_\_\_\_/\_\_\_\_, and ending (MM/DD/YYYY) \_\_\_\_/\_\_\_\_/\_\_\_\_

Amended KS: ☐

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):  
☐ Individual  
☐ Trust  
☐ Estate  
☐ Exempt Organization

Shareholder's percentage of stock ownership for tax year: \_\_\_\_\_

Calculate lines 1–26 the same for all resident and nonresident shareholders. Calculate lines 27–41 for nonresident shareholders only. Round amounts to the nearest whole dollar.

## Modifications to Federal Taxable Income

**Form M1 filers,  
include on:**

- |  |                   |                       |
|--|-------------------|-----------------------|
| <b>1</b> Interest income from non-Minnesota state and municipal bonds . . . . .  | <b>1</b> ■ _____  | M1M, line 1           |
| <b>2</b> State taxes deducted in arriving at s corporation's net income . . . . .  | <b>2</b> ■ _____  | M1M, line 5           |
| <b>3</b> Expenses deducted that are attributable to income not taxed by Minnesota (other than interest or mutual fund dividends from U.S. bonds) . . . . .   | <b>3</b> ■ _____  | M1M, line 6           |
| <b>4</b> If the S corporation had section 179 expensing for property placed in service in a fiscal year beginning before January 1, 2020, enter the shareholder's flow-through section 179 expensing for <b>Minnesota purposes</b> . . . . . | <b>4</b> ■ _____  | M1M, see line 4 inst. |
| <b>5</b> 100% of shareholder's pro rata share of federal bonus depreciation . . . . .  | <b>5</b> ■ _____  | M1M, see line 3 inst. |
| <b>6</b> Foreign-derived intangible income (FDII) deduction . . . . .  | <b>6</b> ■ _____  | M1M, line 7           |
| <b>7</b> Special deduction under section 965 . . . . .   | <b>7</b> ■ _____  | See inst.             |
| <b>8a</b> Shareholder's pro rata gross profit from installment sales of pass-through businesses (see instructions) . . . . .   | <b>8a</b> ■ _____ | M1AR, line 1          |
| <b>8b</b> Shareholder's pro rata installment sale income from pass-through businesses (see instructions) . . . . .   | <b>8b</b> ■ _____ | M1AR, line 3          |
| <b>9</b> Addition due to federal changes not adopted by Minnesota (Schedule K SNC, line 24) . . . . .  | <b>9</b> ■ _____  |                       |
| <b>10</b> This line intentionally left blank . . . . .   | <b>10</b> ■ _____ |                       |
| <b>11</b> This line intentionally left blank . . . . .   | <b>11</b> ■ _____ |                       |
| <b>12</b> Interest from U.S. government bond obligations, minus any expenses deducted on the federal return that are attributable to this income . . . . .   | <b>12</b> ■ _____ | M1M, line 18          |
| <b>13</b> Deferred foreign income (section 965) . . . . .  | <b>13</b> ■ _____ | M1M, line 43          |
| <b>14</b> Global intangible low-taxed income (GILTI) . . . . .   | <b>14</b> ■ _____ | M1M, line 44          |



Shareholder's Name

Shareholder's Federal ID or Social Security Number

S Corporation's Name

S Corporation's Federal ID Number

S Corporation's Minnesota ID Number

<b>15</b> Disallowed section 280E expenses of medical cannabis manufacturers. . . . .	<b>15</b> ■	_____	M1M, line 31
<b>16</b> Subtraction due to federal changes not adopted by Minnesota . . . . . (Schedule KSNC, line 24 as a positive number)	<b>16</b> ■	_____	
<b>17</b> Credit for increasing research activities . . . . .	<b>17</b> ■	_____	M1C, line 12
<b>18</b> Tax Credit for Owners of Agricultural Assets . . . . .	<b>18</b> ■	_____	M1C, line 11
Enter the certificate number from the certificate received from the Rural Finance Authority:			
AO _____			
<b>19</b> Credit for historic structure rehabilitation. . . . .	<b>19</b> ■	_____	M1REF, line 6
Enter National Park Service (NPS) number _____			
<b>20</b> Employer Transit Pass Credit . . . . .	<b>20</b> ■	_____	M1C, line 5
<b>21</b> Enterprise Zone Credit . . . . .	<b>21</b> ■	_____	M1REF, line 7
<b>22</b> Minnesota backup withholding . . . . .	<b>22</b> ■	_____	M1W, line 7, col C
<b>Relating to Alternative Minimum Tax</b>			
<b>23</b> Intangible drilling costs . . . . .	<b>23</b> ■	_____	Lines 23-26 are used to compute M1MT, lines 6 and 7. See M1MT instructions for details.
<b>24</b> Gross income from oil, gas and geothermal properties . . . . .	<b>24</b> ■	_____	
<b>25</b> Deductions allocable to oil, gas and geothermal properties . . . . .	<b>25</b> ■	_____	
<b>26</b> Depletion . . . . .	<b>26</b> ■	_____	(see schedule KS inst.)
<b>Minnesota Portion of Amounts From Federal Schedule K-1 (1120S)</b>			
<b>27</b> Minnesota source gross income . . . . .	<b>27</b> ■	_____	information only
<b>28</b> Ordinary Minnesota source income (loss) from trade or business activities . . . . .	<b>28</b> ■	_____	M1NR, line 6, col B
<b>29</b> Income (loss) from Minnesota rental real estate and other Minnesota rental activities . . . . .	<b>29</b> ■	_____	M1NR, line 6, col B
<b>30</b> Interest income . . . . .	<b>30</b> ■	_____	M1NR, line 2, col B
<b>31</b> Ordinary dividends . . . . .	<b>31</b> ■	_____	M1NR, line 2, col B
<b>32</b> Royalties . . . . .	<b>32</b> ■	_____	M1NR, line 6, col B
<b>33</b> Net Minnesota short-term capital gain (loss) . . . . .	<b>33</b> ■	_____	M1NR, line 4, col B
<b>34</b> Net Minnesota long-term capital gain (loss) . . . . .	<b>34</b> ■	_____	M1NR, line 4, col B





Shareholder's Name

Shareholder's Federal ID or Social Security Number

S Corporation's Name

S Corporation's Federal ID Number

S Corporation's Minnesota ID Number

- 35** Section 1231 Minnesota net gain (loss) ..... **35** ■ \_\_\_\_\_ M1NR, line 4 or 8, col B
- 36** Other Minnesota income (loss). (*Describe type of income or include separate sheet:* \_\_\_\_\_) ..... **36** ■ \_\_\_\_\_ M1NR, line 8, col B
- 37** Section 179 expense deduction apportionable to Minnesota ..... **37** ■ \_\_\_\_\_ M1NR inst, line 6, col B
- 38** S corporation's Minnesota apportionment factor  
(*line 5, column C of M8A*) ..... **38** ■ \_\_\_\_\_ information only
- Composite Income Tax or Nonresident Withholding**
- 39** Minnesota source distributive income (*see instructions*) ..... **39** ■ \_\_\_\_\_ see schedule KS inst.
- 40** Minnesota composite income tax paid by S corporation. If the  
shareholder elected composite income tax, mark an X in this box: ☐ ..... **40** ■ \_\_\_\_\_ composite income tax
- 41** 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: ☐ ..... **41** ■ \_\_\_\_\_ 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.

# 2020 Schedule KS Instructions

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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 – Section 179 Expensing

*Individuals:* See Schedule M1M, worksheet for line 4 instructions, to determine how to report this amount.

*Estates and Trusts:* Not applicable.

### 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)

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*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.

# 2020 Schedule KS Instructions (Continued)

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*Individuals:* Include on line 5 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 21 – Enterprise Zone Credit**

*Individuals:* Include on line 7 of Form M1REF. 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.

*Electing Small Business Trusts:* This line does not apply.

## **Line 22 – 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. You must include this schedule with Form M1.

*Electing Small Business Trusts:* This line does not apply.

## **Lines 23 – 26 Items Relating to Alternative Minimum Tax**

*Individuals:* Use the information on lines 23 through 26 to complete Schedule M1MT.

*Estates and Trusts:* Use the information on lines 23 through 26 to complete Schedule M2MT.

*Electing Small Business Trusts:* These lines do not apply.

## **Lines 27 – 38 Minnesota Portion of Federal Amounts**

Lines 27-38 apply to nonresident individual shareholders, and Estate and Trust income tax payers.

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 adjusted gross income.

*Individuals:* Use the information on lines 27 through 38 to complete Schedule M1NR.

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 2020 Minnesota source gross income is \$12,400 or more and you did not elect composite filing, you are required to file Form M1 and Schedule M1NR, Nonresident/Party-Year Residents.

If your 2020 Minnesota source gross income is less than \$12,400 and you had Minnesota tax withheld (see line 23 and line 27 of Schedule KF), file Form M1 and Schedule M1NR to receive a refund.

*Estates and Trusts:* Use the information on lines 27 through 38 to complete Form M2.

## **Line 28**

*Individuals:* If you are a nonresident or part-year resident, include the amount on line 4, column B of Schedule M1NR.

*Estates and Trusts:* Use this information to complete line 7 of Form M2. See Form M2 instructions for details.

## **Line 29**

*Individuals:* If you are a nonresident or part-year resident, include the amount on line 6, column B of Schedule M1NR.

*Estates and Trusts:* Use this information to complete line 7 of Form M2. See Form M2 instructions for details.

## **Line 30**

*Individuals:* If you are a nonresident or part-year resident, include the amount on line 2, column B of Schedule M1NR.

*Estates and Trusts:* Use this information to complete line 7 of Form M2. See Form M2 instructions for details.

## **Line 31**

*Individuals:* If you are a nonresident or part-year resident, include the amount on line 8, column B of Schedule M1NR.

*Estates and Trusts:* Use this information to complete line 7 of Form M2. See Form M2 instructions for details.

## **Line 39 – Minnesota Source Distributive Income**

Although Minnesota source gross income (line 27 of Schedule KS) determines whether you must file a Minnesota return, your Minnesota source distributive income is ultimately taxed.

## **Line 40 – Minnesota Composite Income Tax**

*Individuals:* If you elected composite income tax filing, the amount paid on your behalf equals 9.85% of your Minnesota taxable income on line 33, minus your share of any credits on lines 18-22. You are not required to file Form M1.

*Estates and Trusts:* This line does not apply.

## **Line 41 – Minnesota Nonresident Withholding**

*Individuals:* Include the amount from line 41 on Schedule M1W, line 7, column C. Also include the amount from line 39 on Schedule M1W, line 7, column B.

*Estates and Trusts:* Include the amount from line 41 on Form M2, line 21.