



North Dakota Office of State Tax Commissioner

# 2006 Partnership Income Tax

Cory Fong, Tax Commissioner

## Form 58

**Includes:**  
Schedule FACT  
Schedule K  
Schedule KP  
Schedule K-1

### Need help?

Go to our web site:  
[www.nd.gov/tax](http://www.nd.gov/tax)

Download forms

Check our FAQs  
(frequently asked  
questions)

### E-mail your questions:

[individualtax@nd.gov](mailto:individualtax@nd.gov)  
[corptax@nd.gov](mailto:corptax@nd.gov)

Dear Taxpayer,

The Form 58 and instructions are completely new for 2006 and have been placed in their own booklet for the first time.

The new features include:

- A new schedule on which North Dakota adjustments and tax credits are identified.
- A new state version of Schedule K-1 for providing information to partners.
- Integration of the new passthrough entity withholding requirement into Form 58.
- Integration of the composite filing method into Form 58.
- More comprehensive set of instructions.

Integrating the passthrough withholding and composite filing into the Form 58 streamlines these processes for partnerships. The revised instructions contain more information as well as better guidance in completing Form 58. I invite you to let us know what you think about the new forms and instructions and what can be improved. Your comments help us to improve our services to you.

Please read these instructions carefully. If you have questions or need additional forms, go to our web site at [www.nd.gov/tax](http://www.nd.gov/tax). Or see the inside front cover of this booklet if you need to contact us by phone, e-mail, or letter.

Thank you,

Cory Fong,  
Tax Commissioner



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## Required forms

The following forms are needed to complete Form 58:

<b>Form 58</b>	Partnership return
<b>Schedule FACT</b>	Calculation of North Dakota apportionment factor
<b>Schedule K</b>	Total North Dakota adjustments, credits, and other items distributable to partners
<b>Schedule KP</b>	Partner information
<b>Schedule K-1</b>	Partner's share of North Dakota income (loss), deductions, adjustments, credits, and other items

The following forms may be needed:

<b>Form 58-EXT</b>	Partnership extension payment voucher
<b>Form 101</b>	Application for extension of time to file a North Dakota income tax return

Download these forms from our **web site at [www.nd.gov/tax](http://www.nd.gov/tax)**.



## Taxpayer Bill of Rights

You may get a copy of the North Dakota Taxpayer Bill of Rights by contacting the Office of State Tax Commissioner or by going to our web site at **[www.nd.gov/tax](http://www.nd.gov/tax)**

## Need help?

You can download forms and find other information on our web site at:

**[www.nd.gov/tax](http://www.nd.gov/tax)**

### E-mail

Individual income tax—

**[individualtax@nd.gov](mailto:individualtax@nd.gov)**

Corporation income tax—

**[corptax@nd.gov](mailto:corptax@nd.gov)**

### Call

Individual income tax—

Questions **(701) 328-1032**

Forms **(701) 328-3450**

Corporation income tax—

Questions/forms **(701) 328-2046**

Speech/hearing impaired

TDD **(800) 366-6888**

### Write

Office of State Tax Commissioner  
600 E. Boulevard Ave., Dept. 127  
Bismarck, ND 58505-0599

### Office

State Capitol, 16th Floor  
Monday through Friday  
8:00 a.m. to 5:00 p.m.  
(except holidays)

## Privacy Act Information

In compliance with the Federal Privacy Act of 1974, Public Law 93-579, the disclosure of a social security number or a federal employer identification number on this form is mandatory and is required under Subsections 1 and 7 of N.D.C.C. § 57-38-31. A social security number or federal employer identification number is used as an identification number by the Office of State Tax Commissioner for file control purposes, recordkeeping, and for cross-checking the taxpayer's files with the Internal Revenue Service.

# Form 58 Instructions

# 2006

## North Dakota Partnership Income Tax Return

"N.D.C.C." references are to the North Dakota Century Code, which contains North Dakota's statutes.

"N.D. Admin. Code" references are to the North Dakota Administrative Code, which contains North Dakota's rules.

## What's new for 2006

### New passthrough withholding requirement

Starting with the 2006 tax year, a partnership must withhold North Dakota income tax at the rate of 5.54 percent from the year-end distributive share of North Dakota source income of its nonresident individual partners. However, withholding is not required if:

- The distributive share of North Dakota income for the taxable year is less than \$1,000; or
- The nonresident individual partner elects to be included in a composite income tax return filed by the partnership.

The calculation, reporting, and payment of the income tax required to be withheld has been integrated into the 2006 Form 58. The partnership reports the withholding to the partner on North Dakota Schedule K-1 (Form 58), which is new for 2006. The partner claims the withheld income tax by entering it on the income tax withholding line of the North Dakota individual income tax return and attaching a copy of the North Dakota Schedule K-1. For complete information, see "Withholding from nonresident individual partners" on page 2.

### Changes to composite filing procedure

Starting with the 2006 tax year, the composite filing procedure that is available to a partnership with eligible nonresident individual partners has changed. The calculation, reporting, and payment of income tax under the composite filing method has been integrated into the 2006 Form 58. For complete information, see "Composite filing method" on page 3.

### New look for 2006 Form 58

Both the structure and content of Form 58 have changed for 2006. The form was revised to provide more information about

the partnership's income, gains, losses, deductions, adjustments, and tax credits, and the partners' shares of these items. Following are highlights of the new features of Form 58:

- The schedules making up Form 58 have been revised and renamed.
- A new schedule, Schedule K, was added on which the partnership must report the North Dakota adjustments and tax credits passed through to its partners.
- The new passthrough entity withholding requirement was integrated into Form 58, including payment of the withheld tax. See Schedule KP.
- The composite filing method available to a partnership with eligible nonresident individual partners was integrated into Form 58, including payment of the composite income tax. See Schedule KP.
- A new schedule, North Dakota Schedule K-1 (Form 58), was created. See "New state Schedule K-1" below.
- The instructions to Form 58 were revised and expanded to provide more comprehensive guidance on how to prepare the form.

### New state Schedule K-1

A new schedule, North Dakota Schedule K-1 (Form 58), has been created to provide partnerships with a means to convey to its partners the information they will need to properly complete their own North Dakota income tax returns. The schedule includes instructions to the partners to assist them in transferring the information from the schedule to their North Dakota income tax returns. See the instructions on page 8 for more information.

### New extension payment voucher

A new payment voucher, Form 58-EXT, has been created for a partnership to use to prepay any income tax withholding and composite income tax due in the case where the partnership obtains an extension of time to file Form 58. The 2006 Form 58-EXT is available on our web site at [www.nd.gov/tax](http://www.nd.gov/tax).

### Federal exemption of retirement payments

Federal legislation was passed in 2006 to provide that certain retirement payments made to retired partners are taxable only in the state in which the retired partner is a legal resident at the time of receipt. To be eligible, the retirement payments must satisfy certain criteria, including the following: (1) The payments must be made under a written plan in effect prior to the partner's retirement; (2) The payments must be made on account of prior services with the partnership; and, (3) The payments must be made at least annually in substantially equal amounts over a minimum period of ten years. For complete information, see Public Law 109-264, amending Section 114(b)(1)(I) of Title 4 of the U.S. Code.

### New disclosure check-off

A new check-off box has been added to Form 58 that the partnership may use to authorize the Office of State Tax Commissioner (Tax Department) to talk directly to the person who prepared the partnership's return. By checking the box, which is located next to the signature area on page 1 of Form 58, a partnership authorizes the Tax Department to contact the preparer with any questions that arise during the processing of the return. The partnership also authorizes its preparer to (1) provide information missing from the return, (2) contact the Tax Department about the status of the return's processing, and (3) respond to Tax Department notices that the partnership shares with the preparer relating to math errors and return preparation. The authorization only applies to the return on which it is made, and it automatically expires on the due date (excluding extensions) for filing the next year's return. The authorization applies only to the individual whose signature and printed name appears in the paid preparer section of the signature area. It does not apply to the firm, if any, shown in that section. The authorization does not authorize the tax preparer to receive a refund check, to bind the partnership in any way (including any additional tax liability), or to otherwise represent the partnership before the Tax Department.

## General instructions

### Who must file

A 2006 Form 58, *Partnership Income Tax Return*, must be filed by a partnership that meets both of the following:

- It is required to file a 2006 Form 1065, *U.S. Partnership Return of Income*, or 2006 Form 1065-B, *U.S. Return of Income for Electing Large Partnerships* (see “Investment partnership” below for an exception to this condition); and
- It carries on business, or derives gross income from sources, in North Dakota during its 2006 tax year.

**Exception for financial institution.** If an entity is a bank, trust company, bank holding company, or other financial institution defined under N.D.C.C. § 57-35.3-01(2), it is subject to the North Dakota financial institution tax and must file Form 35, *Financial Institution Tax Return*. Do not complete nor file Form 58 if required to file Form 35.

**Investment partnership.** A partnership that elects out of the partnership rules under I.R.C. § 761(a)(1) and does not file a federal partnership return must file a 2006 Form 58 if it carries on investment activity, or derives any gross income from sources, in North Dakota during its 2006 tax year. A 2006 Form 1065 must be completed on a pro forma basis and attached to Form 58.

**Limited liability company (LLC).** A limited liability company that is classified as a partnership for federal income tax purposes is treated like a partnership for North Dakota income tax purposes and must file Form 58 if it meets the above conditions for filing.

**Nonfiler penalty.** If a partnership does not file Form 58 after receiving a thirty-day notice to file by the Office of State Tax Commissioner, a minimum penalty of \$500 may be assessed.

### When and where to file

The 2006 Form 58 must be filed no later than:

- April 16, 2007, if filing for the 2006 calendar year; or
- The 15th day of the 4th month following the end of the tax year, if filing for a fiscal year beginning in the 2006 calendar year.

*Note: Use the 2005 Form 58 if the partnership's fiscal year began in the 2005 calendar year.*

Mail Form 58 and all required attachments to:

Office of State Tax Commissioner  
600 East Boulevard Ave., Dept. 127  
Bismarck, ND 58505-0599

### Extension of time to file

An extension of time to file Form 58 may be obtained in one of the following ways:

- Obtain a federal extension.
- Separately apply for a North Dakota extension.

**Federal extension.** If an extension of time to file the federal partnership return is obtained, it is automatically accepted as an extension of time to file Form 58. If this applies, a separate North Dakota extension does not have to be applied for, nor does the Office of State Tax Commissioner have to be notified that a federal extension has been obtained prior to filing Form 58. The “Extension” box on page 1 of Form 58 must be checked to indicate that a federal extension has been obtained. A copy of the federal extension form (Form 7004) **does not** have to be attached to Form 58; however, it should be retained on file in case the Office of State Tax Commissioner requests to see it.

**North Dakota extension.** If a federal extension is not obtained, but additional time is needed to complete and file Form 58, a separate North Dakota extension may be applied for by filing Form 101, *Application for Extension of Time to File a North Dakota Tax Return*. This is not an automatic extension—there must be good cause to request a North Dakota extension. Form 101 must be postmarked on or before the due date of Form 58. Notification of whether the extension is accepted or rejected will be provided by the Office of State Tax Commissioner. The “Extension” box on page 1 of Form 58 must be checked to indicate that an extension has been obtained. A copy of the approved Form 101 **does not** have to be attached to Form 58; however, it should be retained on file in case the Office of State Tax Commissioner requests to see it.

**Prepayment of tax due.** If an extension of time to file Form 58 is obtained and it is expected that there will be a tax balance due, the expected tax balance due may be paid on or before the regular due date. To do so,

send a check or money order along with a completed 2006 Form 58-EXT, *Partnership Extension Payment Voucher*, on or before the regular due date of Form 58.

Alternatively, a payment may be sent with a letter containing the following: (1) Name of partnership; (2) Partnership's FEIN; (3) Partnership's address and phone number; and (4) Statement that the payment is a 2006 Form 58-EXT payment.

### Estimated tax payment

A partnership may, but is not required to, make estimated tax payments of income tax expected to be due on Form 58. To make an estimated payment for the 2007 tax year, send a check or money order along with a completed 2007 Form 58-ES, *Partnership Estimated Tax Payment Voucher*.

### Withholding from nonresident individual partners

A partnership must withhold North Dakota income tax at the rate of 5.54 percent from the distributive share of North Dakota income of its nonresident individual partners. A partnership does not have to withhold North Dakota income tax from a nonresident individual's distributive share of North Dakota income if:

- The distributive share of North Dakota income is less than \$1,000; or
- The nonresident individual partner elects to have his or her distributive share of North Dakota income included in, and the tax on it calculated under, the composite filing method—see “Composite filing method” in the next section for more information.

The amount withheld for a partner is reported in Column 7, Schedule KP, Form 58. The partnership must submit a payment with Form 58 for the total withholding reported on Schedule KP. See the instructions to Schedule KP and Schedule K-1 (Form 58) for more information.

**Publicly traded partnership.** A publicly traded partnership as defined by section 7704(b) of the Internal Revenue Code that is treated as a partnership for federal income tax purposes is not subject to this withholding requirement if it reports each unitholder with a North Dakota distributive share of income over \$500 on Form 58, Schedule KP.

## Composite filing method

A composite filing method is available to a partnership with one or more eligible partners. Under this method, a partnership files one return, called a “composite return,” on behalf of one or more eligible partners. The composite return and the partnership’s payment of the income tax calculated on it satisfies the North Dakota income tax filing and payment obligations of the eligible partners who elect to be included in it. Therefore, they do not have to file their own North Dakota individual income tax return to report or pay tax on their distributive share of North Dakota income.

The use of the composite filing method by a partnership is optional, and is a choice that it may make on a year-to-year basis. The partnership does not have to obtain prior approval to use the composite filing method, and it may file a composite return regardless of whether it has income or a loss for the tax year.

**Exception to withholding.** A partnership does not have to withhold North Dakota income tax from the distributive share of North Dakota income of an eligible partner who elects to be included in a composite return.

**Eligible partner.** An eligible partner is an individual who:

- Is a nonresident of North Dakota; and
- Does not have any North Dakota income from other than the partnership or any other partnership, S corporation, trust, or limited liability company (filing as a partnership).

An eligible partner may elect to be included in a composite return regardless of the amount of the partner’s distributive share of North Dakota income (or loss). In the case of a loss, the composite tax is zero.

**Composite filing method procedure.** The distributive share of North Dakota income of an electing partner is multiplied by the highest individual income tax rate (5.54 percent for the 2006 tax year) to determine the partner’s composite income tax. (If the North Dakota distributive share is a loss, the composite tax is zero.) No adjustments, deductions, or tax credits are allowed in calculating the tax due under the composite filing method. The Form 58 serves as the composite return. The composite income tax calculated for a partner is reported in Column 8, Schedule KP, Form 58. The partnership must submit a payment with Form 58 for the total composite income tax reported on Schedule KP.

**Election.** If an eligible partner agrees to be included in a composite return, the partnership’s calculation and reporting of a composite income tax for the partner in Column 8 of Schedule KP of Form 58 constitutes the partner’s election to be included in the composite return.

## Correcting a previously filed return

If a partnership needs to correct an error in Form 58 after it is filed, the partnership must file an amended return. There is no special form for this purpose. See “How to prepare an amended return” below.

If a partnership paid too much tax because of an error in its 2006 Form 58, the partnership generally has three years from the later of the due date (excluding extensions) of the return or the date the return was actually filed in which to file an amended return to correct the error and claim a refund of the overpayment. See N.D.C.C. § 57-38-40 for other time periods that may apply.

### How to prepare an amended 2006 return

1. Obtain a blank 2006 Form 58.
2. Enter the partnership’s name, current address, FEIN, etc., in the top portion of page 1 of Form 58.
3. Check the “Amended return” box at the top of page 1 of Form 58.
4. Complete Schedules FACT, K, and KP using the corrected information. Then complete lines 1 through 3 on page 1 of Form 58.
5. Complete line 4 on page 1 of Form 58 by entering the total taxes due from the previously filed 2006 Form 58, page 1, line 3.
6. Complete line 5 (tax due) or line 6 (overpayment), whichever applies. If there is an overpayment on line 6, enter the full amount on line 8 (refund). On an amended return, the amount credited to the next year’s estimated tax (line 7) may not be increased or decreased.
7. Attach a statement explaining the reason(s) for filing the amended return. If it is because of changes the partnership or the IRS made to the partnership’s 2006 Federal Form 1065 (or 1065-B), attach a copy of the amended federal return or IRS notice.
8. Complete and provide a corrected Schedule K-1 to the partners, as required.

## Reporting federal changes

If the Internal Revenue Service (IRS) changes or audits the federal partnership return, or if a partnership files an amended federal partnership return, an amended North Dakota Form 58 must be filed within ninety days after the final determination of the IRS changes or the filing of the amended federal return. Enclose a copy of the IRS audit report or the amended federal partnership return with the amended North Dakota Form 58.

## W-2/1099 reporting requirement

Every partnership doing business in North Dakota that is required to file Federal Form 1099 or W-2 must also file one with the Office of State Tax Commissioner. For more information, obtain the document *Income Tax Guideline: Information Returns*.

## Use of information

All of the information on Form 58 and its attachments is confidential by law and cannot be given to others except as provided by state law. Information about the partners is required under state law so the Office of State Tax Commissioner can determine the partner’s correct North Dakota taxable income and verify if the partner has filed a return and paid the tax.

# General instructions for completing Form 58

## Complete Form 58 as follows:

1. Complete Federal Form 1065 (or 1065-B) in its entirety.
2. Complete Items A through J at the top of page 1 of Form 58—see page 4.
3. Complete Schedule FACT on page 2 of Form 58—see page 4.
4. Complete Schedule K on page 3 of Form 58—see page 5.
5. Complete Schedule KP on page 4 of Form 58—see page 6.
6. Complete lines 1 through 8 on page 1 of Form 58—see page 8.
7. Complete Schedule K-1, if required, for the partners—see page 8.

**Rounding of numbers.** Numbers may be entered on the return in dollars and cents, or they may be rounded to the nearest whole dollar. If rounding, drop the cents if less than 50 cents and round up to the next whole dollar amount if 50 cents or higher. For example, \$25.36 becomes \$25.00, and \$25.50 becomes \$26.00.

**Fiscal year filers.** The tax year for North Dakota income tax purposes must be the same as the tax year used for federal income tax purposes. Use the 2006 Form 58 if the partnership's taxable year began in the 2006 calendar year. *Note: Use the 2005 Form 58 if the taxable year began in the 2005 calendar year.*

## Specific line instructions for page 1 of Form 58, Items A-J

**Complete Items A through J at the top of page 1 of Form 58. Then complete Schedule FACT, Schedule K, and Schedule KP before completing lines 1 through 8 on page 1 of Form 58.**

### Item A Tax year

The same tax year used for federal income tax purposes (as indicated on the federal partnership return) must be used for North Dakota income tax purposes. Check the applicable box. If the partnership uses a fiscal year, enter the beginning and ending dates of the fiscal year.

### Item B Name and address

Enter the legal name of the partnership on the first line of the name and address area. If the partnership publicly operates under a fictitious or assumed name (which, in most states, must be recorded or registered with the state), enter that name on the second line of the name and address area.

### Item C Federal EIN

North Dakota uses the federal employer identification number (FEIN) for identification purposes. Enter the federal employer identification number from page 1 of Federal Form 1065 (or 1065-B).

### Item D Business code number

Enter the business code number from page 1 of Federal Form 1065 (or 1065-B).

### Item E Date business started

Enter the date the business started from page 1 of Federal Form 1065 (or 1065-B).

### Item F Check boxes

Check all applicable boxes, as follows:

**Initial return.** Check this box if this is the first return filed in North Dakota by the partnership.

**Final return.** Check this box if this is the last return to be filed in North Dakota by this partnership.

**Filed by an LLC.** Check this box if the entity filing this return is a limited liability company (LLC).

**Composite return.** Check this box if the partnership is filing a composite return on behalf of one or more of its nonresident individual partners. See "Composite filing method" on page 3 for more information.

**Amended return.** Check this box if this return is being filed to correct a previously filed 2006 Form 58. See "Correcting a previously filed return" on page 3 for more information.

**Extension.** Check this box if a federal or state extension of time to file the return was obtained. See "Extension of time to file" on page 2 for more information.

### Item G Number of partners

Enter the total number of partners. Also enter in the boxes provided the number of each type of partner indicated next to the box.

### Item H Professional service partnership

If the partnership is a professional service partnership, check the "Yes" box for Item H(1) and identify the type of profession for Item H(2). Check the "No" box for Item H(1) if the partnership is not a professional service partnership.

A "professional service partnership" is a partnership that engages in the practice of law, accounting, medicine, or any other profession in which the capital or the services of employees are not a material income-

producing factor. The services performed by the partners themselves must be the primary income-producing factor. A professional service partnership does not include one that primarily engages in wholesale or retail sales activity, manufacturing activity, or any other type of activity in which the capital or the services of employees are a material income-producing factor.

### Item I Publicly traded partnership

If the partnership is a publicly traded partnership, check the "Yes" box. Otherwise, check "No." A "publicly traded partnership" is a partnership in which interests in it are either traded on an established securities market or are readily tradable on a secondary market.

### Item J Tiered partnership

If the partnership holds an interest in one or more other partnerships or limited liability companies, check the "Yes" box. Otherwise, check "No." If the "Yes" box is checked, the partnership must attach a statement to Form 58 on which it lists the name and federal employer identification number of each partnership or limited liability company in which it holds an interest.

## Instructions for Schedule FACT (Form 58, page 2)

All partnerships must complete the applicable portions of Schedule FACT as follows:

- 100% North Dakota partnership**  
If the partnership conducted all of its trade or business within North Dakota during the tax year, skip lines 1 through 13 and enter 1.000000 on line 14 of Schedule FACT.
- Multistate partnership**  
If the partnership conducted its trade or business both within and without North Dakota during the tax year, it must complete lines 1 through 14 of Schedule FACT. However, if all of its partners consist of only North Dakota resident individuals, estates, and trusts, skip lines 1 through 13, enter 1.000000 on line 14, and check the applicable box at the top of Schedule FACT.

For guidance on completing Schedule FACT, see N.D.C.C. Chapter 57-38.1 and N.D. Admin. Code Chapter 81-03-09.

## Instructions for Schedule K (Form 58, page 3)

All partnerships must complete Schedule K. This purpose of this schedule is to show the total amount of North Dakota adjustments, credits, and other items distributable to its partners. These items may be applicable to the preparation of the partners' North Dakota income tax returns.

If the partnership is a partner in another North Dakota partnership, include on the applicable lines of Schedule K similar adjustments, credits, etc., received from the other partnership as shown on the North Dakota Schedule K-1 (Form 58) received from the other partnership.

### Line 1 Income from state, local, and foreign securities and bonds

Multiply the total interest and dividends from foreign securities and from securities (or bonds) of state and local governments exempt from federal income tax by the apportionment factor from Schedule FACT, line 14, and enter the result. **Do not** include interest income from securities (or bonds) issued by North Dakota or its political subdivisions in this calculation. If any portion of the non-North Dakota source income is treated as nonbusiness income subject to allocation under N.D.C.C. §§ 57-38.1-04 through 57-38.1-08, subtract the nonbusiness income before multiplying by the apportionment factor. Include the nonbusiness portion on Schedule K, line 18.

### Line 2 State and local income taxes

Multiply the total taxes measured by income that were incurred by the partnership and deducted in calculating the partnership's ordinary income (loss) by the apportionment factor from Schedule FACT, line 14, and enter the result. Include franchise or privilege taxes measured by income paid to any taxing authority including a foreign country in this calculation.

### Line 3

#### Interest from U.S. obligations

Enter on this line all interest income from U.S. obligations and from securities the interest from which is specifically exempted from state income tax by federal statute. Include the portion of dividend income from a mutual fund attributable to the fund's investment in the same kinds of securities.

**Do not** enter on this line interest income from securities of the Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Government National Mortgage Association (Ginnie Mae), nor from a federal income tax refund or repurchase agreement. **Attach a statement identifying the specific securities from which the interest was derived.**

### Line 4

#### Renaissance zone exemption

If the partnership qualified for the business or investment income exemption under the North Dakota Renaissance Zone Act, enter the amount from Schedule RZ, Part 1, line 16. **Attach Schedule RZ.**

### Line 5

#### New or expanding business income exemption

If the partnership qualified for the new or expanding business income exemption under N.D.C.C. ch. 40-57.1, enter the exempt portion of the partnership's trade or business income. See N.D. Admin. Code § 81-03-01.1-06 for guidance on how to calculate the amount of the exempt income. **Attach a statement showing the calculation of the exempt income.**

### Line 6

#### Beginning farmer deductions

If the partnership qualified for one or more of the beginning farmer deductions for selling or leasing farmland to a qualifying beginning farmer, multiply the taxable portion of the income or gain by the apportionment factor from Schedule FACT, line 14, and enter the result on the appropriate line. In the case of rental income, the deduction is limited to \$25,000. **Attach a copy of the Beginning Farmer Statement.**

### Line 7

#### Beginning entrepreneur deductions

If the partnership qualified for one or more of the beginning entrepreneur deductions for selling or leasing a business to a qualifying beginning entrepreneur, multiply the

taxable portion of the income or gain by the apportionment factor from Schedule FACT, line 14, and enter the result on the appropriate line. In the case of rental income, the deduction is limited to \$25,000. **Attach a copy of the Beginning Entrepreneur Statement.**

### Line 8

#### Eminent domain gain

Multiply the taxable portion of a gain from the disposition of property due to the exercise of eminent domain by the apportionment factor from Schedule FACT, line 14, and enter the result.

### Line 9

#### Renaissance zone historic property preservation tax credit

If the partnership qualified for the renaissance zone historic property preservation or renovation tax credit, enter the amount from Schedule RZ, Part 4, line 10. **Attach Schedule RZ.**

### Line 10

#### Renaissance fund organization investment tax credit

If the partnership qualified for the renaissance fund organization investment tax credit, enter the amount from Schedule RZ, Part 5, line 7. **Attach Schedule RZ.**

### Line 11

#### Seed capital investment credit

If the partnership invested in a qualified business for purposes of the seed capital investment tax credit, multiply the total amount invested during the tax year (but no more than \$250,000) by 45 percent and enter the result on this line. **Attach a copy of the Qualified Seed Capital Business Investment Reporting Form received from the qualified business.**

### Line 12

#### Ag commodity investment credit

If the partnership invested in a qualified business for purposes of the agricultural commodity processing facility investment tax credit, multiply the total amount invested during the tax year (but no more than \$166,666.67) by 30 percent and enter the result on this line. **Attach a copy of the Ag Commodity Processing Facility Investment Reporting Form received from the qualified business.**

**Line 13**  
**Biodiesel fuel supplier credit**

If the partnership is a licensed supplier of biodiesel fuel, it is allowed a credit equal to five cents per gallon for blending biodiesel fuel having at least a five percent blend ("B5") that meets ASTM specifications. For this purpose, a "supplier" means a person who distributes the biodiesel fuel from a terminal in North Dakota. Enter the credit on this line. **Attach a statement showing the calculation of the credit.**

**Line 14**  
**Biodiesel fuel seller credit**

If the partnership is a licensed seller of biodiesel fuel, it is allowed a credit equal to 10 percent of the costs to adapt or add equipment to its facility to enable it to sell diesel fuel having at least a two percent biodiesel blend ("B2") that meets ASTM specifications. For this purpose, a "seller" means a person who acquires the fuel from a wholesale supplier or distributor for resale to a consumer at a retail location. Except for costs incurred before January 1, 2005, include eligible costs incurred before the tax year in which sales of the eligible biodiesel fuel begin. The credit is allowed in each of five tax years, starting with the tax year in which sales of the eligible biodiesel fuel begin. **Attach a statement showing the calculation of the credit.**

**Line 15**  
**Geothermal, solar, or wind energy device credit**

If the partnership installed a qualifying geothermal, solar, or wind energy device on property it owns or leases in North Dakota, it is allowed a credit equal to 3 percent of the costs of acquisition and installation. The credit is allowed in each of five tax years, starting with the tax year in which the installation is completed. For more information, including limitations that may apply, obtain the brochure *North Dakota Tax Incentives For Solar, Wind, Or Geothermal Devices*. **Attach a statement describing the device, a detailed list of the costs of acquisition and installation, and the date the device was completely installed.**

**Line 16**  
**Certified ND nonprofit development corporation investment credit**

If the partnership purchased membership in, paid dues to, or made a contribution to a certified North Dakota nonprofit development corporation, multiply the total amount paid (but no more than \$8,000) by 25 percent and enter the result on this line. **Attach a copy**

**of the Certified Nonprofit Development Corporation Investment Reporting Form received from the corporation.**

**Line 17**  
**Professional service partnership guaranteed payments**

Lines 17a, 17b, and 17c apply only if the partnership checked "Yes" to Item H on page 1 of Form 58. See the instructions to Item H on page 4.

**Line 17a.** Enter the total guaranteed payments from Federal Form 1065, Schedule K, line 4, or from Federal Form 1065-B, Schedule K, line 7.

**Line 17b.** Enter the portion of the amount on line 17a that was made to individual partners as a reasonable salary for personal services, regardless of where the services were performed. Do not include any guaranteed payments for other than personal services.

**Line 17c.** Enter the portion of the amount on line 17b that was made to nonresident individual partners for personal services performed within North Dakota.

**Line 18**  
**Allocable (nonbusiness) income**

Lines 18a and 18b apply only if the partnership:

- Is a multistate partnership, i.e., it carries on its trade or business activity both within and without North Dakota;
- Has one or more nonresident individual, estate, or trust partners; and
- Has nonbusiness income as defined under N.D. Admin. Code § 81-03-09-03.

Nonbusiness income is not apportioned using the apportionment factor (from Schedule FACT) but is allocated within or without North Dakota as provided under N.D.C.C. §§ 57-38.1-04 through 57-38.1-08 and N.D. Admin. Code § 81-03-09-09. Expenses must be attributed to the nonbusiness income in a manner which fairly distributes all of the partnership's expenses to its business and nonbusiness income.

If the partnership has an item of nonbusiness income subject to allocation, the partnership must take this into account when calculating the North Dakota distributive share of income or loss reportable on Schedule KP and Schedule K-1 for a nonresident individual, estate, or trust partner. See the instructions to Schedule KP, Column 6, for more information. In addition to completing lines 18a and 18b, the partnership must attach the following to Form 58:

- A statement on which each item of nonbusiness income is shown along with its related expenses.
- A statement explaining the basis for treating the item of income as nonbusiness income subject to allocation.
- If an item of nonbusiness income is allocated to a state other than North Dakota, a copy of that other state's income tax return must be attached. If the partnership is not required to file an income tax return with the other state, the partnership must indicate this in the attached statement.

**Line 18a.** Enter the total allocable income (less related expenses) from all sources within and without North Dakota.

**Line 18b.** Enter the portion of the amount on line 18a that is allocable to North Dakota.

**Line 19**  
**Disposition of I.R.C. Section 179 property**

Lines 19a through 19d apply only if the partnership sold, exchanged, or disposed of property for which an I.R.C. Section 179 deduction was passed through to the partners. *[Note: The partnership is required to report this same information on a separate statement attached to Federal Form 1065, Schedule K, line 20c (code F).]*

For lines 19a through 19d, multiply the corresponding combined amount for all partners as reported on Federal Form 1065, Schedule K, line 20c (code F), by the apportionment factor from Schedule FACT, line 14, and enter the result. However, if the property disposed of is treated as a nonbusiness asset the gain or loss from which is subject to allocation under N.D.C.C. §§ 57-38.1-04 through 57-38.1-08, subtract the amounts for that asset before multiplying by the apportionment factor. Include the nonbusiness gain or loss from the disposition on Schedule K, line 18.

## Instructions for Schedule KP (Form 58, page 4)

Schedule KP must be completed to provide information about each partner. In the case of a nonresident individual, estate, or trust partner, the schedule must show the partner's distributive share of North Dakota income

(loss). In the case of only a nonresident individual partner, the schedule also must show the amount of North Dakota income tax withheld or the amount of composite income tax paid on the partner's distributive share of North Dakota income. If the partnership has more than seven partners, complete and attach as many Schedules KP needed to list all partners. If more than one Schedule KP is needed, complete lines 1 through 4 on only one of them, and include the combined amount for all of the schedules on that one schedule.

## All Partners (Columns 1 through 5)

### Columns 1 and 2

Enter the full name, address, and federal identification number as shown on the partner's Federal Schedule K-1. In Column 1, enter the name on the first line, and the complete mailing address on the second line.

### Column 3

Identify the entity type of the partner by entering the applicable code letter as follows:

Entity type	Code letter
Individual .....	I
C corporation .....	C
S corporation .....	S
Partnership .....	P
Estate .....	E
Trust .....	T
Exempt organization .....	O

**Note:** A "C corporation" is a corporation that files Federal Form 1120; an "S corporation" is a corporation that files Federal Form 1120S; and the "Trust" entity type only applies to a trust that files Federal Form 1041.

If the partner is a limited liability company (LLC) that is a disregarded entity for federal income tax purposes, enter the code letter for the type of entity of the LLC's owner. If the LLC is treated like a partnership for federal income tax purposes, enter "P." For a partner that is identified as a disregarded entity or a nominee on Federal Schedule K-1, enter the code letter for the type of entity of the entity's owner.

### Column 4

Enter the partner's ownership percentage as provided in the partnership agreement. (*This percentage may differ from the partner's profit or loss percentage.*)

### Column 5

For a partnership other than an electing large partnership, enter the sum of the following items from the partner's Federal Schedule K-1 (Form 1065), Part III:

- Box 1** Ordinary business income (loss)
- Box 2** Net rental real estate income (loss)
- Box 3** Other net rental income (loss)
- Box 4** Guaranteed payments
- Box 5** Interest income
- Box 6a** Ordinary dividends
- Box 7** Royalties
- Box 8** Net short-term capital gain (loss)
- Box 9a** Net long-term capital gain (loss)
- Box 10** Net section 1231 gain (loss)
- Box 11** Other income (loss)
- Box 12** Section 179 deduction
- Box 13** Other deductions (*Only include deductions that are allowed as a deduction from gross income in calculating adjusted gross income for federal income tax purposes.*)
- Box 20** (Code F only) Include the gain (loss) from I.R.C. Section 179 property disposition. For purposes of calculating the gain or loss, include all of the Section 179 deduction passed through to the partner, regardless of whether or not the partner actually deducted all of it.

**Electing large partnership.** For an electing large partnership, enter the sum of the following items from the partner's Federal Schedule K-1 (Form 1065-B):

- Box 1** Taxable income (loss) from passive activities
- Box 2** Taxable income (loss) from other activities
- Box 3** Qualified dividends
- Box 4a** Net capital gain (loss) from passive activities
- Box 4b** Net capital gain (loss) from other activities
- Box 9** Other—(*Include only those items that would be included in the determination of adjusted gross income.*)

## Nonresident Partners Only (Columns 6 through 8)

### Column 6

#### Nonresident individual, estate, or trust partner

Complete Column 6 for each nonresident individual, estate, or trust partner. Except as provided below, multiply the partner's

amount in Column 5 by the apportionment factor from Schedule FACT, line 14, and enter the result in Column 6.

However, complete the **Column 6 Worksheet** on page 8 to calculate the amount to enter in Column 6 if either or both of the following apply:

- The partnership is a professional service partnership that made guaranteed payments for services performed by nonresident individual partners. These payments are not apportioned, but are allocated to the state where the services were performed by the partner. See the instructions to Item H on page 4 for the definition of a professional service partnership.
- The partnership has an item of nonbusiness income subject to allocation. See the instructions to North Dakota Schedule K, line 18, on page 6 for more information.

### Column 7

#### Nonresident individual only

If the partner is a nonresident individual, and the amount in Column 6 is \$1,000 or more, multiply the amount in Column 6 by 5.54 percent (.0554) and enter the result in Column 7. However, if the nonresident individual partner elected to be included in a composite return, leave this column blank and see the instructions to Column 8. See "Withholding from nonresident individual partners" on page 2 for more information.

Add the amounts in Column 7 for all nonresident individual partners and enter the result on line 3 at the bottom of Schedule KP. Also enter the result on Form 58, page 1, line 1.

### Column 8

#### Nonresident individual only

Complete Column 8 for each nonresident individual partner who elected to be included in a composite return filed by the partnership. Multiply the nonresident individual partner's amount in Column 6 by 5.54 percent (.0554) and enter the result in Column 8. If the amount in Column 6 is zero or less, enter zero in Column 8. See "Composite filing method" on page 3 for more information.

Add the amounts in Column 8 for all nonresident individual partners and enter the result on line 4 at the bottom of Schedule KP. Also enter the result on Form 58, page 1, line 2.

# Specific line instructions for page 1 of Form 58, lines 1-8

**Complete Schedule FACT, Schedule K, and Schedule KP before completing lines 1 through 8 on page 1 of Form 58.**

## Line 4 Estimated tax payments

Enter the amount paid with the 2006 Form 58-EXT. However, if this is an amended return, do not enter the amount paid with the 2006 Form 58-EXT; instead, enter the amount of the total taxes due from line 3 of the previously filed original or amended 2006 Form 58.

## Line 5 Tax due

The tax due must be paid in full with the return. A check or money order made payable to the "ND State Tax Commissioner" must be submitted with the return.

## Line 7 Application of overpayment to 2007

If there is an overpayment on line 6, the partnership may elect to apply part or all of it as an estimated payment toward its 2007 tax liability. To make the election, enter the portion of line 6 to be applied on line 7. If this election is made, the election and the amount applied may not be changed after the return is filed. If this is an amended return, do not make an entry on this line.

# Instructions for completing Schedule K-1

A partnership is not subject to North Dakota income tax. Instead, the partners are responsible for reporting and paying any applicable North Dakota income tax on their shares of the partnership's income reportable to North Dakota.

North Dakota Schedule K-1 (Form 58) must be used by a partnership to provide information the partners need to complete a North Dakota income tax return. The information included in the schedule will depend on the type of partner.

## Column 6 Worksheet

**For nonresident individual partners only—see instructions to Schedule KP, Column 6.**

1. Partner's amount from Column 5.....	1	_____
2. Professional service partnership only: Guaranteed payments for <b>services only</b> included in the amount on line 1 .....	2	_____
3. Allocable income (less related expenses) included in the amount on line 1 .....	3	_____
4. Add lines 2 and 3.....	4	_____
5. Apportionable income (loss). Subtract line 4 from line 1 .....	5	_____
6. Apportionment factor from Schedule FACT, line 14.....	6	_____
7. Multiply line 5 by line 6.....	7	_____
8. Professional service partnership only: Guaranteed payments for <b>services performed within North Dakota</b> .....	8	_____
9. Allocable income (less related expenses) <b>reportable to North Dakota</b> .....	9	_____
10. Add lines 7, 8 and 9. Enter result in Column 6 .....	10	_____

North Dakota Schedule K-1 (Form 58) must be completed and given to:

- Each nonresident individual, estate, or trust partner.
- Each partnership or corporation partner having a North Dakota adjustment or tax credit as reported on Form 58, Schedule K, lines 1 through 16.
- Each North Dakota resident individual, estate, or trust partner having a North Dakota adjustment or tax credit as reported on Form 58, Schedule K, lines 1 through 16.

*Note: If there are no North Dakota adjustments or tax credits on Form 58, Schedule K, lines 1 through 16, a North Dakota Schedule K-1 does not have to be completed nor provided to a North Dakota resident individual, estate, or trust partner.*

If all of the partners consist of only North Dakota resident individuals, estates, or trusts, and there are no North Dakota adjustments or tax credits reported on Schedule K, the partnership does not have to complete North Dakota Schedule K-1 for any partner. All income of a North Dakota resident individual, estate, or trust is subject to North Dakota income tax, regardless of its source.

In addition to the North Dakota Schedule K-1, be sure to give the partner a copy of the *Partner's Instructions to North Dakota Schedule K-1 (Form 58)*. The instructions are included in the Form 58 booklet. They are also available on the Office of State Tax Commissioner's web site.

A copy of all North Dakota Schedule K-1s must be enclosed with Form 58 along with any required supplemental statements.

**Amended schedule.** If a partnership files an amended Federal Form 1065 (or 1065-B), or if the IRS makes any changes to the partnership's federal return, the partnership must file an amended Form 58 for the same tax year, and must issue amended North Dakota Schedule K-1s to its partners. Check the "Amended" box at the top of the North Dakota Schedule K-1 if it is amended.

**Final schedule.** Check the "Final" box at the top of the North Dakota Schedule K-1 if it is the last one to be issued by the partnership to the partner.

## Part 1 Partnership information

### Items A and B

Enter the name, address, and federal employer identification number (FEIN) of the partnership shown on the partner's Federal Schedule K-1.

## Part 2 Partner information

### Item C

Enter the social security number or federal employer identification number (FEIN) of the partner shown on the partner's Federal Schedule K-1.

**Item D**

Enter the name and address of the partner shown on the partner's Federal Schedule K-1.

**Item E**

Enter the same code letter shown in Column 3 of Schedule KP of Form 58.

**Item F**

If the partner is an individual, estate, or trust, check the applicable box to indicate the legal residency status of the partner for North Dakota income tax purposes. If an individual partner changed his or her legal residency to or from North Dakota during the tax year, check the part-year resident status. In the case of an estate or trust partner, only the full-year resident or full-year nonresident status will apply.

**Item G**

For only a nonresident individual partner, indicate whether the partner is included in a composite return filed by the partnership by checking the applicable box.

**Item H**

Enter the partner's profit and loss percentages shown on the partner's Federal Schedule K-1.

**Item I**

Enter the partner's ownership percentage as provided in the partnership agreement.

### **Part 3 All partners— North Dakota adjustments and tax credits**

If there are any North Dakota adjustments or tax credits on Form 58, Schedule K, lines 1 through 16, complete this part for all partners.

#### **Lines 1 through 8 Adjustments**

Multiply each amount shown on Form 58, Schedule K, lines 1 through 8, by the *profit or loss percentage* used to determine the partner's distributive share of income (loss) from the partnership. Enter the result on the corresponding line of Part 3, lines 1 through 8.

#### **Lines 9 through 16 Tax credits**

Multiply each amount shown on Form 58, Schedule K, lines 9 through 16, by the partner's *ownership percentage* from North Dakota Schedule K-1 (Form 58), Part 2, Item I. Enter the result on the corresponding line of Part 3, lines 9 through 16.

### **Part 4 Nonresident individual, estate, or trust partner only— North Dakota income (loss)**

Complete Part 4 for only a nonresident individual, estate, or trust partner.

**Line 17  
Partnership's apportionment factor**  
Enter the partnership's apportionment factor from Schedule FACT, line 14.

**Lines 18 through 31  
Income and loss items**  
Except as provided under **Exception 1** and **Exception 2** below, multiply each amount from the partner's Federal Schedule K-1, Part III, boxes 1 through 13, and any I.R.C. § 179 property disposition gain (loss) included in box 20 by the partnership's apportionment factor from Schedule FACT, line 14, and enter the result on the corresponding line of Part 4, lines 18 through 31.

For "Other deductions" from box 13 of Federal Schedule K-1, only include deductions that are allowed as a deduction from gross income in calculating adjusted gross income for federal income tax purposes.

For purposes of calculating the gain or loss for I.R.C. § 179 property dispositions included in box 20 of the Federal Schedule K-1, include all of the Section 179 deduction passed through to the partner, regardless of whether or not the partner actually deducted all of it.

**Exception 1: Professional service partnership.** If the partnership is a professional service partnership, calculate the amount to enter on lines 18 through 31 of this part in the same manner as for other partnerships. However, for line 21 (guaranteed payments), calculate the amount to enter by adding the following two amounts:

- Guaranteed payments for services performed within North Dakota by the partner; and
- Guaranteed payments for other than personal services multiplied by the partnership's apportionment factor from Schedule FACT, line 14.

**Exception 2: Allocable (nonbusiness) income.** If the partnership treated any part of a distributable item of income from the partner's Federal Schedule K-1 as

nonbusiness income subject to allocation, calculate the amount to enter on the corresponding line of this part in the following steps:

1. Subtract the net nonbusiness income (gross amount less related expenses) from the applicable distributable amount shown on the Federal Schedule K-1.
2. Multiply the remaining distributive amount, if any, (from step 1) by the partnership's apportionment factor from Schedule FACT, line 14.
3. Add the result (from step 2) to the portion, if any, of the net nonbusiness income *allocable to North Dakota*, and enter the result on the corresponding line of Part 4.

*Note: If any portion of the net nonbusiness income removed from the distributable amount (in step 1 above) is allocable outside North Dakota, do not enter it anywhere on North Dakota Schedule K-1 (Form 58).*

**If the calculation of any amount on lines 18 through 31 of Part 4 was affected by the removal or inclusion of net nonbusiness income, attach a statement to the partner's North Dakota Schedule K-1 (Form 58) identifying the net nonbusiness income and showing the calculation of the amount entered on the applicable line(s) of Part 4.**

### **Part 5 Nonresident individual partner only**

Complete Part 5 for only a nonresident individual partner.

#### **Line 32 ND distributive share of income (loss)**

Enter the partner's North Dakota distributive share of income (loss) from Form 58, Schedule KP, Column 6.

#### **Line 33 ND income tax withheld**

Enter the amount of North Dakota income tax withheld from the partner's North Dakota distributive share of income from Form 58, Schedule KP, Column 7.

#### **Line 34 ND composite income tax**

Enter the amount of North Dakota composite income tax on the partner's North Dakota distributive share of income from Form 58, Schedule KP, Column 8.

## Before you file Form 58

### Signatures

The return must be signed and dated by a general partner, or an authorized representative of the partnership.

If the partnership pays someone other than one of its partners or an employee of the partnership to prepare the return, the paid preparer also must sign and date the return.

### Preparer authorization check-off

The partnership may authorize the North Dakota Office of State Tax Commissioner (Tax Department) to discuss matters pertaining to its 2006 Form 58 with the preparer who signed it. To do so, check the box in the lower right-hand corner of page 1 of Form 58 next to the signature area. This authorization applies only to the individual whose signature and printed name appear in the paid preparer section of the signature area. It does not apply to the firm, if any, shown in that section.

By checking the box, the partnership authorizes the Tax Department to contact the preparer to answer any questions that may arise during the processing of the partnership's return. It also authorizes the preparer to respond to the questions and to provide any information missing from the return, to contact the Tax Department to inquire about the status of the return's processing and related refund or payment, and to respond to Tax Department notices that the partnership shares with the preparer pertaining to math errors or return preparation. *(Tax Department notices will not be sent directly to the preparer.)*

This authorization automatically expires on the due date (excluding extensions) for filing the **2007 Form 58**.

This authorization **does not** authorize the preparer to receive a refund check, to bind the partnership in any way (including any additional tax liability), or to represent the partnership before the Tax Department for any other purpose. To expand the preparer's authorization, the partnership must complete and file North Dakota Form 500, *Authorization to Disclose Tax Information and Designation of Representative*, with the Tax Department.

### Assembling a paper return

Please assemble Form 58 and its required attachments in the following order:

1. Form 58.
2. Schedule FACT.
3. Schedule K.
4. Schedule KP.
5. North Dakota Schedule K-1s.
6. Supporting statements required in instructions.
7. Complete copy of Form 1065 (or 1065-B) including Federal Schedule K-1s.

Staple all documents (except check or money order) together at the **top center** of Form 58.

Enclose a check or money order made payable to: ND State Tax Commissioner. **Do not send cash.**



# 58 Partnership income tax return

# 2006

**A** This return is  **Calendar year 2006** (Jan. 1 - Dec. 31, 2006) filed for:  **Fiscal year:** Beginning \_\_\_\_\_, 2006, and ending \_\_\_\_\_, 20\_\_\_\_\_

<b>B</b> Partnership's name (legal)			<b>C</b> Federal EIN * <input type="text"/> - <input type="text"/>
Doing business as name (if different from legal name)			<b>D</b> Business code no. (from Form 1065) <input type="text"/>
Mailing address			<b>E</b> Date business started <input type="text"/> / <input type="text"/> / <input type="text"/>
City	State	Zip Code	<b>F Check all that apply:</b> <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Filed by an LLC <input type="checkbox"/> Amended return <input type="checkbox"/> Composite return <input type="checkbox"/> Extension

**G TOTAL number of partners** ----- ▶

Enter number of ---

Resident individual partners --- ▶ <input type="text"/>	Partnership partners --- ▶ <input type="text"/>
Nonresident individual partners ▶ <input type="text"/>	Corporation partners --- ▶ <input type="text"/>
	Other types of partners ▶ <input type="text"/>

**H (1)** Is this a "professional service partnership" as defined under N.D.C.C. Section 57-38-01.8(3)(a)? -----  Yes  No

**(2)** If "Yes," check applicable box:  Accounting  Law  Medicine  Other: \_\_\_\_\_

**I** Is this a publicly traded partnership as defined under I.R.C. Section 7704(b)? -----  Yes  No

**J** Is this partnership a partner (or member) in another partnership or limited liability company? If "Yes," attach a statement listing the name(s) and federal employer identification number(s) of each entity -----  Yes  No

- Before completing lines 1 through 8 on this page, complete Schedule FACT, Schedule K, and Schedule KP.
- After completing Form 58, complete North Dakota Schedule K-1 (58) for the partners.

<b>1</b> Income tax withheld from nonresident individual partners (from page 4, Schedule KP, line 3) ----- ▶	<b>1</b> _____
<b>2</b> Composite income tax for electing nonresident individual partners (from page 4, Schedule KP, line 4) ----- ▶	<b>2</b> _____
<b>3</b> Total taxes due. Add lines 1 and 2 -----	<b>3</b> _____
<b>4</b> Estimated tax payments (using 2006 Form 58-EXT) ----- ▶	<b>4</b> _____
<b>5 Tax due.</b> If line 3 is more than line 4, subtract line 4 from line 3; otherwise, go to line 6. If result is less than \$5.00, enter -0- ----- ▶	<b>5</b> _____
<b>6 Overpayment.</b> If line 4 is more than line 3, subtract line 3 from line 4. If result is less than \$5.00, enter -0- ----- ▶	<b>6</b> _____
<b>7</b> Amount of line 6 to be credited to 2007 estimated tax ----- ▶	<b>7</b> _____
<b>8 Refund.</b> Subtract line 7 from line 6. If result is less than \$5.00, enter -0- ----- ▶	<b>8</b> _____

- Attach a complete copy of the 2006 Form 1065 or 1065-B (including Federal Schedule K-1s)
- Attach a copy of all North Dakota Schedule K-1s (Form 58)

I declare that this return is correct and complete to the best of my knowledge and belief.			<b>* Privacy Act - See inside front cover of booklet</b>
Signature of general partner	Date	<input type="checkbox"/> I authorize the ND Office of State Tax Commissioner to discuss this return with the preparer identified below.  <b>For Tax Department Use Only</b>	
Print name of general partner	Phone		
Paid preparer signature	Date		
Print name of paid preparer	EIN/SSN/PTIN		

**Mail to:** Office of State Tax Commissioner, 600 E. Blvd. Ave., Dept. 127, Bismarck, ND 58505-0599



**Schedule FACT Calculation of North Dakota Apportionment Factor**

**IMPORTANT: All partnerships must complete the applicable portions of this schedule as follows:**

- **100% ND partnership:** If the partnership conducts all of its business within North Dakota, skip lines 1 through 13, and enter 1.000000 on line 14.
- **Multistate partnership:** If the partnership conducts its business within and without North Dakota, complete lines 1 through 14 of this schedule. However, if all of the partners consist of only North Dakota resident individuals, estates, and trusts, skip lines 1 through 13, enter 1.000000 on line 14, and check this box

**Property factor**

Average value at original cost of real and tangible personal property used in the business. Exclude construction in progress.

**Column 1  
Total**

**Column 2  
North Dakota**

**Column 3  
Factor  
(Col. 2 ÷ Col. 1)**

**Result must be  
carried to six  
decimal places**

1 Inventories -----	1 _____	_____	
2 Buildings and other fixed depreciable assets -----	2 _____	_____	
3 Depletable assets -----	3 _____	_____	
4 Land -----	4 _____	_____	
5 Other assets ( <i>Attach schedule</i> ) -----	5 _____	_____	
6 Rented property ( <i>Annual rental multiplied by 8</i> ) -----	6 _____	_____	
7 Total property ( <i>Add lines 1 through 6</i> ) ----- ▶	7 _____ ▶	_____ ▶	_____

**Payroll factor**

8 Wages, salaries, commissions and other compensation of employees reported on Federal Form 1065 ( <i>If the amount reported in Column 2 does not agree with the total compensation reported for North Dakota unemployment insurance purposes, attach an explanation.</i> ) ----- ▶	8 _____ ▶	_____ ▶	_____
---	-----------	---------	-------

**Sales factor**

9 Gross receipts or sales, less returns and allowances (from Federal Form 1065, page 1, line 1c) -----	9 _____		
10 Sales delivered or shipped to North Dakota destinations -----	10 _____		
11 a Sales shipped from North Dakota to the U.S. Government -----	11a _____		
b Sales shipped from North Dakota to purchasers in a state or foreign country where the partnership does not have a filing requirement -----	11b _____		
12 Total sales ( <i>Add lines 9 through 11b</i> ) ----- ▶	12 _____ ▶	_____ ▶	_____
13 Sum of factors ( <i>Add lines 7, 8, and 12 in Column 3</i> ) -----	13 _____		_____
14 <b>Apportionment factor</b> (Divide line 13 by 3.0; however, if line 7, 8, or 12 of Column 1 is zero, divide line 13 by the number of factors (on lines 7, 8, and 12) showing an amount greater than zero in Column 1) ----- ▶	14 _____ ▶		_____



# 58 Partnership income tax return

# 2006

**A** This return is  **Calendar year 2006** (Jan. 1 - Dec. 31, 2006) filed for:  **Fiscal year:** Beginning \_\_\_\_\_, 2006, and ending \_\_\_\_\_, 20\_\_\_\_\_

<b>B</b> Partnership's name (legal)			<b>C</b> Federal EIN * <input type="text"/> - <input type="text"/>
Doing business as name (if different from legal name)			<b>D</b> Business code no. (from Form 1065) <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Mailing address			<b>E</b> Date business started <input type="text"/> <input type="text"/> / <input type="text"/> <input type="text"/> / <input type="text"/> <input type="text"/>
City	State	Zip Code	<b>F Check all that apply:</b> <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Filed by an LLC <input type="checkbox"/> Amended return <input type="checkbox"/> Composite return <input type="checkbox"/> Extension

**G TOTAL number of partners** ----- ▶

Enter number of ---

Resident individual partners --- ▶ <input type="text"/>	Partnership partners --- ▶ <input type="text"/>
Nonresident individual partners ▶ <input type="text"/>	Corporation partners --- ▶ <input type="text"/>
	Other types of partners ▶ <input type="text"/>

**H (1)** Is this a "professional service partnership" as defined under N.D.C.C. Section 57-38-01.8(3)(a)? -----  Yes  No

**(2)** If "Yes," check applicable box:  Accounting  Law  Medicine  Other: \_\_\_\_\_

**I** Is this a publicly traded partnership as defined under I.R.C. Section 7704(b)? -----  Yes  No

**J** Is this partnership a partner (or member) in another partnership or limited liability company? If "Yes," attach a statement listing the name(s) and federal employer identification number(s) of each entity -----  Yes  No

- Before completing lines 1 through 8 on this page, complete Schedule FACT, Schedule K, and Schedule KP.
- After completing Form 58, complete North Dakota Schedule K-1 (58) for the partners.

<b>1</b> Income tax withheld from nonresident individual partners (from page 4, Schedule KP, line 3) ----- ▶	<b>1</b> _____
<b>2</b> Composite income tax for electing nonresident individual partners (from page 4, Schedule KP, line 4) ----- ▶	<b>2</b> _____
<b>3</b> Total taxes due. Add lines 1 and 2 -----	<b>3</b> _____
<b>4</b> Estimated tax payments (using 2006 Form 58-EXT) ----- ▶	<b>4</b> _____
<b>5 Tax due.</b> If line 3 is more than line 4, subtract line 4 from line 3; otherwise, go to line 6. If result is less than \$5.00, enter -0- ----- ▶	<b>5</b> _____
<b>6 Overpayment.</b> If line 4 is more than line 3, subtract line 3 from line 4. If result is less than \$5.00, enter -0- ----- ▶	<b>6</b> _____
<b>7</b> Amount of line 6 to be credited to 2007 estimated tax ----- ▶	<b>7</b> _____
<b>8 Refund.</b> Subtract line 7 from line 6. If result is less than \$5.00, enter -0- ----- ▶	<b>8</b> _____

- Attach a complete copy of the 2006 Form 1065 or 1065-B (including Federal Schedule K-1s)
- Attach a copy of all North Dakota Schedule K-1s (Form 58)

I declare that this return is correct and complete to the best of my knowledge and belief.			<b>* Privacy Act - See inside front cover of booklet</b>		
Signature of general partner		Date	<input type="checkbox"/> I authorize the ND Office of State Tax Commissioner to discuss this return with the preparer identified below.  <b>For Tax Department Use Only</b>		
Print name of general partner		Phone			
Paid preparer signature		Date			
Print name of paid preparer	EIN/SSN/PTIN	Phone			

**Mail to:** Office of State Tax Commissioner, 600 E. Blvd. Ave., Dept. 127, Bismarck, ND 58505-0599



**Schedule FACT Calculation of North Dakota Apportionment Factor**

**IMPORTANT: All partnerships must complete the applicable portions of this schedule as follows:**

- **100% ND partnership:** If the partnership conducts all of its business within North Dakota, skip lines 1 through 13, and enter 1.000000 on line 14.
- **Multistate partnership:** If the partnership conducts its business within and without North Dakota, complete lines 1 through 14 of this schedule. However, if all of the partners consist of only North Dakota resident individuals, estates, and trusts, skip lines 1 through 13, enter 1.000000 on line 14, and check this box

**Property factor**

Average value at original cost of real and tangible personal property used in the business. Exclude construction in progress.

**Column 1  
Total**

**Column 2  
North Dakota**

**Column 3  
Factor  
(Col. 2 ÷ Col. 1)**

**Result must be  
carried to six  
decimal places**

1 Inventories -----	1 _____	_____	
2 Buildings and other fixed depreciable assets -----	2 _____	_____	
3 Depletable assets -----	3 _____	_____	
4 Land -----	4 _____	_____	
5 Other assets ( <i>Attach schedule</i> ) -----	5 _____	_____	
6 Rented property ( <i>Annual rental multiplied by 8</i> ) -----	6 _____	_____	
7 Total property ( <i>Add lines 1 through 6</i> ) ----- ▶	7 _____ ▶	_____ ▶	_____

**Payroll factor**

8 Wages, salaries, commissions and other compensation of employees reported on Federal Form 1065 (*If the amount reported in Column 2 does not agree with the total compensation reported for North Dakota unemployment insurance purposes, attach an explanation.*) ----- ▶

8 _____ ▶	_____ ▶	_____ ▶	_____
-----------	---------	---------	-------

**Sales factor**

9 Gross receipts or sales, less returns and allowances (from Federal Form 1065, page 1, line 1c) ----- 9 \_\_\_\_\_

10 Sales delivered or shipped to North Dakota destinations ----- 10 \_\_\_\_\_

11 a Sales shipped from North Dakota to the U.S. Government ----- 11a \_\_\_\_\_

b Sales shipped from North Dakota to purchasers in a state or foreign country where the partnership does not have a filing requirement ----- 11b \_\_\_\_\_

12 Total sales (*Add lines 9 through 11b*) ----- ▶ 12 \_\_\_\_\_ ▶ \_\_\_\_\_ ▶ \_\_\_\_\_

13 Sum of factors (*Add lines 7, 8, and 12 in Column 3*) ----- 13 \_\_\_\_\_

14 **Apportionment factor** (Divide line 13 by 3.0; however, if line 7, 8, or 12 of Column 1 is zero, divide line 13 by the number of factors (on lines 7, 8, and 12) showing an amount greater than zero in Column 1) ----- ▶ 14 \_\_\_\_\_



**Schedule K Total North Dakota adjustments, credits, and other items  
distributable to partners**

**All partnerships must complete this schedule**

**North Dakota addition adjustments**

- 1 Federally-exempt income from non-North Dakota state and local bonds and foreign securities ----- 1 \_\_\_\_\_
- 2 State and local income taxes deducted on federal partnership return in calculating its ordinary income (loss) ----- 2 \_\_\_\_\_

**North Dakota subtraction adjustments**

- 3 Interest from U.S. obligations ----- 3 \_\_\_\_\_
- 4 Renaissance zone business or investment income exemption ----- 4 \_\_\_\_\_
- 5 New or expanding business income exemption ----- 5 \_\_\_\_\_
- 6 Beginning farmer deductions:
  - a Gain from sale of land to a qualified beginning farmer ----- 6a \_\_\_\_\_
  - b Interest income from contract for sale of land to a qualified beginning farmer ----- 6b \_\_\_\_\_
  - c Rental income (less related expenses) from lease of land to a qualified beginning farmer ----- 6c \_\_\_\_\_
- 7 Beginning entrepreneur deductions:
  - a Gain from sale of a business to a qualified beginning entrepreneur ----- 7a \_\_\_\_\_
  - b Interest income from contract for sale of a business to a qualified beginning entrepreneur ----- 7b \_\_\_\_\_
  - c Rental income (less related expenses) from lease of a business to a qualified beginning entrepreneur ----- 7c \_\_\_\_\_
- 8 Gain from eminent domain sale ----- 8 \_\_\_\_\_

**North Dakota tax credits**

- 9 Renaissance zone: Historic property preservation or renovation tax credit ----- 9 \_\_\_\_\_
- 10 Renaissance zone: Renaissance fund organization investment tax credit ----- 10 \_\_\_\_\_
- 11 Seed capital investment tax credit ----- 11 \_\_\_\_\_
- 12 Agricultural commodity processing facility investment tax credit ----- 12 \_\_\_\_\_
- 13 Supplier (wholesaler) biodiesel fuel tax credit ----- 13 \_\_\_\_\_
- 14 Seller (retailer) biodiesel fuel tax credit ----- 14 \_\_\_\_\_
- 15 Geothermal, solar, or wind energy device tax credit ----- 15 \_\_\_\_\_
- 16 Certified North Dakota nonprofit development corporation tax credit ----- 16 \_\_\_\_\_

**Other items**

*Line 17 only applies to a professional service partnership — see instructions*

- 17 a Guaranteed payments from Federal Form 1065 (or 1065-B), Schedule K ----- 17a \_\_\_\_\_
- b Portion of line 17a paid for services performed everywhere by all partners ----- 17b \_\_\_\_\_
- c Portion of line 17b paid to nonresident individual partners for services performed in North Dakota ----- 17c \_\_\_\_\_

*Line 18 applies only to a multistate partnership — see instructions*

- 18 a Total allocable income from all sources (net of related expenses) ----- 18a \_\_\_\_\_
- b Portion of line 18a that is allocable to North Dakota ----- 18b \_\_\_\_\_

*Line 19 applies to all partnerships — see instructions*

- 19 For disposition(s) of I.R.C. Section 179 property, enter the North Dakota amounts — see instructions:
  - a Gross sales price or amount realized ----- 19a \_\_\_\_\_
  - b Cost or other basis plus expense of sale ----- 19b \_\_\_\_\_
  - c Depreciation allowed or allowable (excluding I.R.C. Section 179 deduction) ----- 19c \_\_\_\_\_
  - d I.R.C. Section 179 deduction related to property that was passed through to partners ----- 19d \_\_\_\_\_



**Schedule KP Partner information**

**All partnerships must complete this schedule**

- Complete Columns 1 through 5 for EVERY partner
- Complete Column 6 if partner is a nonresident individual, estate, or trust
- If applicable, complete Column 7 or Column 8 for a nonresident individual partner only

All Partners				
Partner	Column 1	Column 2	Column 3	Column 4
	Name and address of partner <i>If additional lines are needed, attach additional pages</i>	Social Security Number/FEIN	Type of entity <i>(See pg. 7 of instr.)</i>	Ownership %
<b>A</b>	Name ----- Address			
<b>B</b>	Name ----- Address			
<b>C</b>	Name ----- Address			
<b>D</b>	Name ----- Address			
<b>E</b>	Name ----- Address			
<b>F</b>	Name ----- Address			
<b>G</b>	Name ----- Address			

Partner	All Partners	Nonresident Partners Only		
		Column 5	Individuals, estates, and trusts	Individuals only
			Column 6	Column 7
	Federal distributive share of income (loss)	North Dakota distributive share of income (loss)	North Dakota income tax withheld (5.54%)	North Dakota composite income tax (5.54%)
<b>A</b>				
<b>B</b>				
<b>C</b>				
<b>D</b>				
<b>E</b>				
<b>F</b>				
<b>G</b>				

<b>1</b>	Total for <b>Column 5</b> . . . . . <b>1</b>			
<b>2</b>	Total for <b>Column 6</b> . . . . . <b>2</b>			
<b>3</b>	Total for <b>Column 7</b> . Enter this amount on Form 58, page 1, line 1 . . . . . <b>3</b>			
<b>4</b>	Total for <b>Column 8</b> . Enter this amount on Form 58, page 1, line 2 . . . . . <b>4</b>			



**Schedule K Total North Dakota adjustments, credits, and other items  
distributable to partners**

**All partnerships must complete this schedule**

**North Dakota addition adjustments**

- 1 Federally-exempt income from non-North Dakota state and local bonds and foreign securities ----- 1 \_\_\_\_\_
- 2 State and local income taxes deducted on federal partnership return in calculating its ordinary income (loss) ----- 2 \_\_\_\_\_

**North Dakota subtraction adjustments**

- 3 Interest from U.S. obligations ----- 3 \_\_\_\_\_
- 4 Renaissance zone business or investment income exemption ----- 4 \_\_\_\_\_
- 5 New or expanding business income exemption ----- 5 \_\_\_\_\_
- 6 Beginning farmer deductions:
  - a Gain from sale of land to a qualified beginning farmer ----- 6a \_\_\_\_\_
  - b Interest income from contract for sale of land to a qualified beginning farmer ----- 6b \_\_\_\_\_
  - c Rental income (less related expenses) from lease of land to a qualified beginning farmer ----- 6c \_\_\_\_\_
- 7 Beginning entrepreneur deductions:
  - a Gain from sale of a business to a qualified beginning entrepreneur ----- 7a \_\_\_\_\_
  - b Interest income from contract for sale of a business to a qualified beginning entrepreneur ----- 7b \_\_\_\_\_
  - c Rental income (less related expenses) from lease of a business to a qualified beginning entrepreneur ----- 7c \_\_\_\_\_
- 8 Gain from eminent domain sale ----- 8 \_\_\_\_\_

**North Dakota tax credits**

- 9 Renaissance zone: Historic property preservation or renovation tax credit ----- 9 \_\_\_\_\_
- 10 Renaissance zone: Renaissance fund organization investment tax credit ----- 10 \_\_\_\_\_
- 11 Seed capital investment tax credit ----- 11 \_\_\_\_\_
- 12 Agricultural commodity processing facility investment tax credit ----- 12 \_\_\_\_\_
- 13 Supplier (wholesaler) biodiesel fuel tax credit ----- 13 \_\_\_\_\_
- 14 Seller (retailer) biodiesel fuel tax credit ----- 14 \_\_\_\_\_
- 15 Geothermal, solar, or wind energy device tax credit ----- 15 \_\_\_\_\_
- 16 Certified North Dakota nonprofit development corporation tax credit ----- 16 \_\_\_\_\_

**Other items**

*Line 17 only applies to a professional service partnership — see instructions*

- 17 a Guaranteed payments from Federal Form 1065 (or 1065-B), Schedule K ----- 17a \_\_\_\_\_
- b Portion of line 17a paid for services performed everywhere by all partners ----- 17b \_\_\_\_\_
- c Portion of line 17b paid to nonresident individual partners for services performed in North Dakota ----- 17c \_\_\_\_\_

*Line 18 applies only to a multistate partnership — see instructions*

- 18 a Total allocable income from all sources (net of related expenses) ----- 18a \_\_\_\_\_
- b Portion of line 18a that is allocable to North Dakota ----- 18b \_\_\_\_\_

*Line 19 applies to all partnerships — see instructions*

- 19 For disposition(s) of I.R.C. Section 179 property, enter the North Dakota amounts — see instructions:
  - a Gross sales price or amount realized ----- 19a \_\_\_\_\_
  - b Cost or other basis plus expense of sale ----- 19b \_\_\_\_\_
  - c Depreciation allowed or allowable (excluding I.R.C. Section 179 deduction) ----- 19c \_\_\_\_\_
  - d I.R.C. Section 179 deduction related to property that was passed through to partners ----- 19d \_\_\_\_\_



**Schedule KP Partner information**

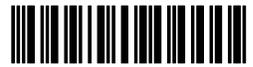
**All partnerships must complete this schedule**

- Complete Columns 1 through 5 for EVERY partner
- Complete Column 6 if partner is a nonresident individual, estate, or trust
- If applicable, complete Column 7 or Column 8 for a nonresident individual partner only

All Partners				
Partner	Column 1	Column 2	Column 3	Column 4
	Name and address of partner <i>If additional lines are needed, attach additional pages</i>	Social Security Number/FEIN	Type of entity <i>(See pg. 7 of instr.)</i>	Ownership %
<b>A</b>	Name ----- Address			
<b>B</b>	Name ----- Address			
<b>C</b>	Name ----- Address			
<b>D</b>	Name ----- Address			
<b>E</b>	Name ----- Address			
<b>F</b>	Name ----- Address			
<b>G</b>	Name ----- Address			

Partner	All Partners	Nonresident Partners Only		
		Individuals, estates, and trusts	Individuals only	
		Column 5	Column 6	Column 7
	Federal distributive share of income (loss)	North Dakota distributive share of income (loss)	North Dakota income tax withheld (5.54%)	North Dakota composite income tax (5.54%)
<b>A</b>				
<b>B</b>				
<b>C</b>				
<b>D</b>				
<b>E</b>				
<b>F</b>				
<b>G</b>				

<b>1</b>	Total for <b>Column 5</b> . . . . . <b>1</b>			
<b>2</b>	Total for <b>Column 6</b> . . . . . <b>2</b>			
<b>3</b>	Total for <b>Column 7</b> . Enter this amount on Form 58, page 1, line 1 . . . . . <b>3</b>			
<b>4</b>	Total for <b>Column 8</b> . Enter this amount on Form 58, page 1, line 2 . . . . . <b>4</b>			



North Dakota Schedule K-1 (Form 58)

2006

Partner's Share of North Dakota Income (Loss), Deductions, Adjustments, Credits, and Other Items

See separate instructions

Part 1 Partnership information

A Partnership's federal EIN

B Partnership's name, address, city, state, and ZIP code

Part 2 Partner information

C Partner's SSN or FEIN (from Federal Schedule K-1)

D Partner's name, address, city, state, and ZIP code (from Federal Schedule K-1)

E What type of entity is this partner?

F If partner is an individual, estate, or trust, partner is a:

- Full-year resident of North Dakota, Part-year resident of North Dakota, Full-year nonresident of North Dakota

G Is partner included in a composite return? Yes No

H Partner's share of profit and loss:

Table with columns: Beginning, Ending, Profit, Loss and rows for %

I Partner's ownership percentage: %

Part 3 All partners - North Dakota adjustments and tax credits

- 1 Federally-exempt income from non-ND state and local bonds and foreign securities
2 State and local income taxes deducted in calculating ordinary income (loss)
3 Interest from U.S. obligations
4 Renaissance zone income exemption
5 New or expanding business exemption
6 a Beginning farmer gain deduction
b Beginning farmer interest deduction
c Beginning farmer rent deduction
7 a Beginning entrepreneur gain deduction
b Beginning entrepreneur interest deduction
c Beginning entrepreneur rent deduction
8 Gain from eminent domain sale

Final Amended

Partnership's tax year: Calendar year 2006 (Jan. 1 - Dec. 31, 2006)
Fiscal year: Beginning, 2006 Ending, 20

Part 3 continued . . .

- 9 Renaissance zone: Historic property preservation/renovation tax credit
10 Renaissance zone: Renaissance fund organization investment tax credit
11 Seed capital investment tax credit
12 Agricultural commodity processing facility investment tax credit
13 Supplier biodiesel fuel tax credit
14 Seller biodiesel fuel tax credit
15 Geothermal, solar, or wind energy device tax credit
16 Certified North Dakota nonprofit development corporation investment tax credit

Part 4 Nonresident individual, estate or trust partner only - North Dakota income (loss)

- 17 Partnership's apportionment factor
18 Ordinary income (loss)
19 Net rental real estate income (loss)
20 Other net rental income (loss)
21 Guaranteed payments
22 Interest income
23 Ordinary dividends
24 Royalties
25 Net short-term capital gain (loss)
26 Net long-term capital gain (loss)
27 Net section 1231 gain (loss)
28 Other income (loss)
29 Section 179 deduction
30 Other deductions
31 I.R.C. Section 179 property disposition gain (loss)

Part 5 Nonresident individual partner only

- 32 North Dakota distributive share of income (loss)
33 North Dakota income tax withheld
34 North Dakota composite income tax



North Dakota Schedule K-1 (Form 58)

2006

Partner's Share of North Dakota Income (Loss), Deductions, Adjustments, Credits, and Other Items

See separate instructions

Part 1 Partnership information

A Partnership's federal EIN

B Partnership's name, address, city, state, and ZIP code

Part 2 Partner information

C Partner's SSN or FEIN (from Federal Schedule K-1)

D Partner's name, address, city, state, and ZIP code (from Federal Schedule K-1)

E What type of entity is this partner?

F If partner is an individual, estate, or trust, partner is a:

- Full-year resident of North Dakota, Part-year resident of North Dakota, Full-year nonresident of North Dakota

G Is partner included in a composite return? Yes No

H Partner's share of profit and loss:

Table with columns: Beginning, Ending, Profit, Loss and rows for %

I Partner's ownership percentage: %

Part 3 All partners - North Dakota adjustments and tax credits

- 1 Federally-exempt income from non-ND state and local bonds and foreign securities
2 State and local income taxes deducted in calculating ordinary income (loss)
3 Interest from U.S. obligations
4 Renaissance zone income exemption
5 New or expanding business exemption
6 a Beginning farmer gain deduction
b Beginning farmer interest deduction
c Beginning farmer rent deduction
7 a Beginning entrepreneur gain deduction
b Beginning entrepreneur interest deduction
c Beginning entrepreneur rent deduction
8 Gain from eminent domain sale

Final Amended

Partnership's tax year: Calendar year 2006 (Jan. 1 - Dec. 31, 2006)
Fiscal year: Beginning, 2006 Ending, 20

Part 3 continued . . .

- 9 Renaissance zone: Historic property preservation/renovation tax credit
10 Renaissance zone: Renaissance fund organization investment tax credit
11 Seed capital investment tax credit
12 Agricultural commodity processing facility investment tax credit
13 Supplier biodiesel fuel tax credit
14 Seller biodiesel fuel tax credit
15 Geothermal, solar, or wind energy device tax credit
16 Certified North Dakota nonprofit development corporation investment tax credit

Part 4 Nonresident individual, estate or trust partner only - North Dakota income (loss)

- 17 Partnership's apportionment factor
18 Ordinary income (loss)
19 Net rental real estate income (loss)
20 Other net rental income (loss)
21 Guaranteed payments
22 Interest income
23 Ordinary dividends
24 Royalties
25 Net short-term capital gain (loss)
26 Net long-term capital gain (loss)
27 Net section 1231 gain (loss)
28 Other income (loss)
29 Section 179 deduction
30 Other deductions
31 I.R.C. Section 179 property disposition gain (loss)

Part 5 Nonresident individual partner only

- 32 North Dakota distributive share of income (loss)
33 North Dakota income tax withheld
34 North Dakota composite income tax

# 2006

## Partner's Instructions for North Dakota Schedule K-1 (Form 58)

### Purpose of schedule

North Dakota Schedule K-1 (Form 58) is provided to you by the partnership to show your share of the income, gains, losses, deductions, and other items from the partnership that you need to complete your North Dakota income tax return. These instructions will assist you in transferring the amounts from the schedule to your North Dakota income tax return.

**Partnership or corporation partner.** If you are a corporation, partnership, or a limited liability company treated like a partnership, you have received North Dakota Schedule K-1 only to show your share of the partnership's North Dakota statutory adjustments or tax credits that may affect the preparation of your North Dakota income tax return. See the instructions to Part 3.

**Resident individual, estate, or trust partner.** If you are a North Dakota resident individual, estate, or trust, you must report to North Dakota your entire share of the partnership's income, gains, losses, and deductions that are included in your federal taxable income. You have received North Dakota Schedule K-1 only to show your share of the partnership's North Dakota statutory adjustments or tax credits that may affect the preparation of your North Dakota income tax return. See the instructions to Part 3.

**Nonresident individual, estate, or trust partner.** If you are a nonresident individual, estate, or trust, you must report to North Dakota your share of the partnership's income, gains, losses, and deductions that are apportioned and allocated to North Dakota based on the partnership's activity in North Dakota. These items are shown in Part 4 of North Dakota Schedule K-1. Unless you are a nonresident individual who elected to include your share of these items in a composite return filed on your behalf by the partnership, you must file a North Dakota income tax return to report and pay the required income tax on them.

**Composite return election.** If you are a nonresident individual who elected to include your share of the partnership's North Dakota income, gains, losses, and deductions in a composite return filed by the partnership, you are not required to file a North Dakota individual income tax return. If this applies to you, you received North Dakota Schedule K-1 to show your share of these

items and the composite income tax paid on them. If you later choose to file your own North Dakota individual income tax return, follow the instructions below to transfer the amounts from North Dakota Schedule K-1 to your return.

**Amended Schedule K-1 (Form 58).** If you received an amended North Dakota Schedule K-1 (Form 58) from the partnership, and you previously filed a North Dakota income tax return, you must file an amended North Dakota income tax return to report the changes in income, gains, losses, and deductions. You also must attach a copy of the amended North Dakota Schedule K-1 (Form 58) to your amended North Dakota income tax return.

### Part 3 All partners—North Dakota adjustments and tax credits

*Note: Wherever you see "Not applicable" in the right-hand column of the following lists, it means that the item does not apply to the return you are completing; do not enter the item on the return.*

#### Lines 1–16

*Form ND-1 filer:*

Include the amount from this schedule:	On:
Lines 1–2	Not applicable
Line 3	Form ND-1, line 6
Line 4	Sch. RZ, Part 1, line 14
Line 5	Form ND-1, line 12
Lines 6–8	Not applicable
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11	Form ND-1, line 23
Line 12	Form ND-1, line 22
Line 13	Form ND-1, line 25
Line 14	Form ND-1, line 26
Lines 15–16	Not applicable

*Form ND-2 (Schedule 2 filer only):*

Include the amount from this schedule:	On:
Line 1	Sch. 2, line 2
Line 2	Sch. 2, line 3
Line 3	Sch. 2, line 7
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 2, line 21
Line 6a	Sch. 2, line 14
Line 6b	Sch. 2, line 12
Line 6c	Sch. 2, line 13
Line 7a	Sch. 2, line 18
Line 7b	Sch. 2, line 16
Line 7c	Sch. 2, line 17

Line 8	Sch. 2, line 21
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11	Page 1, line 9
Line 12–15	Page 1, line 7
Line 16	Page 1, line 8

*Form ND-2 (Schedule 3 filer only):*

Include the amount from this schedule:	On:
Line 1	Sch. 3, Part 1, line 12
Line 2	Sch. 3, Part 1, line 17
Line 3	Not applicable
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 3, Part 1, line 5
Line 6a	Sch. 3, Part 1, line 4
Line 6b	Sch. 3, Part 1, line 2
Line 6c	Sch. 3, Part 1, line 3
Line 7a–8	Sch. 3, Part 1, line 5
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11	Page 1, line 9
Line 12–15	Page 1, line 7
Line 16	Page 1, line 8

*Form 38 (Schedule 1 filer only):*

Include the amount from this schedule:	On:
Lines 1–2	Not applicable
Line 3	Sch. 1, line 4a
Line 4	Sch. RZ, Part 1, line 14
Line 5	Sch. 1, Part 1, line 4c
Lines 6–8	Not applicable
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–14	Form 38, page 1, line 3
Lines 15–16	Not applicable

*Form 38 (Schedule 2 filer only):*

Include the amount from this schedule:	On:
Lines 1–2	Sch. 2, Part 1, line 2
Line 3	Sch. 2, Part 1, line 4a
Line 4	Sch. RZ, Part 1, line 14
Lines 5–8	Sch. 2, Part 1, line 4a
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–16	Form 38, page 1, line 3

*Form 40 filer:*

Include the amount from this schedule:	On:
Line 1	Sch. SA, line 5
Line 2	Sch. SA, line 3
Line 3	Sch. SA, line 11
Line 4	Sch. RZ, Part 1, line 14
Line 5	Page 1, line 9
Lines 6–7	Not applicable
Line 8	Sch. SA, line 17

Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Line 11	Sch. TC, line 12
Line 12	Sch. TC, line 15
Line 13	Sch. TC, line 13
Line 14	Sch. TC, line 14
Line 15	Sch. TC, line 5
Line 16	Sch. TC, line 9

*Form 35 filer:*

Include the amount from this schedule:	On:
Line 1	Sch. SA, line 4
Line 2	Sch. SA, line 3
Line 3	Not applicable
Line 4	Sch. RZ, Part 1, line 14
Lines 5–8	Not applicable
Line 9	Sch. RZ, Part 4, line 7
Line 10	Sch. RZ, Part 5, line 4
Lines 11–16	Not applicable

*Forms 58 and 60:* Include the amounts from lines 1–16 of this schedule on the applicable lines of Schedule K of Form 58 or Form 60.

**Part 4  
Nonresident individual, estate, or trust partners only– North Dakota income (loss)**

**Line 17**  
Enter the partnership’s apportionment factor from Schedule FACT, line 14.

**Lines 18–31**  
If you are a nonresident individual, estate, or trust, lines 18 through 31 of Part 4 show your share of the partnership’s North Dakota income, gains, losses, and deductions that you must report on your North Dakota income tax return. Transfer these amounts to your North Dakota income tax return as instructed below based on the type of return you are filing.

If the full amount of any item is not included in your federal adjusted gross income because of passive activity loss limitations, capital loss limitations, section 179 deduction limitations, or for other reasons, enter on your return only that portion of the item included in your federal adjusted gross income.

**Attach a statement to your North Dakota income tax return explaining any difference between an amount shown on North Dakota Schedule K-1 (Form 58) and the amount reported on your North Dakota income tax return.**

*Form ND-1 filer (nonresident only):*

Include the amount from this schedule:	On Schedule ND-1NR, Column B:
Lines 18–21	Line 6
Lines 22–23	Line 2
Line 24	Line 6
Lines 25–27	Line 4
Line 28	Line 8
Lines 29–30	Line 6
Line 31	Line 4

*Form ND-2 filer (nonresident only):*

Include the amount from this schedule:	On Schedule 3, Part 2, Column B:
Lines 18–21	Line 6
Lines 22–23	Line 2
Line 24	Line 6
Lines 25–27	Line 4
Line 28	Line 8
Lines 29–30	Line 6
Line 31	Line 4

*Form 38, Schedule 1 filer (nonresident only)*

Include the amount from this schedule:	On Schedule 1, Part 2, Column B:
Lines 18–21	Line 5
Line 22	Line 1
Line 23	Line 2
Line 24	Line 5
Lines 25–26	Line 4
Line 27	Line 4 or 7
Line 28	Line 8
Lines 29–30	Line 5
Line 31	Line 4 or 7

*Form 38, Schedule 2 filer (nonresident only)*

Include the amount from this schedule:	On Schedule 2, Part 2, Column B:
Lines 18–21	Line 5
Line 22	Line 1
Line 23	Line 2
Line 24	Line 5
Lines 25–26	Line 4
Line 27	Line 4 or 7
Line 28	Line 8
Lines 29–30	Line 5
Line 31	Line 4 or 7

**Part 5  
Nonresident individual partner only**

Lines 32 through 34 apply only to a nonresident individual partner.

**Line 32**

This is the net amount of your North Dakota distributive share of income (loss) from the partnership. Do not enter the amount from this line anywhere on your return. ***It is for your information only.***

If you have a North Dakota distributive share of income of \$1,000 or more, the partnership was required to withhold North Dakota income tax from it at the rate of 5.54 percent unless you elected to include it in a composite return filed by the partnership.

**Line 33**

If applicable, the amount shown on this line is the amount of North Dakota income tax withheld by the partnership from your North Dakota distributive share of income. Include this amount on Form ND-1, line 28, or Form ND-2, page 1, line 11. ***Attach a copy of North Dakota Schedule K-1 (Form 58) to your return.***

**Line 34**

If you elected to include your North Dakota distributive share of income (loss) in a composite return, the amount shown on this line is the amount of North Dakota composite income tax paid on your behalf by the partnership. If you made this election, you are not required to file your own North Dakota individual income tax return. ***This is for your information only.***

*Note:* If you later choose to file your own North Dakota individual income tax return, you may claim this amount as a tax payment on your return. Attach a copy of the North Dakota Schedule K-1 (Form 58) to your return to support the amount claimed.