



Montana Department of

REVENUE

MONTANA 2010 Small Business Corporation Booklet Form CLT-4S

Dear Montana Business Taxpayer:

Your Montana Department of Revenue is committed to providing the best possible services to the taxpayers of our great state. We promise to do the best that we can to provide you with accurate and timely assistance to help your business file tax returns, and to ensure that all citizens and businesses pay their fair share of Montana taxes—no more and no less.

Throughout this tax season, tax professionals who are *Authorized E-file Providers* can submit your federal and state tax returns electronically. Please ask your tax professional to use this easy and convenient service. Our website at revenue.mt.gov has the details, along with a listing of approved software vendors.

In addition, we are working to create additional electronic filing and payment services for businesses on our website. Please visit revenue.mt.gov/efile regularly to check availability.

Thank you for filing and paying Montana taxes. By paying taxes, your business supports public services that help make Montana a great place to live, work and conduct commerce.

We encourage you to let us know how we are doing—so that we can do an even better job for you—by completing the improvement survey attached to the instruction booklet. In addition, you may contact us with any questions or requests by sending an e-mail message to DORFormsDesignTeam@mt.gov or by calling us toll free at (866) 859-2254 (in Helena 444-6900).

Thank you for helping make our tax system work for all Montanans and for all the businesses that participate in our economy!

Best regards,

Dan Bucks, Director
Montana Department of Revenue

Fiscal Year Filers - Please Note:

This booklet contains your Montana Small Business Corporation Information and Composite Return forms for the tax year beginning in 2010. Retain it for your 2010 filing purposes.



(866) 859-2254 (toll free) • (406) 444-6900 (Helena area) • (406) 444-2830 TDD



Did you know?
 You have e-file options.
revenue.mt.gov/efile

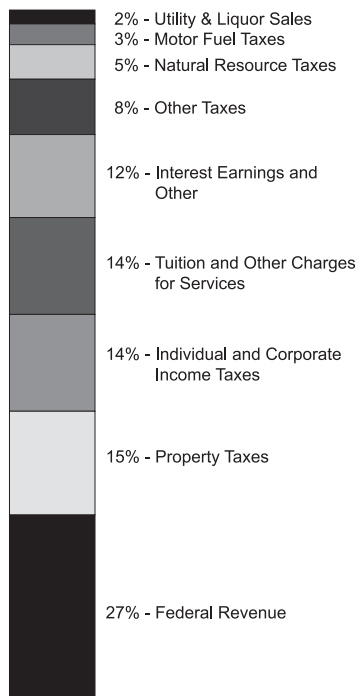
Your Tax Dollars at Work

The table to the right shows where your individual and corporate income tax dollars (about 14% of total state and local revenues) were spent in 2009. For the charts below, the left chart shows the sources of revenue for both state and local governments in Montana for 2008, the most recent year for which totals are compiled. The right chart shows state and local spending.

Where Your Income Tax Dollar Goes	
Education	50%
Health and Human Services	20%
Public Safety and Corrections.....	13%
Transfers to Local Governments.....	5%
General Government Operations.....	8%
Other	4%
Total Spending	100%

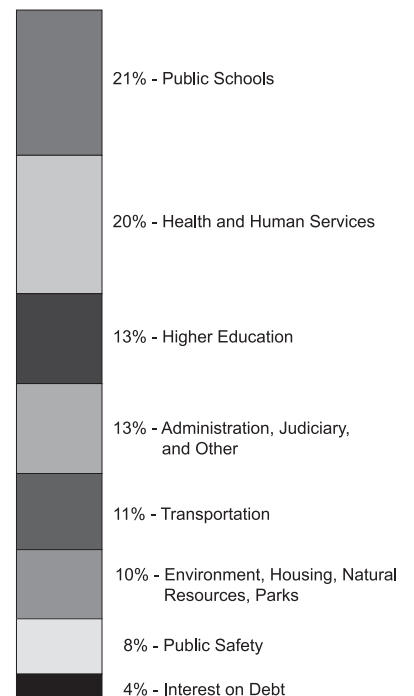
What are Montana's Public Revenues?

Total Montana State and Local Revenue, Fiscal Year Ending 2008



Where Do Your Public Dollars Go?

Total State and Local Spending in Montana, Fiscal Year Ending 2008





Go paperless. Go green.

There are more paperless options than ever before for you to file and pay your Montana taxes. And some of them are free. Whether you want to file on your own or through your favorite preparer, several options are available to fit your needs.

File Electronically

- **Montana Electronic Filing:** Fill out and directly file Montana individual income tax forms 2EC, 2, 2M and 2EZ for free. To file Form 2, you will need to register on Taxpayer Access Point (TAP). Watch our website for business returns we plan to add. Visit revenue.mt.gov.
- **Taxpayer Access Point (TAP):** This is a free electronic service for accessing your Montana tax account information, filing your return, paying your tax and much more. You'll need to register to access your account, and have to have previously filed in Montana. Visit <https://tap.dor.mt.gov>.
- **E-file with Tax Preparer or Online/Retail Software:** This is a cooperative program through the IRS and state revenue agencies. Authorized tax preparers can prepare and electronically file your federal and state tax returns at the same time. Depending on the services, there may be a fee. You can also use retail or online software to prepare and file your returns on your own. Visit revenue.mt.gov for a list of Montana approved software vendors. Or visit irs.gov for filing options.
- **Montana Free File:** This organization helps individual filers with free filing options. Visit montanafreefile.org for details.

Did you know?

- Direct deposit is available when you e-file, and most filers get their refunds within 5-7 business days.
- More than 70% of Montana individual income taxpayers file their taxes electronically.

Pay Electronically

- **Taxpayer Access Point (TAP):** See above for details.
- **Income Tax Express:** Pay current and past state individual income taxes and estimated taxes. Visit <https://app.mt.gov/ite>.
- **Business Tax Express:** This service allows you to electronically pay Montana state taxes for your business. Registration is required using state ePass. Visit <https://app.mt.gov/bustax>.

Electronic Filing and Payment Options at a Glance	Taxpayer Access Point ⁽¹⁾	E-file with tax preparer ⁽⁴⁾	E-file with online/retail software ⁽⁴⁾	Direct deposit refunds	Pay electronically ⁽⁵⁾
Filing status - Individual Income Tax					
First-time filer	No ⁽²⁾	Yes	Yes	Yes	Yes
Full-year resident	Yes	Yes	Yes	Yes	Yes
Part-year resident	Yes ⁽³⁾	Yes	Yes	Yes	Yes
Nonresident	Yes ⁽³⁾	Yes	Yes	Yes	Yes
Form type					
2EC - Elderly homeowner/ renter credit	Yes	Yes	Yes	Yes	NA
2 - Individual long form	Yes	Yes	Yes	Yes	Yes
2M - Individual intermediate form	Yes	Yes	Yes	Yes	Yes
2EZ - Individual short form	Yes	Yes	Yes	Yes	Yes
CLT-4 - Corporation	*	Yes	No	Yes	Yes
CLT-4S - S corporation	*	Yes	No	Yes	Yes
FID-3 - Estates and trusts	*	No ⁽⁶⁾	No	Yes	Yes
PR-1 - Partnership	*	Yes	No	Yes	Yes

(1) Free service for state returns only. Visit <https://tap.dor.mt.gov>.

(2) First-time filer can file forms 2M, 2EZ, and 2EC without registering on TAP. Visit revenue.mt.gov.

(3) Taxpayer Access Point only available if you have filed previously in Montana.

(4) Talk to your preparer, or visit revenue.mt.gov for a list of approved software vendors. This service is through the IRS Federal/State Electronic Filing program.

(5) Payment Service for state returns - Taxpayer Access Point: <https://tap.dor.mt.gov>; Business Tax Express: <https://app.mt.gov/bustax>; Income Tax Express: <https://app.mt.gov/ite>. Credit card charges may apply.

(6) Yes for IRS federal form. No for Montana form.

(*) Service planned, may not be currently available. Please check <https://tap.dor.mt.gov>.

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K-1 Partner's/Shareholder's Share of Income, Deductions, Credits, etc.	Follows forms

Additional forms that are not included in this booklet that we may require you to file with your Montana Form CLT-4S:

- PT-AGR** Montana Pass-Through Entity Owner Tax Agreement
PT-STM Montana Second Tier Pass-Through Entity Owner Statement

These forms are available on our website at revenue.mt.gov. You may also order your forms by calling us toll free (866) 859-2254 (in Helena, 444-6900).

What's New for 2010?

• Easier to read Form CLT-4S

You will notice that the Form CLT-4S has been updated so that it can be read better by both people and our equipment. We are using new equipment that reads paper tax returns in order to save costs for all Montanans. You can help us maximize savings on processing costs by:

- Using black or blue ink, and
- Not stapling or taping anything to the tax return, correspondence, documents, voucher or check.

Also, we ask that you organize your return information in the following order (although some items may not apply for you):

1. Check and voucher
2. Correspondence
3. Tax return
4. Schedules
5. Additional documents

• Change to refund interest for late returns

Beginning with tax year 2010, there will be a change to the amount of refund interest we may owe to the S corporation when it files the original tax return after the extended due date. If we do not issue the refund to the S corporation within 45 days, the interest will be calculated from the date we received the tax return, not from the original due date.

Changes to the Form

Taxpayer Information

In the heading section, we require you to report your Montana Secretary of State identification number. When you registered to do business in Montana, you were given this number. To find out your identification number, please visit the Secretary of State's website at sos.mt.gov, and search for your business name under the Business Services section.

Schedule IV, Montana S Corporation Composite Income Tax Schedule

We simplified the Schedule IV, Montana S Corporation Composite Income Tax Schedule, in order to calculate the composite tax ratio for all participating shareholders. The composite tax ratio is calculated in Part I, using the S corporation's Montana source income and the S corporation's income from all sources. Part II is used to calculate the composite income tax per participating shareholder and the composite tax ratio is applied to the tax liability per shareholder.

Montana Schedule K-1, Partner's/Shareholder's Share of Income (Loss), Deductions, Credits, etc.

The Montana Schedule K-1 is now required to be used by the S corporation to provide information to all shareholders. The Montana Schedule K-1 provides Montana tax information that the shareholders will need to complete their Montana tax returns. Parts 1 and 2 are completed for all shareholders. Parts 3, 5 and 6 are completed only if there is any applicable information. Part 4 applies to nonresident shareholders only.

Form CLT-4S Instructions

Heading

Tax Year

The same tax year used for federal income tax purposes (as indicated on the federal return) must be used for Montana income tax purposes. If the S corporation has a fiscal year, enter the beginning and ending dates of the fiscal year. Use the 2009 Form CLT-4S only if the S corporation's year began in the 2009 calendar year.

Name and Address

Enter the S corporation's name and mailing address in the spaces provided.

Federal Employer Identification Number (FEIN)

Montana uses the FEIN for identification purposes. Enter the FEIN from page 1 of federal Form 1120S.

Federal Business Code/NAICS

Enter the Principal Business Activity Code number from page 1, Box B of federal Form 1120S. The Business Activity Code is based on the North American Industry Classification System (NAICS). For further information, please visit www.naics.com.

Date Registered in Montana

Enter the date the S corporation registered with the Secretary of State to do business in Montana.

MT Secretary of State ID

Enter your Montana Secretary of State identification number. When you registered to do business in Montana, you were given this number. To find out your identification number, please visit the Secretary of State's website at sos.mt.gov, and search for your business name under the Business Services section.

Line Instructions

Lines 1 through 10 – Shareholders' Pro Rata Share of Income Items

Enter the amounts reported on your federal Form 1120S, Schedule K, Shareholders' Pro Rata Share Items, lines 1 through 10.

Line 5 – Ordinary Dividends

Enter the total amount of ordinary dividends that you reported on your federal Form 1120S, Schedule K, line 5a. Montana taxes dividends as ordinary income and does not recognize the federal qualified dividend tax rate.

Lines 12a-e – Shareholders' Distributive Share of Deduction Items

Enter the amount of deductions that you reported on your federal Form 1120S, Schedule K, lines 11 and 12, Shareholders' Pro Rata Share Items.

Line 13 – Total Federal Deductions

Add lines 12a through 12e.

Line 14 – Federal Income from All Sources

Subtract line 13 from line 11.

Line 15 – Shareholders' Distributive Share of Montana Additions to Income

To compute Montana income taxable to shareholders, certain items have to be added to income. A detailed statement is required to be included with the tax return.

Line 15a

State, county, and municipal interest and dividends not taxable under the Internal Revenue Code (IRC) are added when computing Montana income taxable to shareholders. Interest and dividends from Montana bonds are not taxable.

Line 15b

State, local and foreign income taxes based on income or profits have to be added back to the income.

Line 15c

Report all other additions.

Examples are:

- Compensation and expenditures used to compute the film production credit have to be included in the income of the year that the compensation and expenditures were incurred.
- If you were the owner of a business that received a tax credit from the Insure Montana Small Business Health Insurance program, you are not allowed a deduction for the premiums used to calculate the

credit. Because the credit cannot exceed 50% of the premiums, multiply the amount of credit you are claiming by two and enter the result on this line.

Line 16 – Shareholders' Distributive Share of Montana Deductions to Income

To compute Montana income taxable to shareholders, certain items are deducted from income. A detailed statement is required to be included with the tax return.

Line 16a

Interest on United States government obligations and mutual fund dividends attributable to that interest are exempt from Montana individual income tax but are included in determining Montana corporation license tax. Interest on obligations from U.S. territory or government agency obligations specifically exempt by federal law, and any mutual fund dividends attributable to this interest, are also exempt from Montana individual income tax.

Obligations that are guaranteed by the United States government are not tax exempt. These include Government National Mortgage Association (Ginnie Mae) bonds, Federal National Mortgage Association (Fannie Mae) bonds, or Federal Home Loan Mortgage Corporation (Freddie MAC) securities.

United States obligations that are exempt include:

- Series E, EE, F, G and H savings bonds
- U.S. treasury bills
- U.S. government notes
- U.S. government certificates

Please refer to your federal Form 1099-DIV to determine what percentage of your dividends qualifies for an exemption from Montana individual income tax.

Line 16b

Deduct an additional amount equal to 10% of the expenditures for the purchase of qualified recycled material that was otherwise deductible as business-related expenses in Montana as computed on Montana Form RCYL, Part IV. Form RCYL has to be included with your tax return if you file a paper return. If you file electronically, you represent that you have a copy in your records.

Line 16c

Report other subtractions on this line, including the following:

- A deduction equal to fair market value, not to exceed 30% of the net income, of a computer or other sophisticated technological equipment or apparatus intended for use with the computer donated to an elementary, secondary, or accredited postsecondary school located in Montana.

- The amount of contributions made by a small business to its independent liability fund.
- A portion of an investment made in a building for the purpose of conserving energy. To qualify, the building has to be used in the entity's business and the result of the investment has to be a substantial reduction in the amount of energy needed to render the building usable.
- Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation.
- Multi-state S corporations should deduct any nonbusiness income that is allocated to a specific state. This income is not included in the S corporation's income apportioned to Montana. Nonbusiness income that is allocated to Montana is entered on line 19.

Line 17 – Net Taxable Income (Loss)

Add lines 14 and 15, then subtract line 16. If you are not a multi-state S corporation, this is your net Montana taxable income (loss).

Multi-state S corporations with Montana source income are required to complete lines 18 through 20.

Line 18 – Income Apportioned to Montana

For multi-state S corporations only, multiply the amount that is reported on line 17 by the apportionment percentage that you reported on line 5 of Schedule I, Apportionment Factors for Multistate S Corporations. See the instructions for Schedule I on page 6.

Line 19 – Income Allocated to Montana

For multi-state S corporations only, report any nonbusiness income allocated to Montana on this line. This is the same income deducted on line 16c. See FAQ 14 for "allocation of income" on page 15.

In addition, the S corporation must include the following with Form CLT-4S:

- A statement showing each item of nonbusiness income, 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 Montana, a copy of that other state's income tax return must be included. If the S corporation is not required to file an income tax return with the other state, the S corporation must indicate this in the included statement.

Line 20 – Total Montana Source Income for Multi-state Taxpayers

Add the amounts on lines 18 and 19.

Line 21 – Total Montana Composite Return Tax

Enter the total amount of composite tax reported on Schedule III, column F. See instructions on page 8.

Line 22 – Total Shareholder Withholding

Enter the total from Schedule III, column G. This is the total amount of tax you remitted to Montana on behalf of your nonresident shareholders. Your shareholders will claim this amount paid on their behalf on their own Montana tax returns.

Line 23 – S Corporation Montana Mineral Royalty Tax Withheld

Royalty payments made to owners of Montana mineral rights are subject to withholding if certain thresholds are met. This withholding should not be confused with the amounts deducted from your royalty payments for production taxes. For more information, please visit the "Mineral Royalty Withholding" link at revenue.mt.gov.

Line 23a – Total Montana mineral royalty tax withheld

Enter the total amount of mineral royalty tax withheld for Montana as reported on your federal Form(s) 1099.

Line 23b – Mineral royalty tax withheld attributable to Montana residents

Enter the total amount withheld that is attributable to Montana resident shareholders.

Line 23c – Mineral royalty tax withheld attributable to nonresidents that are not participating in the composite return on Schedule IV

Enter the total amount withheld that is attributable to nonresident shareholders who are not participating in the composite return on Schedule IV.

Line 23d

Add lines 23b and 23c. This is the total mineral royalty tax withheld that may be claimed by the shareholders on their income tax returns.

Line 23e

Subtract line 23d from 23a. This is the mineral royalty tax withheld attributable to nonresident shareholders that are participating in the composite return on Schedule IV.

Line 24 – Return Payments**Line 24a – 2009 overpayment applied to 2010**

Enter any overpayments from 2009 that were credited to 2010.

Line 24b – 2010 estimated tax payments

Enter the total Montana estimated tax payments that you made for 2010.

Line 24c – 2010 extension payment

Enter any extension payment for 2010 made on or before March 15, 2011.

Line 24d – Montana income tax withheld

Enter the Montana income tax withheld and reported to you on Montana Form PT-WH or Montana Schedule K-1.

Line 24e – For amended tax returns only

Include any payments that you made when you filed your original return and any subsequent payments that were applied to your 2010 tax liability.

Line 24f – For amended tax returns only

Include the amount of any refund you received when you filed your original tax return or a previously amended tax return.

Line 24g

Add lines 24a through 24e and then subtract line 24f. This is the total of your return payments.

Line 25 – Amount Due or (Overpaid)

Add lines 21 and 22; from this total, subtract the sum of lines 23e and 24g.

Line 26 – Penalties and Interest**Line 26a – S Corporation Information Tax Return Late Filing Penalty**

Please see 15-30-3302, MCA. An S corporation is charged a late filing penalty if Form CLT-4S is filed after the due date, including the automatic six month extension, unless the entity can show reasonable cause for not filing on time. The penalty is \$10 multiplied by the number of shareholders at the close of the tax year for each month or fraction of a month that the entity does not file the S corporation information tax return. This penalty is calculated for up to five months.

Please Note: A late filing penalty is not imposed on an entity that has ten or fewer shareholders if the shareholders have filed the required tax returns or other required reports timely and have paid all taxes when due.

Line 26b – Interest on Underpayment of Estimated Composite Tax

Please see 15-30-3312, MCA. The S corporation is required to make estimated tax payments throughout the year if it expects to owe a composite income tax liability of at least \$500. If the S corporation was required to make estimated composite tax payments and it did not remit the required amounts, you will have to pay interest on any underpayment. Calculate the amount of the underpayment interest using Worksheet I below.

Worksheet I – Calculation of Underpayment Interest

In 2010, the S corporation was required to pay through estimated installments, the smaller of:

- 90% of the current year's total composite tax liability, or
- an amount equal to 100% of the previous year's total composite tax liability.

If your S corporation does not meet one of the above two requirements, the composite tax is subject to underpayment interest.

Payments made with extensions are not considered estimated payments.

Worksheet I - Short Method		
1.	Enter your total 2010 composite tax reported on Form CLT-4S, line 21.	
2.	Enter 90% of line 1 above.	
3.	Enter the total of lines 23e, 24a and 24d reported on Form CLT-4S.	
4.	Subtract line 3 from line 1. If the result is \$500 or less, you do not need to complete the rest of the form. You do not owe interest on your underpayment.	
5.	Enter your 2009 composite tax from your 2009 Form CLT-4S, line 21.	
6.	Enter the smaller of line 2 or line 5.	
7.	Enter the amount from line 3 plus any estimated payments made and reported on Form CLT-4S, line 24b.	
8.	Subtract line 7 from line 6. This is your total underpayment for the year. If zero or less, stop here. You do not owe interest on your underpayment.	
9.	Multiply line 8 by 0.05320 and enter the result.	

Worksheet I continued on page 5.

10.	If the amount on line 8 was paid on or after the due date of your CLT-4S, enter zero. If the amount on line 8 was paid before the due date of your CLT-4S, multiply the amount on line 8 times number of days paid before the due date of the information tax return. Multiply the result by 0.0002192.	
11.	Subtract line 10 from line 9. This is your underpayment interest. Enter the result here and on Form CLT-4S, line 26b.	

Line 26c – Composite Income Tax Return Late Filing Penalty

If you are late in filing your S Corporation Information and Composite Tax Return (Form CLT-4S), a late filing penalty of \$50 or the amount of composite tax owing, whichever is smaller, will be charged. There is no late filing penalty for the composite tax return if there was an overpayment of composite tax and you are receiving a refund.

Line 26d – Late Payment Penalty

If you have not paid all of your tax liability (line 25) by the due date of your S corporation tax return, you will need to pay a late payment penalty. Your late payment penalty is 1.2% per month or part of a month on the unpaid amount from the original due date until it is paid. This penalty cannot exceed 12% of your tax liability on line 25.

Please Note: If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. To receive the waiver, simply check the “Amended Return” box on the tax form and pay the tax and applicable interest in full when you file the amended return. By checking this box and paying all tax and interest, you are treated as having requested a waiver of the late payment penalty.

Line 26e – Interest

Compute interest on any tax liability (line 25) that you have not paid by the due date of your tax return and enter the total here.

If 100% of your tax liability is not paid by March 15, 2011 (for a calendar year tax return), interest is due at a rate of 8% per year, computed daily on your unpaid balance.

To calculate your interest, multiply line 25 by 0.02192% (0.0002192) times the number of days after March 15, 2011 your tax is paid.

Please Note: A valid extension of time to file your tax return does not extend the due date to pay your income tax liability after March 15, 2011.

Line 26f – Total Penalties and Interest

Add lines 26a through 26e and enter the total.

Line 27

Add lines 25 and 26f; enter the result here.

Line 28 – Amount You Owe

If the amount on line 27 is greater than zero, enter it on this line. This is the amount due with your tax return. You can pay the amount you owe by:

- Electronic funds withdrawal when electronically filing your tax return OR
- Pay the amount due to the Montana Department of Revenue and include the completed Montana Small Business Corporation Tax Payment Voucher that is inserted in this booklet with your tax return to:



Montana Department of Revenue
PO Box 8021
Helena, MT 59604-8021.

You can also visit our website at revenue.mt.gov to print a voucher to submit with your payment (look for downloadable forms). This will ensure the payment is properly credited to your account.

Line 29 – Overpayment

If the amount on line 27 is less than zero, enter it on this line. This is the amount you have overpaid.

Line 30 – 2011 Estimated Tax Payments

All or part of the refund that you reported on line 29 can be refunded or carried over as your 2011 estimated tax payment. Enter the amount of the refund reported on line 29 that you want to be applied to your 2011 estimated tax.

Line 31 – Refund

Subtract line 30 from line 29 and enter the result here. This is the amount of the refund that will be issued.

If you are requesting a refund, please check the box located in the top portion of Form CLT-4S, page 1.

If you would like to use direct deposit, enter your financial institution’s routing number (RTN#) and your account number (ACCT#) in the space provided. Your routing number will be nine digits and your account number can be up to 17 characters, including numbers and letters. Mark whether your account is a checking or savings account and if your refund will go to a bank outside of the United States and its territories (Midway Islands, Puerto Rico, American Samoa, US Virgin Islands, Federated States of Micronesia, and Guam).

If your financial institution does not accept the direct deposit, we will mail you a refund check.

A sample of a personal check is provided for your convenience.

John Taxpayer
Jane Taxpayer
23 Main Street
Anyplace, MT 59000
Pay to the
Order of _____ \$ 1234
Dollars

Anyplace Bank
Anyplace, MT 59000

Routing Number: 123456789
Account Number: 9876543210
Do not include the check number in the account number

1234

Schedule I. Apportionment Factors for Multistate S Corporations Instructions

Schedule I applies only to multi-state S corporations.

In most cases, multi-state S corporations with a Montana filing obligation have to compute their income taxable to shareholders by means of the apportionment factor calculated on Schedule I. The apportionment factor is the standard UDITPA (Uniform Division of Income for Tax Purposes Act) three-factor formula of property, payroll and sales.

When an S corporation is engaged in a unitary business both inside and outside Montana, the net income assignable to Montana has to be determined using the apportionment factor. An S corporation is unitary when the operations of that business within the state depend on or contribute to the operations of that business outside the state. Schedule I has to be completed fully by every S corporation that carries on a unitary business both inside and outside the state.

If you have determined the income that you attribute to Montana on some basis other than the apportionment method, you have to include a full and detailed description of your business operation along with an explanation of the method that you proposed. If you use an alternative method of determining your Montana taxable income to shareholders, you will still need to complete and submit Schedule I.

The following is a detailed explanation of how to calculate the apportionment factor. To calculate each of the factors, use the following formula: column B divided by column A, multiplied by 100. Round out to the fourth decimal (example: 25.5555%.)

Property Factor (Line 1, Schedule I)

Please see 15-1-601, MCA. The property factor is a fraction. The numerator is the average value of the S corporation's real and tangible personal property owned, leased or rented and used in Montana in the production of business income during the tax period. Enter the numerator values in column B of Schedule I. The denominator is the average value of all of the S corporation's real and tangible personal property owned, leased or rented and used in the

production of business income during the tax period. Enter the denominator values in column A of Schedule I.

Property owned by the S corporation is valued at its original cost. Real and tangible personal property that is used in the business includes land, building, machinery, equipment, stocks of goods, inventories, and other tangible property actually used in connection with the production of the business income to be apportioned. It does not include money, accounts receivable or other intangible property, real property that is held for investment or nonbusiness purposes, or idle property of any nature.

To the extent that it is utilized in Montana, migratory property has to be included in the numerator.

Unless we otherwise require it, the average value of owned property has to be determined by averaging the values at the beginning and ending of the tax period.

All property that you rent has to be valued at eight times the net annual rental rate. Rental expense cannot be averaged. You have to use your rental expense for the current year in the property factor.

Payroll Factor (Line 2, Schedule I)

Please see 15-1-601, MCA. The payroll factor is a fraction. The numerator is the total amount that you paid for compensation attributable to the production of business income during the tax period in Montana. Enter the numerator values in column B of Schedule I. The denominator is the total amount that you paid for compensation attributable to the production of business income during the tax period. Enter the denominator values in column A of Schedule I.

Payroll is considered to be paid in Montana if:

- the base of operations is in Montana,
- there is no base of operations and the place from which the service is directed or controlled is in Montana, or
- the base of operations or the place from which the service is directed or controlled is not in a state where some part of the service is performed but the person who provides the service is located in Montana.

Sales Factor (Line 3, Schedule I)

Please see 15-1-601, MCA. Sales mean all gross receipts of the S corporation exclusive of nonbusiness income and inter-company transactions. The sales factor is a fraction. The numerator is the S corporation's total sales in Montana during the tax period. Enter the numerator values in column B of Schedule I. The denominator is the S corporation's total sales everywhere during the tax period. Enter the denominator values in column A of Schedule I.

Sales of tangible personal property are in Montana if:

- the property is delivered or shipped to a purchaser in Montana, other than the United States government; or
- the property is shipped from Montana and the S corporation is not taxable in the state of the purchaser.

Sales other than sales of tangible personal property are in the state if:

- the income-producing activity is performed in Montana or
- the income-producing activity is performed both inside and outside Montana and a greater proportion of the income-producing activity is performed in Montana than in any other state, based on costs of performance.

Sum of Factors (Line 4, Schedule I)

Add lines 1, 2 and 3 in column C. Enter the result on line 4 in column C.

Apportionment Factor (Line 5, Schedule I)

Divide line 4 by the number of factors present. A factor is present if you have a value in column A for property, payroll or sales. Enter the apportionment factor on line 5 of Schedule I and also insert it on line 18, page 1 of Form CLT-4S, rounding it out to the fourth decimal (example: 25.5555%).

Schedule II. Montana S Corporation Tax Credits Instructions

A tax credit claimed by an S corporation has to be attributable to its shareholders using the same proportion that was used to report the S corporation's income or loss for Montana income tax purposes. You need to provide to your shareholder a Montana Schedule K-1 that shows how much credit is available to the shareholder and a copy of the credit form that was used to calculate the credit.

Montana credits are passed through from an S corporation to the shareholders. Shareholders determine any necessary limitations when reporting the credit on their tax returns. Unused credits may not be redistributed to other shareholders. For example, if the ownership of the S corporation consists of a resident shareholder and a nonresident shareholder, the nonresident shareholder's share of the credit could not be claimed by the resident shareholder even though the nonresident shareholder is not eligible to use it.

The tax credits cannot be taken as a credit against a composite tax reported on the Form CLT-4S.

For detailed tax credit instructions and forms, please visit our website at revenue.mt.gov. If you are eligible for a credit, please include the appropriate form with the tax

return. If you file electronically, you represent that you kept a copy in your records and will provide it to the department if we ask.

Lines 1 through 18

Complete these lines for applicable tax credits.

1. Dependent Care Assistance Credit (Form DCAC).
2. College Contribution Credit (Form CC).
3. Health Insurance for Uninsured Montanans Credit (Form HI).
4. Montana Recycle Credit (Form RCYL).
5. Alternative Energy Production Credit (Form AEPC).
6. Contractor's Gross Receipts Tax Credit.
7. Alternative Fuel Credit (Form AFCR).
8. Infrastructure User Fee Credit (Form IUFC).
9. Qualified Endowment Credit (Form QEC).
10. Historic Property Preservation Credit (Federal Form 3468).
11. Increasing Research Activities Credit (Form RSCH).
12. Mineral and Coal Exploration Incentive Credit (Form MINE-CRED).
13. Empowerment Zone Credit.
14. Film Production Credit (Form FPC).
15. Biodiesel Blending and Storage Credit (Form BBSC).
16. Oilseed Crushing and Biodiesel/Biolubricant Production Credit (Form OSC).
17. Insure Montana Small Business Health Insurance Credit.
18. Temporary Emergency Lodging Credit (Form TELC).

Credit Recapture

Lines 19 through 23

Complete these lines if the following occurs:

19. Your charitable gift is recovered in the current year.
20. Your historical property preservation credit has to be recaptured.
21. Your film production company's certification is revoked after you receive the credit.
22. Your facility's biodiesel sales are not at least 2% of all diesel sales by the end of the third year after the credit was initially claimed, or the facility ceases blending biodiesel for sale.

23. Your biodiesel facility ceases operations for a period of 12 consecutive months within five years of claiming the credit.

Schedule III. Montana S Corporation Information Instructions

Montana S Corporation Information

Include all shareholders on this form. If you need additional space, you may make copies of Schedule III, or you may use a document with columns ordered as shown. We do not accept copies of federal Schedule K-1 in place of a completed Schedule III. If Schedule III is not completed, the processing of your return will be delayed until we receive this information.

Shareholder Information

Complete Section A, columns A through D, for all shareholders who are resident individuals, estates or trusts.

Complete Section B, columns A through H, for each shareholder who is a nonresident individual or a second tier pass-through entity.

Please complete the information located on the top right hand corner of Schedule III, as follows:

- **Shareholder Withholding**
Check the "yes" box if shareholder withholding applies. Otherwise check the "no" box.
- **Composite Income Tax**
Check the "yes" box if one or more shareholders elected to be included in the composite tax return. Otherwise, check the "no" box.
- **Number of Shareholders**
Enter amounts for the number of resident shareholders, the number of nonresident shareholders and the total number of shareholders accordingly. You should include shareholders that had any interest in the S corporation at any time during the tax year. If you do not know the residency status of a shareholder, for purpose of this item consider them as "nonresidents."

Section A. Resident Shareholders

Column A – Name and Address of Shareholder

Enter the name and complete mailing address of each shareholder. Include the street address or post office box, city, state and zip code.

Column B – Identification Number

If the shareholder is an individual, enter the social security number (SSN) as it appears on the federal Schedule K-1 in the appropriate box. If the shareholder is any other type of entity, enter the federal employer identification number

(FEIN) as it appears on the federal Schedule K-1 in the appropriate box.

Column C – Ownership %

Enter each shareholder's percentage of ownership. This percentage is used to calculate the shareholder's share of income or (loss).

Column D – Montana Source Income

Enter the shareholder's share of the S corporation's Montana source income (loss). The share of Montana source income is the aggregate of the shareholder's share of income, gain, losses, deductions or other expenses of the S corporation.

Section B. Nonresident Shareholders

Columns A through D

See the instructions for Resident Shareholders in Section A above.

Column E – Federal Income from Entity

Enter the shareholder's share of the S corporation's total federal income from all sources that you reported on your federal Schedule K-1. This includes the aggregate of the shareholder's share of income, gain, losses, deductions or other expenses of the S corporation for federal income tax purposes.

Columns F through H – For Nonresident Shareholders

You will only fill out one of the columns F through H for each nonresident shareholder.

Column F – Composite Income Tax

Enter the amount of composite income tax for each shareholder that you calculated on Schedule IV, column H. Transfer the total of this column to page 2, line 21 of Form CLT-4S. This amount is reported on the Montana Schedule K-1 for each shareholder.

Column G – Shareholder Withholding

If you have a shareholder who is a nonresident individual or second tier pass-through entity owner at any time during the year, you have to remit taxes on their behalf if:

- the nonresident individual:
 - did not provide you with a completed Form PT-AGR; and
 - is not participating in the S corporation's composite tax return.
- the second tier pass-through entity owner:
 - did not provide you with a completed Form PT-STM that identified all of its owners; and

- is not participating in the S corporation's composite return.

Enter the amount of Montana tax you are remitting on behalf of each shareholder. For a nonresident individual and a second tier pass-through entity, the amount required to be remitted is 6.9% of the Montana source income reported in column D. Transfer the total of this column to page 2, line 22 of Form CLT-4S.

Payments made by the S corporation on the shareholder's behalf are reported to the shareholder on the Montana Schedule K-1 or Form PT-WH.

Column H – Consent Agreement and Second Tier Statement

There are two types of documents provided by shareholders to the S corporation that are reported here, depending on the shareholder:

1. Form PT-AGR is an agreement that has to be completed by a nonresident individual. The shareholder agrees to timely file a Montana tax return, pay all taxes and be subject to the personal jurisdiction of Montana. The shareholder completes the agreement and returns it to the S corporation. The S corporation is not required to include a new Form PT-AGR each year, but it has to include currently effective agreements for each new nonresident individual.
2. Form PT-STM has to be completed by any second tier pass-through entity owner that does not participate in a composite return you file on its behalf. This form has to identify the owners of the second tier pass-through entity in order to establish that its share of your Montana source income will be fully accounted for in Montana individual or corporation license tax returns filed with us. Form PT-STM has to be filed each year that the S corporation has a shareholder that is a pass-through entity owner.

Enter the year that the agreement, PT-AGR, or statement, PT-STM, was provided to us. If you are providing the agreement or statement to us this year, enter "2010."

Schedule IV. Montana S Corporation Composite Income Tax Schedule Instructions

If you need additional space, you may make copies of Schedule IV, or you may use a document with columns ordered as shown.

An S corporation can elect to file a composite tax return and pay a composite tax on behalf of a participating eligible shareholder. Shareholders who are nonresident individuals and who properly elect to participate in the composite tax return are relieved of the obligation to file a Montana income tax return. However, if the nonresident shareholder has other Montana source income, and that income is

from other pass-through entities that are not electing to file a composite return and pay a composite tax on their behalf, then the nonresident shareholder is not eligible to participate in your composite return.

The tax credits from Schedule II cannot be applied to reduce your composite tax. The tax credits may be used only by your shareholders to offset income tax reported on their Montana tax returns.

An S corporation can include a shareholder in filing a composite tax return only if the shareholder has provided the S corporation with a power of attorney that authorizes the S corporation to file the composite return and act on their behalf. Do not submit the power of attorney with the tax return, but retain it as authorization from the shareholder and for use in subsequent years.

If you file a composite tax return, you are responsible for:

- remitting the composite tax to us,
- paying any additional tax, penalty and interest we assess for the composite tax liability,
- representing the participants in any appeals, claims for refunds, hearing or court proceeding; and
- making quarterly estimated payments of the composite tax.

Part I

Enter the number of shareholders participating in the composite income tax return.

Enter the composite tax ratio. Carry to 4 decimal places and do not enter more than 1.0000.

The composite tax ratio is the ratio of the S corporation's Montana source income to the S corporation's income from all sources for federal income tax purposes.

For an S corporation doing business only in Montana, all of its income is Montana source income and is reported on line 17 of Form CLT-4S. The S corporation's income from all sources for federal income tax purposes is reported on line 14 of Form CLT-4S.

Example: Assume that S corporation XYZ only does business in Montana. XYZ's total federal income from all sources reported on Form CLT-4S, line 14 is \$60,000. XYZ's Montana source income reported on Form CLT-4S, line 17 is \$55,000. The composite tax ratio is $\$55,000/\$60,000 = 0.9167$.

For a multi-state S corporation, its Montana source income is reported on line 20. The S corporation's income from all sources for federal income tax purposes is reported on line 14 of Form CLT-4S.

Example: Assume that S corporation ABC is a multi-state S corporation. ABC's total federal income from all sources reported on Form CLT-4S, line 14 is \$60,000. ABC's Montana source income reported on Form CLT-4S, line 20 is \$15,000. The composite tax ratio is $\$15,000/\$60,000 = 0.2500$.

The composite tax ratio is used to determine the participating shareholder's composite tax liability calculated in Part II, Column H.

Part II

Column A – Name of Eligible Participating Shareholder

List the name of the participating shareholder as it appears on your Form CLT-4S, Schedule III.

Column B – Social Security Number (SSN) or Federal Employer Identification Number (FEIN)

Enter the SSN or FEIN of the participating shareholder as it appears on Form CLT-4S, Schedule III.

Column C – Shareholder's Share of Federal Income from Entity

Enter the participating shareholder's share of the S corporation's total federal income (loss) from all sources that you reported on Schedule III.

Column D – Standard Deduction

Each eligible participating shareholder is allowed one standard deduction equal to 20% of column C, but not less than \$1,770 or more than \$3,990.

Column E – Exemption

Each participating shareholder is allowed one exemption of \$2,130.

Column F – Calculate Montana Taxable Income

Subtract the amounts in Column D and Column E from Column C. Enter the amount in this column, but not less than \$0.

Column G – Tax from Tax Table

If the result in Column F is greater than \$0, use the tax table at the bottom of Schedule IV to calculate the tax on the amount in column F. Enter the result in this column. Enter \$0 if the amount in column F is \$0.

Column H – Montana Composite Income Tax Liability

If the amount in Column G is greater than \$0, multiply the amount in Column G by the composite tax ratio from Part I and enter the result. If the amount in Column G is \$0, enter \$0. This is the participant's Montana composite tax liability.

Example: Assume that S corporation ABC's composite tax ratio is 0.2500 (Part I). Also assume that Shareholder X is a participating shareholder with a 10% interest in the S corporation's income, gain, loss, or deduction. The federal income from all sources is \$60,000 and Shareholder X's share is \$6,000. The participating shareholder's composite tax liability is:

Shareholder's share of S corporation federal income from all sources (Column C)	\$6,000
Standard deduction (Column D)	(\$1,770)
Exemption allowance (Column E)	(\$2,130)
Result of Column C minus Columns D and E (Column F)	\$2,100
Using the tax rates shown on Schedule IV, the tax (Column G) on \$2,100.	\$21
The Montana composite income tax (Column H) is $\$21 \times 0.2500$.	\$5

Schedule VI. Reporting of Special Transactions Instructions

Check the appropriate boxes indicating which forms were filed with the IRS. If any statements are answered "Yes," you will have to include a copy of the applicable form.

For purposes of statement 5, "related party" has the same meaning given the term in Section 267(b) or Section 707(b) of the Internal Revenue Code; 26 USC 267(b) or 26 USC 707(b).

Montana Schedule K-1 Instructions

Montana Schedule K-1 (Form CLT-4S and PR-1), Partner's/Shareholder's Share of Income (Loss), Deductions, Credits, etc., is required to be used by the S corporation to provide information that the shareholder will need to complete their Montana income tax return.

Beginning with the 2010 tax year, the Montana Schedule K-1 is required for all shareholders. Parts 1 and 2 must be completed for all shareholders. Complete Parts 3, 5 and 6 only if there is any applicable information for these parts for the shareholders. Part 4 applies to nonresident shareholders only.

The S corporation has to prepare a Montana Schedule K-1 for each shareholder who was a shareholder at any time during the tax year. The entity will include a copy of each shareholder's Montana Schedule K-1 with the Form CLT-4S filed with the department. A copy is kept as part of the S corporation's records and each shareholder is given their own separate copy (with a copy of the Partner's/Shareholder's Instructions).

You have to report all the shareholders' applicable information on the Montana Schedule K-1, including those shareholders who elect to participate in a composite tax return.

Heading Information

Part 1 – Pass-Through Entity Information

Checkboxes

Type of entity – check the box that identifies you as an S corporation, Form CLT-4S.

Final Schedule K-1 – mark this box if this is the last Montana Schedule K-1 that you will issue to the shareholder.

Amended Schedule K-1 – mark this box if you are amending the shareholder's Montana Schedule K-1.

Fill in your federal employer identification number (FEIN), name and address of the S corporation.

Part 2 – Partner/Shareholder Information

- A. Enter the shareholder's tax identification number (SSN or FEIN) as you reported it for federal income tax purposes.
- B. Enter the name and address of the shareholder at the end of the tax year.
- C. Enter the type of entity that identifies how the shareholder files for federal income tax purposes. For example, if the shareholder is an LLC that files a federal partnership return, you would enter "partnership."
- D. If the shareholder is a nonresident individual, check this box. If you received a Form PT-AGR from the shareholder, check the box.
- E. Fill in the shareholder's percentage of stock ownership. This is the same amount as the amount reported on the shareholder's federal Schedule K-1.

Part 3 – All Partners/Shareholders—Montana Adjustments

- A. Montana Additions to Income. Fill in the shareholder's distributive share of Montana additions from the corresponding lines 15a through 15c on page 1 of Form CLT-4S. This is not an apportioned amount.
- B. Montana Deductions to Income. Fill in the shareholder's distributive share of Montana deductions from the corresponding lines 16a through 16c on page 1 of Form CLT-4S. This is not an apportioned amount.

Part 4 – Nonresident Partner/Shareholder Only—Montana Source Income (Loss)

Lines 1-11

Nonresident shareholders will need this information to calculate their Montana tax liability when they file their Montana income tax returns.

On each line, enter the total of the shareholder's distributable amount of:

- income apportioned to Montana, plus
- income allocated to Montana.

Part 5 – Supplemental Information

Line 1

Provide each shareholder the amount of Montana composite income tax paid on their behalf. This is the same amount as the amount reported for each shareholder on Schedule III, Montana S Corporation Information.

Line 2

Provide each shareholder the amount of Montana income tax remitted on their behalf. This is the same amount as the amount reported for each shareholder on Schedule III, Montana S Corporation Information.

Lines 3-5

Enter each shareholder's distributive share of items that could be adjustments to the shareholder's Montana income tax return. For example, if you received a federal Form 1099 because the S corporation had Montana mineral royalty tax withheld from your mineral royalty income in Montana, you will report the shareholder's portion of the amount withheld.

Also use this section to specify the Montana adjustments. For example, if you are entitled to the Insure Montana Small Business Health Insurance Credit, you had to add back the insurance premiums used to calculate the credit. You have to enter the shareholder's distributive share of these insurance premiums.

Part 6 – Montana Tax Credits and Recapture

Enter each shareholder's distributive share of tax credits and tax credit recapture amounts that you reported on Schedule II of your S corporation return.

We have listed the most common tax credits along with space to provide information about any other tax credit or recapture amount. If you need additional space, please include an additional sheet.

Additional Information

Multi-state S corporations that have shareholders that are pass-through entities may need to provide additional information to these shareholders. For example, these shareholders may need a schedule of the property, payroll and sales attributed to Montana.

FAQs—Frequently Asked Questions

Please find the answers to these questions identified by number on pages 12-15.

Filing Requirements

- 1 Who has to file Form CLT-4S?
- 2 When is the S corporation's information and composite tax return due?
- 3 What forms and schedules have to be filed by an S corporation?
- 4 Where is the tax return filed?
- 5 Which tax year and accounting method should the S corporation use to file Form CLT-4S?
- 6 How does an S corporation amend the tax return?
- 7 Should the S corporation file a composite tax return?

Electronic Filing

- 8 Can the S Corporation file its Montana tax return electronically?

Late Filed Returns and Payments

- 9 Can the S corporation get an extension of time to file its return?

- 10 What is the interest rate on unpaid taxes?

Authorization

- 11 Who has to sign the tax return?
- 12 What does the checkbox that asks "May the DOR discuss this tax return with your tax preparer" mean?

Multi-State S Corporations

- 13 Does a multi-state S corporation need to apportion its income?
- 14 Does a multi-state S corporation need to allocate its income?

Special Situations

- 15 How does an S corporation determine if income is sourced to Montana?
- 16 How does an S corporation determine which income is business income?
- 17 Can S corporations have net operating losses?

1 Who has to file Form CLT-4S?

An S corporation that has Montana source income has to file an annual Montana S Corporation Information and Composite Tax Return (Form CLT-4S).

2 When is the S corporation's information and composite tax return due?

Your Montana filing period is the same as your federal filing period. Form CLT-4S is due following the close of the tax year for:

- calendar year S corporation – on or before March 15
- fiscal year S corporation – on or before the 15th day of the 3rd month

If the due date falls on a weekend or a holiday, the tax return is due on the next business day.

3 What forms and schedules have to be filed by an S corporation?

When you file Form CLT-4S on paper, please include a complete copy of the federal Form 1120S, U.S. Income Tax Return for an S Corporation, with all federal Schedule(s) K-1, all statements and all documents included.

• Montana Resident Shareholders

If the ownership of the S corporation consists only of Montana resident shareholders, you are required to complete:

- Form CLT-4S, pages 1 and 2;
- Schedule II, Montana S Corporation Tax Credits, if applicable;
- Schedule III, Section A, Montana S Corporation Information;
- Schedule VI, Reporting of Special Transactions, if applicable; and
- Montana Schedule K-1, Shareholder's Share of Income (Loss), Deductions, Credits, etc.

We do not accept copies of federal Schedule K-1 in place of a completed Schedule III. If Schedule III is not completed, including the shareholder's identification number, the processing of your return will be delayed until we receive this completed schedule.

• Nonresident Shareholders

In addition to the information reported above, additional filing and remittance requirements are required for those S corporations that have a shareholder who is a nonresident

individual or a pass-through entity at any time during the tax year.

- **Schedule III**, Section B, Montana S Corporation Information.
- **Form PT-AGR** (Montana Pass-Through Entity Owner Tax Agreement) is an agreement that has to be completed by the nonresident individual. By signing the agreement, the shareholder agrees to timely file a Montana tax return, pay all taxes and be subject to the personal jurisdiction of Montana. The shareholder completes the agreement and returns it to the S corporation. The S corporation is not required to include a new Form PT-AGR each year, but it has to include currently effective agreements for each new nonresident shareholder. It also needs to retain these agreements as part of its tax records.

If a Form PT-AGR (Montana Pass-Through Entity Owner Tax Agreement) is not completed for any shareholder that is a nonresident individual, and if that individual does not participate in a composite return you file on their behalf, then you are required to remit tax on their behalf.

- **Form PT-STM** (Montana Second Tier Pass-Through Entity Owner Statement) has to be completed by any second tier pass-through entity that does not participate in a composite return you file on its behalf. This form has to identify the owners of the second tier pass-through entity in order to establish that its share of your Montana source income will be fully accounted for in Montana individual or corporation license tax returns filed. We require Form PT-STM to be filed each year that the S corporation has a shareholder that is a pass-through entity.

If a Form PT-STM (Montana Second Tier Pass-Through Entity Owner Statement) is not completed for any shareholder that is a pass-through entity (the second-tier entity), and if that second-tier entity does not participate in a composite return you file on their behalf, then you are required to remit tax on their behalf.

- **Schedule IV** (Montana S Corporation Composite Income Tax Schedule) is the composite tax return that the S corporation completes and files on behalf of eligible shareholders who have elected to participate in the composite filing.
- **Form PT-WH** (Montana Income Tax Withheld for a Nonresident Individual, Foreign C Corporation or Second Tier Pass-Through Entity) is the form used by the S corporation to report to a nonresident shareholder the amount of Montana income tax withheld on the shareholder's behalf. Form PT-WH is not filed with the S corporation return.

4 Where is the tax return filed?

If you choose not to file electronically, please mail your S Corporation Information and Composite Tax Return to:



Montana Department of Revenue
PO Box 8021
Helena, MT 59604-8021

5 Which tax year and accounting method should the S corporation use to file Form CLT-4S?

The 2010 Form CLT-4S has to be filed for the calendar year 2010 or the fiscal year beginning in 2010. If the tax return is for a fiscal year or a short tax year (less than 12 months) enter the taxable year in the space at the top of Form CLT-4S, page 1.

The taxable year and accounting method for Montana have to be the same as the taxable year and accounting method used for federal income tax purposes. If the S corporation changes its federal taxable year or accounting method, it is required to change its Montana taxable year and accounting method accordingly. A copy of the approval from the Internal Revenue Service (IRS) to change your accounting period or method must accompany the first tax return that reflects the change.

Check the box "Final Return" on Form CLT-4S, page 1 if the S corporation ceased to exist during the 2010 tax year.

6 How does an S corporation amend the tax return?

If you discover that your income tax return was incorrect, you have five years from the due date of the original tax return to file an amended Montana S corporation tax return.

Use Form CLT-4S to amend an original tax return. Indicate on the form that this represents an amended filing and check the box that indicates the reason(s) why you are amending your tax return. Please include the applicable forms and statements that can explain in detail all of your adjustments. Complete the entire Form CLT-4S using the corrected amounts.

If your amended tax return results in a change to income or a change in the distribution of any income or other information provided to any shareholder, you will also need to file any amended Montana Schedule(s) K-1 along with your amended Form CLT-4S. You will need to give a copy of the amended federal Schedule K-1 and Montana Schedule K-1 to each shareholder.

Please Note: If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. Simply check the "Amended Return" box on the tax form and pay the tax and applicable interest in full when you file the amended return. By checking this box and paying all tax and interest in full, you are requesting a waiver of the late payment penalty.

If the IRS changes or makes corrections to your federal Form 1120S or if your S corporation amends its federal tax return, you must file an amended Form CLT-4S. The amended CLT-4S needs to be filed within 90 days of receiving the IRS's notification of the corrections made to your federal Form 1120S or filing your amended federal tax return. Please include a copy of your federal corrections or amended Form 1120S with your amended Form CLT-4S.

7 Should the S corporation file a composite tax return?

An S corporation may elect to file a composite tax return on Form CLT-4S, Schedule IV, on behalf of the nonresident shareholders that consent to be included. If a composite return is filed, those shareholders do not have to prepare or file separate Montana returns. The composite tax rate ranges from 1% to 6.9%.

Shareholders can be included in a composite return if they meet all of the following criteria:

- They are a nonresident individual (a person who did not consider Montana as home at any time during the tax year even though they may have lived and worked in Montana temporarily during the tax year) or a pass-through entity (a partnership, S corporation or disregarded entity),
- They have no other Montana source income (other than Montana source income from another partnership or S corporation electing to file a composite return on their behalf), and
- They consent to be included in the return by providing the S corporation with a written power of attorney, authorizing the S corporation to file and act on their behalf.

8 Can the S corporation file its Montana tax return electronically?

Yes. Your tax preparer can electronically file your Montana Form CLT-4S. Montana participates in the joint federal/state electronic filing program. Please visit our website at revenue.mt.gov for more details and a listing of approved software vendors. Tax professionals who are Authorized E-file Providers can submit both your federal and state tax returns at the same time. The CLT-4S may also be available for direct electronic filing through our website. Please check revenue.mt.gov for the latest details.

If you file electronically, you do not have to mail paper copies of your return. When you file electronically, you represent that you have kept all documents required as your tax record and will provide copies to the department if we ask for them. The act of completing and filing electronically is considered an authorized signature.

9 Can the S corporation get an extension of time to file its return?

Yes. To receive an extension, you have to check the extension indicator box on Form CLT-4S, page 2, and include a copy of your federal extension Form 7004 with your completed Montana S corporation return. Do not send copies of the federal extension before you file your Montana S corporation return.

The automatic extension is six months. This extends the time for filing Form CLT-4S with its supporting schedules, and Forms PT-AGR and PT-STM, if applicable.

Important: An extension of time to file is not an extension to pay. If you do not pay the amount of tax due by the original due date, you will owe interest and penalties on any balance due.

10 What is the interest rate on unpaid taxes?

The current interest rate of 8% for individual income tax and composite income tax will continue to be in effect through December 31, 2011. Under Montana law, the daily accrual interest rate for all unpaid income taxes depends on the rate set by the IRS and may fluctuate each year, but will not be less than 8%.

11 Who has to sign the tax return?

Form CLT-4S has to be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer or any other officer duly authorized to sign the tax return. Form CLT-4S is not considered to be complete unless it is signed. Unsigned tax forms will delay the processing of your return. If your S corporation has an outside accounting firm or an individual prepare Form CLT-4S, the name, address and telephone number of the tax preparer has to be included on your tax return.

12 What does the checkbox that asks "May the DOR discuss this tax return with your tax preparer" mean?

If you check the box, we can discuss any concerns that we might have with your 2010 tax return—a missing schedule, for example—with your tax preparer. If you do not check the box, we cannot discuss your return with anyone but you or someone to whom you have given a power of attorney that allows us to discuss the return with them.

If "Yes" is marked on a return by you, you are authorizing us to call the tax preparer to answer any questions that arise while we are processing your 2010 tax return.

By checking the box you are also authorizing us to:

- Request that the tax preparer give us any information that is missing from your return.
- Respond to the tax preparer's call to us for information about the processing of your return or the status of your refund or payment(s).

- Discuss certain notices from us about math errors, offsets, and return preparation. *Note: The department will only send notices directly to you, not to the tax preparer.*

You are not authorizing the tax preparer to receive any refund check, bind you to anything (including any additional tax liability), receive any information about any other tax year or tax matter, or otherwise represent you before the department.

Please be aware that this authorization cannot be revoked. The authorization will, however, automatically end no later than the due date, without regard to extensions, for filing your next year's (2011) tax return. This is March 15, 2012, for most S corporations.

If you want to expand or change the tax preparer's authorization (for example, to verify any estimated payments you'll be making in the future), you can use Form POA, Power of Attorney, Authorization to Disclose Tax Information. Form POA is available on our website at revenue.mt.gov.

13 Does a multi-state S corporation need to apportion its income?

Montana requires multi-state S corporations to determine the income reportable to Montana using the Multistate Tax Compact guidelines. "Business income" is apportioned using three, equally weighted factors: the property factor, the payroll factor and the sales factor. All income that arises from transactions and activity in the regular course of the S corporation's trade or business operations is considered business income. Complete and include Schedule I of the tax return if you use this three factor apportionment method.

14 Does a multi-state S corporation need to allocate its income?

Using the Multistate Tax Compact guidelines, the "nonbusiness income" of a multi-state entity is allocated to the appropriate state. Nonbusiness income means all income other than business income and is narrowly defined. Multi-state S corporations have to determine the amounts of their nonbusiness income, if any, to be allocated to Montana.

You can review our apportionment and allocation rules in Title 42, chapter 26 of the Administrative Rules of Montana. Please visit our website at revenue.mt.gov.

15 How does an S corporation determine if income is sourced to Montana?

If the S corporation is doing business only in Montana, all of its income is Montana source income. Montana source income includes the separately and non-separately stated income, gain, loss, deduction or credit, or items of income, gain, loss, deduction or credit that you have derived from a trade, business, occupation or profession carried on in

Montana or that was derived from the sale or other transfer, or the rental, lease, or other commercial exploitation of property located in Montana.

If an S corporation is doing business both inside and outside of Montana, Montana source income is the sum of the multi-state business income that is apportioned to Montana and nonbusiness income that is allocated to Montana.

16 How does an S corporation determine which income is business income?

Income has to be properly classified as business or nonbusiness income based upon factual evidence. The burden of proof is on the S corporation to justify the manner in which the income is claimed on the tax return.

Interest income is business income when the note or obligation with respect to which the interest was received, arose out of, or was created in the regular course of, the taxpayer's trade or business operations.

Dividends are business income when the stock with respect to which the dividends are received, arose out of, or was acquired in the regular course of, the taxpayer's trade or business operations. If the S corporation engages in the ownership, sale or other disposition of investments regularly and as part of the ordinary course of its business, then income arising from such transactions is presumptively business income.

Gain or loss from the sale, exchange or other disposition of real, tangible or intangible personal property constitutes business income if the property, while owned by the taxpayer, was used in the taxpayer's trade or business or was included in the apportionment factor.

Rental income from real and tangible property is business income if the property with respect to which the rental income was received, is used in the taxpayer's trade or business, incidental to the trade or business, or includable in the property factor.

17 Can S corporations have net operating losses?

No. Shareholders use their separate shares of the S corporation's business income and business deductions to figure their individual net operating loss (NOL). Shareholders who elect to be included in the composite tax return lose their ability to use this information for Montana NOL purposes.



2010 Montana S Corporation Information and Composite Tax Return

Attach a copy of federal Form 1120S and Schedule(s) K-1

For calendar year 2010 or tax year beginning MMDD 2010 and ending MMDDYYYY

Name, Mailing Address, City, State, Zip + 4, FEIN, Federal Business Code/NAICS, State Incorporated in, Date Qualified in Montana, MT Secretary of State ID

Check if: [] New address [] Requesting a refund. [] Do not need Form CLT-4S sent next year.

- Check if this is an initial return, Check if this is an amended return, Reason for final return: a. Withdrawn, b. Dissolved, c. Merged, d. Reorganized, e. Other

Shareholders' Pro Rata Share of Income Items (Form 1120S, Schedule K)

Table with 11 rows for income items: 1. Ordinary business income (loss), 2. Net rental real estate income (loss), 3a. Other gross rental income (loss), 3b. Expenses from other rental activities, 3c. Subtract line 3b from line 3a, 4. Interest income, 5. Ordinary dividends, 6. Royalties, 7. Net short-term capital gain (loss), 8. Net long-term capital gain (loss), 9. Net section 1231 gain (loss), 10. Other income (loss), 11. Add lines 1 through 10 and enter result.

Shareholders' Distributive Share of Deduction Items (Form 1120S, Schedule K)

Table with 14 rows for deduction items: 12a. Section 179 deduction, 12b. Contributions, 12c. Investment interest expense, 12d. Section 59(e)(2) expenditures, 12e. Other deductions, 13. Add lines 12a through 12e and enter result, 14. Subtract line 13 from line 11.

Shareholders' Distributive Share of Montana Additions and Deductions to Income

Table with 17 rows for Montana additions and deductions: 15a. Interest and dividends not taxable under the Internal Revenue Code, 15b. Taxes based on income or profits, 15c. Other additions, 16a. Interest on U.S. government obligations, 16b. Deduction for purchasing recycled material, 16c. Other deductions, 17. Add lines 14 and 15, then subtract line 16 from that result.

Shareholders' Distributive Share of Multistate Apportionment and Allocation

Table with 4 rows for multistate apportionment: 18. Income apportioned to Montana, 19. Income allocated to Montana, 20. Add lines 18 and 19; enter result.



FEIN input boxes

Calculation of Amount Owed or Refund

Table with 2 columns: Description and Amount. Row 21: Enter your Montana total composite tax from Schedule III, column F. Row 22: Enter the amount of total shareholder withholding from Schedule III, column G.

S Corporation Montana Mineral Royalty Tax Withheld

Table with 2 columns: Description and Amount. Rows 23a-e: Total Montana mineral royalty tax withheld as reported on federal Form(s) 1099, Mineral royalty tax withheld attributable to Montana residents, Mineral royalty tax withheld attributable to nonresidents not reporting on Schedule IV, Add lines 23b and 23c, Subtract line 23d from 23a.

Return Payments

Table with 2 columns: Description and Amount. Rows 24a-g: 2009 overpayment applied to 2010, 2010 estimated payments, 2010 extension payment, Montana income tax withheld, For amended returns only—payments made with original return, For amended returns only—previously issued refunds, Add lines 24a through 24e; then subtract line 24f. Row 25: Add lines 21 and 22, then subtract lines 23e and 24g.

Penalties and Interest (see instructions)

Table with 2 columns: Description and Amount. Rows 26a-e: S corporation information return late filing penalty, Interest on underpayment of estimated composite tax, Composite income tax return late filing penalty, Late payment penalty, Interest, Add lines 26a through 26e.

Amount Owed or Refund

Table with 2 columns: Description and Amount. Rows 27-31: Add lines 25 and 26f; enter the result here, If line 27 results in an amount due, enter it here, If line 27 results in an overpayment, enter here, Enter the amount from line 29 that you want applied to your 2011 composite estimated tax, Subtract line 30 from line 29 and enter the amount here.

For Direct Deposit of your refund, complete 1, 2, 3 and 4. Please see instructions on page 5. 1. RTN#, 2. ACCT#, 3. If using direct deposit, you are required to mark one box. 4. Is this refund going to an account that is located outside of the United States or its territories?

Did you know? You have e-file options. Name, address and telephone number of paid preparer. PTIN, SSN or FEIN of paid preparer. Check this box and attach a copy of your federal Form 7004 to receive your Montana extension.

May the DOR discuss this return with your tax preparer? Yes No

This return has to be signed by one of the following: president, vice president, treasurer, assistant treasurer, or chief accounting officer. Declaration - Under penalties of false swearing, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Table with 4 columns: Signature of officer, Date, Printed name and title, Telephone number. Signature: X

Questions? Call us toll free at (866) 859-2254 (in Helena, 444-6900), or TDD (406) 444-2830 for hearing impaired.



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Schedule I – Apportionment Factors for Multistate S Corporations

Enter amounts in columns A and B. Enter percentages in column C.

	A. Everywhere	B. Montana	C. Factor
1. Property Factor: Use average value for real and tangible personal property			
1a. Land	00	00	
1b. Buildings.....	00	00	
1c. Machinery.....	00	00	
1d. Equipment.....	00	00	
1e. Furniture and fixtures	00	00	
1f. Leases and leased property	00	00	
1g. Inventories.....	00	00	
1h. Depletable assets.....	00	00	
1i. Supplies and other	00	00	
1j. Property of foreign subsidiaries included in combined unitary group 1j.	00	00	
1k. Property of unconsolidated subsidiaries included in combined unitary group	00	00	
1l. Property of pass-through entities included in combined unitary group 1l.	00	00	
1m. Multiply amount of rents by 8 and enter result	00	00	
Total Property Value add lines 1a through 1m	00	00	
Divide the total in column B by the total in column A. Multiply the result by 100. This is your property factor.			1. %
2. Payroll Factor:			
2a. Compensation of officers.....	00	00	
2b. Salaries and wages.....	00	00	
Payroll included in:			
2c. Costs of goods sold.....	00	00	
2d. Other expenses and deductions.....	00	00	
2e. Payroll of foreign subsidiaries included in combined unitary group 2e.	00	00	
2f. Payroll of unconsolidated subsidiaries included in combined unitary group	00	00	
2g. Payroll of pass-through entities included in combined unitary group 2g.	00	00	
Total Payroll Value add lines 2a through 2g	00	00	
Divide the total in column B by the total in column A. Multiply the result by 100. This is your payroll factor.			2. %
3. Sales (Gross Receipts) Factor:			
3a. Gross sales, less returns and allowances.....	00		
3b. Sales delivered or shipped to Montana purchasers:			
(1) Shipped from outside Montana	3b.(1)	00	
(2) Shipped from within Montana	3b.(2)	00	
3c. Sales shipped from Montana to:			
(1) United States government	3c.(1)	00	
(2) Purchasers in a state where the taxpayer is not taxable	3c.(2)	00	
3d. Sales other than sales of tangible personal property (i.e. service income).....	3d.	00	
3e. Net gains reported on federal Schedule D and federal Form 4797 3e.	00	00	
3f. Other gross receipts (rents, royalties, interest, etc).....	00	00	
3g. Sales (receipts) of foreign subsidiaries included in combined unitary group	00	00	
3h. Sales (receipts) of unconsolidated subsidiaries included in combined unitary group	00	00	
3i. Sales (receipts) of pass-through entities included in combined unitary group	00	00	
3j. Less: All intercompany transactions	00	00	
Total Sales Value add lines 3a through 3j.....	00	00	
Divide the total in column B by the total in column A. Multiply the result by 100. This is your sales factor.			3. %
4. Add the percentages on lines 1, 2, and 3 in column C. This is the sum of your factors.			4. %
5. Divide the total percentage on line 4, column C, by the number of factors that can be included in the calculation. If there is a value in column A for a factor category (Property, Payroll, or Sales) you should include this factor as part of the calculation (see instructions). Enter the results here and also insert in Form CLT-4S, page 1, line 18. This is your apportionment factor.			5. %



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Schedule II – Montana S Corporation Tax Credits

Type of Credit	Amount of Credit										
1. Montana Dependent Care Assistance Creditattach Form DCAC	00										
2. Montana College Contribution Creditattach Form CC	00										
3. Health Insurance for Uninsured Montanans Creditattach Form HI	00										
4. Montana Recycle Creditattach Form RCYL	00										
5. Alternative Energy Production Creditattach Form AEPC	00										
6. Contractor’s Gross Receipts Tax Creditattach supporting schedule	00										
7. Alternative Fuel Creditattach Form AFRC	00										
8. Infrastructure Users Fee Creditattach Form IUFC	00										
9. Qualified Endowment Creditattach Form QEC	00										
10. Historic Property Preservation Creditattach federal Form 3468	00										
11. Increase Research and Development Activities Credit.....attach Form RSCH	00										
12. Mineral and Coal Exploration Incentive Creditattach Forms MINE-CERT and MINE-CRED	00										
13. Empowerment Zone Credit.....	00										
14. Film Production Creditattach Form FPC	00										
15. Biodiesel Blending and Storage Credit.....attach Form BBSC	00										
16. Oilseed Crushing and Biodiesel/Biolubricant Production Credit.....attach Form OSC	00										
17. Insure Montana Small Business Health Insurance Credit.	00										
Business FEIN: <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>											00
18. Temporary Emergency Lodging Creditattach Form TELC	00										

Type of Credit Recapture	Amount of Credit Recapture
19. Qualified Endowment Credit Recapture	00
20. Historic Property Preservation Credit Recapture.....	00
21. Film Production Credit Recapture	00
22. Biodiesel Blending and Storage Credit Recapture	00
23. Oilseed Crushing and Biodiesel/Biolubricant Production Credit Recapture	00

Any credit or credit recapture from an S corporation has to be attributed to its shareholders using the same proportion that is used when it reported that shareholder’s income or loss for Montana income tax purposes. Please attach a detailed breakdown that shows each shareholder’s share of the credit or credit recapture.

Please notify each shareholder of the amount of credit available to that shareholder by using Montana Schedule K-1.



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FEIN

Schedule III – Montana S Corporation Information

Summary Schedule of Income and Supplemental Information

Section A: Resident Shareholders

A		B		C	D
Name Street Address or P O Box City State Zip Code	Identification Number SSN/FEIN	Ownership %	Montana Source Income (see instructions)		
1.	SSN FEIN		00		
2.	SSN FEIN		00		
3.	SSN FEIN		00		
4.	SSN FEIN		00		
Section A Totals					

Shareholder Withholding: yes no

Composite Income Tax: yes no

Number of Resident Shareholders:

Number of Nonresident Shareholders:

Total Number of Shareholders:



Section B: Nonresident Individual Shareholders or Second Tier Pass-Through Entity Owners

A		B		C	E	F	G	H
Name Street Address or P O Box City State Zip Code	Identification Number SSN/FEIN	Ownership %	Montana Source Income (see instructions)	Federal Income from Entity (from federal Schedule K-1)	Composite Income Tax (from Schedule IV, column H)	Shareholder Withholding (see instructions)	Consent Agreement (year)	
1.	SSN FEIN		00	00	00	00	00	
2.	SSN FEIN		00	00	00	00	00	
3.	SSN FEIN		00	00	00	00	00	
Section B Totals								
Total of Sections A and B, columns C and D								

For each nonresident shareholder, complete ONLY one of these three columns: F, G or H. Please refer to the instructions for Schedule III.

Transfer the total from Column F to Form CLT-4S, page 2, line 21.
 Transfer the total from Column G to Form CLT-4S, page 2, line 22.
 Use additional sheets if necessary or you may use a document with columns ordered as shown above.

FEIN

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Schedule IV – Montana S Corporation Composite Income Tax Schedule

Eligible Participating Shareholders: An eligible participant is a shareholder who is a nonresident individual or a pass-through entity whose only Montana source income for the tax year is from this entity and from other pass-through entities who have elected to file a composite return and pay a composite tax on behalf of the eligible participating shareholder. The entity must retain an executed power of attorney signed by the eligible participating shareholder, authorizing the S corporation to file a composite return and act on the shareholder's behalf.

Part I Enter the number of participating shareholders _____ Composite Tax Ratio _____

Part II Enter below in columns A through H the required information and amounts for each eligible participating shareholder.

A	B	C	D	E	F	G	H	
Name	Social security number or federal employer identification number	Shareholders' share of federal income from entity	Standard deduction	Exemption \$2,130	Calculate Montana taxable income. Subtract column D from column C then subtract column E from the result.	Enter the appropriate tax from the tax table below.	Montana composite income tax. Multiply column G times composite tax ratio from Part I.	
1.			00		00		00	
2.			00		00		00	
3.			00		00		00	
4.			00		00		00	
5.			00		00		00	
6.			00		00		00	
7.			00		00		00	
8.			00		00		00	
9.			00		00		00	
10.			00		00		00	
11.			00		00		00	
12.			00		00		00	
13.			00		00		00	
Column H Total								00

Transfer the amounts from column H to Form CLT-4S, Schedule III, Section B, column F.

If Your Taxable Income Is More Than	But Not More Than	Multiply Your Taxable Income By	This Is Your Tax
\$9,400	\$12,100	5% (0.050)	
\$12,100	\$15,600	6% (0.060)	
More Than \$15,600		6.9% (0.069)	

If Your Taxable Income Is More Than	But Not More Than	Multiply Your Taxable Income By	And Subtract	This Is Your Tax
\$0	\$2,600	1% (0.010)	\$0	
\$2,600	\$4,600	2% (0.020)	\$26	
\$4,600	\$6,900	3% (0.030)	\$72	
\$6,900	\$9,400	4% (0.040)	\$141	

Use additional sheets if necessary or you may use a document with columns ordered as shown above.



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Schedule VI – Reporting of Special Transactions

Complete Schedule VI only if your small business corporation filed any of the federal forms described below. Check the appropriate box indicating which form(s) you filed with the Internal Revenue Service for this tax year. If your answer is “Yes” to one or more of these forms, you will need to attach a complete copy of your federal tax return Form 1120S.

- 1. The S corporation filed federal Form 8918 – Material Advisor Disclosure Statement with the Internal Revenue Service.** Yes

Form 8918 is required to be filed by material advisors to any reportable transactions.

- 2. The S corporation filed federal Form 8824 – Like-Kind Exchanges with the Internal Revenue Service.** Yes

NOTE: Check the box if your like-kind exchange includes Montana property. Nonresidents do not have to report a like-kind exchange if the properties involved do not include Montana property.

Form 8824 is used to report each exchange of business or investment property for property of a like-kind.

- 3. The S corporation filed federal Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships with the Internal Revenue Service.** Yes

Form 8865 is used to report the information required under 26 USC 6038 (reporting with respect to controlled foreign partnerships), Section 6038B (reporting of transfers to foreign partnerships), or Section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interest.)

- 4. The S corporation filed federal Form 8886 – Reportable Transaction Disclosure Statement with the Internal Revenue Service.** Yes

Form 8886 is used to disclose information for each reportable transaction in which you participated.

Complete this section if you made a disbursement to a related party.

- 5. During this tax year the S corporation made payments to one or more related parties (excluding salary compensation) that exceed \$100,000 per recipient.** Yes

If your answer is “Yes” to this question, please provide the name and federal employer identification number of each related party below and the amount that you paid to each related party:

Name	FEIN	Amount of Payment
		00
		00
		00



Montana Schedule K-1

(CLT-4S and PR-1)

Partner's/Shareholder's Share of Income (Loss), Deductions, Credits, etc.

For the calendar year 2010, or tax year beginning M M D D 2 0 1 0 and ending M M D D Y Y Y Y

Part 1 Pass-Through Entity Information	Check applicable boxes: <input type="checkbox"/> Form CLT-4S <input type="checkbox"/> Form PR-1 <input type="checkbox"/> Amended Schedule K-1 <input type="checkbox"/> Final Schedule K-1			
	A	Entity's federal employer identification number (FEIN) 		
	B	Entity's name and mailing address		

Part 2 Partner/Shareholder Information	A Partner's/shareholder's identifying number (SSN/FEIN) 				
	B Partner's/shareholder's name and mailing address				
	C	What type of entity is this partner/shareholder?	F Partner's:	Beginning	Ending
	D	Check this box if partner/shareholder is a nonresident: <input type="checkbox"/> If a nonresident, please check this box if a Montana Form PT-AGR has been filed for partner/shareholder: <input type="checkbox"/>	Profit	%	%
	E	Shareholder's percentage of stock ownership _____%	Loss	%	%
		Capital	%	%	

Part 3 All Partners/Shareholders— Montana Adjustments	A Montana additions to income	
	1. Federal tax-exempt interest..... A1.	00
	2. Taxes based on income or profits..... A2.	00
	3. Other additions. List type _____ and amount A3.	00
	B Montana deductions from income	
	1. Interest from U.S. Treasury obligations B1.	00
	2. Deduction for purchasing recycle material B2.	00
	3. Other deductions. List type _____ and amount B3.	00
Part 4 Nonresident Partner/Shareholder Only—Montana Source Income (Loss)	1. Ordinary business income (loss) 1.	00
	2. Net rental real estate income (loss) 2.	00
	3. Other net rental income (loss) 3.	00
	4. Guaranteed payments 4.	00
	5. Interest income 5.	00
	6. Ordinary dividends 6.	00
	7. Royalties 7.	00
	8. Net short-term capital gain (loss) 8.	00
	9. Net long-term capital gain (loss) 9.	00
	10. Net section 1231 gain (loss) 10.	00
	11. Other income (loss). List type _____ and amount 11.	00
Part 5 Supplemental Information	1. Montana composite income tax paid on behalf of partner/shareholder 1.	00
	2. Montana income tax withheld on behalf of partner/shareholder 2.	00
	3. Premiums for Insure Montana Small Business Health Insurance credit expenses 3.	00
	4. Montana mineral royalty tax withheld 4.	00
	5. Other information. List type _____ and amount 5.	00
Part 6 Montana Tax Credits and Recapture	1. Insure Montana Small Business Health Insurance credit. Business FEIN _____ 1.	00
	2. Contractor's gross receipts tax credit 2.	00
	3. Other credit/recapture information. List type _____ and amount 3.	00



Partner's/Shareholder's Instructions for Montana Schedule K-1 (Forms CLT-4S and PR-1)

General Instructions

The Montana Schedule K-1 is required to be provided to all partners or shareholders. Parts 1 and 2 are completed for all partners or shareholders. Parts 3, 5 and 6 are completed for all partners or shareholders only if there is applicable information. Part 4 applies to nonresident partners or shareholders only.

Purpose of Montana Schedule K-1

Montana Schedule K-1 shows information about your share of income, gains, losses, deductions, credits and other items from an S corporation, a partnership, or a limited liability company (LLC) that is treated as an S corporation or partnership for income tax purposes. If applicable, your share of "Montana source income" is listed. You may need this information to complete the appropriate Montana tax return.

Partnership or corporation partner/shareholder. If you are a corporation, partnership, or a limited liability company treated like a corporation or partnership, the Montana Schedule K-1 shows your share of the entity's Montana statutory adjustments or tax credits that may affect the preparation of your Montana tax return.

Resident individual, estate, or trust partner/shareholder. If you are a Montana resident individual, estate, or trust, you report to Montana your entire share of the entity's income, gains, losses, and deductions included in your federal taxable income. The Montana Schedule K-1 shows your share of the entity's Montana statutory adjustments or tax credits that may affect the preparation of your Montana tax return.

Nonresident individual, estate, or trust partner/shareholder. If you are a nonresident individual, estate, or trust, the amount of your share of the entity's income, gains, losses, and deductions that are apportioned and allocated to Montana based on the entity's activity in Montana is used to determine your Montana tax liability. These items are shown in Part 4 of the Montana Schedule K-1. Unless you are a nonresident individual who elected to participate in a composite return filed on your behalf by the entity, you need to file a Montana tax return to determine your tax liability for these items.

Composite return election. If you are a nonresident individual, a foreign C corporation, or a pass-through entity who elected to participate in a composite return filed on your behalf by the entity, you are not required to file a Montana tax return. If this applies to you, you received the Montana Schedule K-1 to show your share of these items and the composite tax paid on your behalf.

Amended Schedule K-1 (Forms CLT-4S and PR-1). If you received an amended Montana Schedule K-1 from the entity, and you previously filed a Montana tax return, you need to file an amended Montana tax return to report the changes in income, gains, losses and deductions.

Montana Schedule K-1, Parts 3-6

Part 3 – All Partners/Shareholders – Montana Adjustments

A-B. Montana Additions or Deductions

To compute Montana income taxable to pass-through entity owners, certain items have to be added to income or deducted from income. A detailed schedule is required to be included. The form shows a partial list. Any amounts listed are the partner's or shareholder's share of Montana additions and deductions from the corresponding lines on Schedules A and B. Transfer the amount(s) shown to the appropriate Montana tax return.

Part 4 – Nonresident Partner/Shareholder Only—Montana Source Income (Loss)

If you are a nonresident individual, estate, trust, or pass-through entity, your share of the entity's Montana source income, gains, losses and other additions to income are shown. Transfer these amounts to the appropriate Montana tax return.

4. Guaranteed payments. The guaranteed payments remain with the partner receiving the payments as reflected on the federal Schedule K-1.

Part 5 – Supplemental Information

Supplemental information which could result in adjustments to the Montana tax return is listed. Transfer the information to the appropriate Montana tax return.

1. Montana composite income tax paid on behalf of partner/shareholder. If applicable, the amount shown on this line is the amount of Montana composite income tax paid on your behalf by the entity. If you made this election, you are not required to file your own Montana tax return. This is for your information only.

2. Montana income tax withheld on behalf of partner/shareholder. The entity was required to withhold Montana income tax for those nonresident partners/shareholders who did not file a consent agreement or statement (Form PT-AGR) and did not elect to have the entity pay composite income tax. Transfer the amount from this line to the appropriate Montana tax return.

3. Premiums for Insure Montana Small Business Health Insurance credit. If the entity received a tax credit from the Insure Montana Small Business Health Insurance program, the amount entered is the portion of the premiums paid for these policies which is not allowed as a deduction.

4. Montana mineral royalty tax withheld. If mineral rights are held by a partnership or S corporation in which you have an ownership interest, the royalty payments made to the owners are subject to withholding if certain thresholds are met. If the partnership or S corporation attributed the withheld mineral royalty tax to the partner or shareholder, the amount attributed is listed. This withholding should not be confused with the amounts deducted from royalty payments for production taxes. Transfer the amount on this line to the appropriate Montana tax return.

Part 6 – Montana Tax Credits and Recapture (If Applicable)

Any credit claimed by a partnership or S corporation has to be attributable to its partners/shareholders generally using the same proportion that is used to report that entity's income or loss for Montana income tax purposes. The tax credits cannot be taken as a credit against composite tax. We have listed the most common tax credits along with space to provide information about any other tax credit or recapture amount. Include the amount from this schedule on the applicable credit form and report on the appropriate Montana tax return.

Some tax credits have provisions requiring a recapture of the tax benefit you received in an earlier tax year (if you do not meet certain requirements in subsequent tax years). If you are required to report a recapture, include the amount from this schedule on the appropriate Montana tax return.



Montana Department of Revenue
Post Office Box 8021
Helena, MT 59604-8021

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Did you know that you can e-file your Montana tax return?

Montana participates in the joint federal/state electronic filing program.

Please visit our website at revenue.mt.gov for information about electronic filing options.



Important Numbers

Tax Questions and Assistance toll free (866) 859-2254 (in Helena, 444-6900)
Forms Request..... toll free (866) 859-2254 (in Helena, 444-6900)
For the Hearing Impaired (406) 444-2830
Fax..... (406) 444-6642