



MONTANA 2010 Income Tax Booklet For Estates or Trusts Form FID-3

Dear Montana 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 you file your tax returns, and to ensure that all citizens and businesses pay their fair share of Montana taxes—no more and no less.

We thank you for filing and paying Montana taxes. By paying taxes, you support public services that help make our state a great place to live, work and conduct commerce.

We are working to create electronic filing and payment services for fiduciaries on our website. Please visit revenue.mt.gov/efile regularly to check availability.

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:

These are your Montana Income Tax Return for Estate and Trust forms for the tax year beginning in 2010. Retain this booklet for your 2010 filing purposes.

Before you file your return, check our website for filing updates that may affect your Montana return.



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

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

Your Tax Dollars at Work

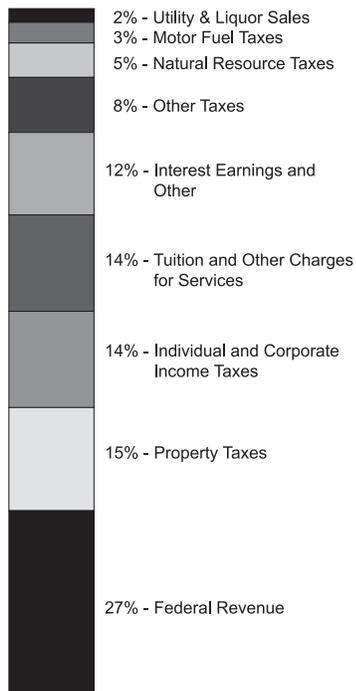
The table to the right shows where your individual and corporate income tax dollars (about 14% of total state and local revenues) were spent in 2009. For the charts below, the left chart shows the sources of revenue for both state and local governments in Montana for 2008, the most recent year for which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

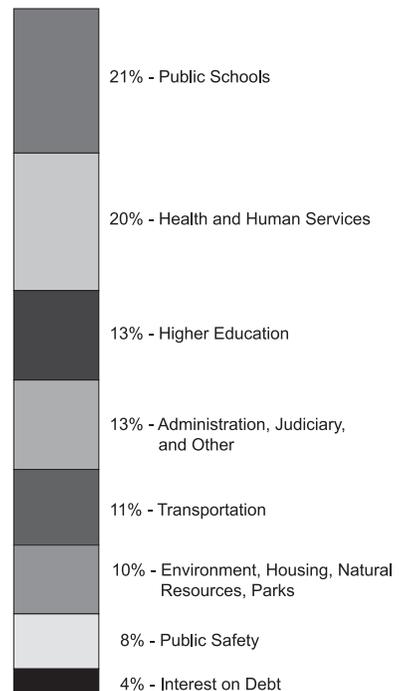
What are Montana's Public Revenues?

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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What's New for 2010?

• Easier to read Form FID-3

You will notice that the Form FID-3 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 to 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 estate or trust if it files the original tax return after the extended due date. If we do not issue the refund to the estate or trust within 45 days, the interest will be calculated from the date we received the tax return, not from the original due date.

• Increased pension and annuity income exemption

The 2009 Montana Legislature enacted a law impacting the pension and annuity income exemption. An inflation factor has been applied to both the pension and annuity income exemption and to the federal adjusted gross income threshold, increasing the amount of the exemption and slowing its phase-out. The exemption amount is \$3,640 and the federal adjusted gross income threshold is \$30,320 for this tax year. Please see the instructions for Schedule B, Line 5 on page 9.

Changes to the Form

Page 1 – Line 17

We included a line to calculate the federal adjusted total income. Please see the instructions for line 17 on page 3.

Page 2 – Lines 31, 32 and 42

We removed the schedule of Montana tax credits and added separate lines if the estate or trust is claiming the credit for taxes paid to other states or countries, nonrefundable credits or refundable credits. If the resident estate or trust is claiming the credit for taxes paid to other states or countries, the fiduciary will complete Schedule G and enter the amount of the credit on line 31. If the estate or trust is claiming one or more of the nonrefundable credits, the fiduciary will include the amount(s) of the nonrefundable credit(s) on line 32 and include the applicable credit form(s). If the estate or trust is claiming one or more of the refundable credits, the fiduciary will include the amount(s) of the refundable credit(s) on line 42 and include the applicable credit form(s). Please see the instructions for lines 31, 32 and 42 on pages 4 and 5.

Schedules A and B

We added line 8 to Schedule A and line 7 to Schedule B to show income (losses) from an ESBT S corporation and to provide more information for the capital gains tax credit calculation. We also added line 9 and line 8 to Schedules A and B, respectively, to report the expenses or deductions allocated to tax exempt income (U.S. obligations or other states interest and mutual fund dividends).

Schedule C

The Montana income distribution deduction schedule has been expanded to enable the calculation of the Montana distributable net income (MDNI). Please see the instructions on page 10.

Schedule E

We added Schedule E, Capital Gains Tax Credit Calculation, to more accurately calculate the capital gains tax credit for the fiduciary. Please see the instructions on page 11.

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

The Montana Schedule K-1 is now required to be completed for all beneficiaries. The fiduciary will use the Montana Schedule K-1 to provide Montana tax information to the beneficiaries. Parts 1 and 2 must be completed for beneficiaries. Parts 3 and 5 are completed only if there is any applicable information. Part 4 applies to nonresident beneficiaries only. Please see the instructions on page 13.

Form FID-3 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 estate or trust has a fiscal year, enter the beginning and ending dates of the fiscal year. Use the 2009 Form FID-3 only if the estate's or trust's tax year began in the 2009 calendar year.

Name and Address

Enter the legal name of the estate or trust on the first line of the name and address area. Enter the name and title, if any, of the fiduciary on the second line. Enter the fiduciary's mailing address on the third and fourth lines.

For a grantor type trust, the name, identification number and address of the grantor(s) or other owner(s) must be on the information statement along with the legal name of the trust.

Federal Employer Identification Number (FEIN)

Montana uses the FEIN for identification purposes. Enter the FEIN from page 1 of federal Form 1041.

Date Entity Created

Enter the date the estate or trust was created from page 1 of federal Form 1041.

Number of Schedules K-1 included

Enter the number of federal Schedule(s) K-1 included.

Number of Beneficiaries

Enter the total number of beneficiaries. Also enter the number of each type of beneficiary.

Checkbox Items:

- Check the "Initial return" box if this is the first return filed in Montana for this estate or trust.
- Check the "Final return" box if this is the last return to be filed in Montana for this estate or trust.
- Check the "Amended return" box if this return is being filed to correct a previously filed Form FID-3. See FAQ 14 on page 19 for more information.
- Check the "Refund return" box if this return is being filed to receive a refund.
- Check the "NOL carryback" box if this return is being filed to carryback a Net Operating Loss (NOL).
- Check the "Estate or filing trust made a 645 election" box if the estate or filing trust made a 645 election for federal purposes.

Entity Type

Check the applicable box for the same entity type checked on page 1 of federal Form 1041.

Residency Status

Check the applicable box to indicate the residency status of the estate or trust. See resident and nonresident estate or trust definitions under FAQ 2 on page 15.

Specific Line Instructions

Income

Lines 1 through 8

Enter the amount of income reported on the federal Form 1041, page 1, lines 1 through 8.

Line 2 – Dividends

Enter the total amount reported on line 2a of federal Form 1041. Montana taxes dividends as ordinary income and does not recognize the federal qualified dividend tax rate.

Line 9 – Total Federal Income

Add lines 1 through 8. This is the federal total income and must match the federal total income reported on federal Form 1041. If the trust is an ESBT, see FAQ 10 on page 16.

Deductions and Exemption

Allocation of Deductions for Tax Exempt Income

All deductions entered on lines 10 through 15b include the total deductions related to taxable income reported on the federal Form 1041. See federal Form 1041 instructions, "Allocation of Deductions for Tax-Exempt Income," for information on how to determine the allocable amount to enter on lines 10 through 15b.

If the trust or estate has tax exempt income, the amounts included on lines 10 through 15b must be adjusted by the allocable portion of deductions attributed to tax exempt income. When the federal deductions are limited due to non-Montana municipal income which is taxed by Montana or income from U.S. obligations which is exempt by Montana, the allocation of expenses between tax exempt income and taxable income is adjusted. The adjustment is entered on Schedule A, Schedule of Additions, line 9, Expenses allocated to U.S. obligations or Schedule B, Schedule of Deductions/Subtractions, line 8, Expenses allocated to other states interest and mutual fund dividends.

Lines 10 through 15b

Enter the amounts from the federal Form 1041, page 1, lines 10 through 15b, on the corresponding lines.

Line 11 – Taxes

Enter the taxes deducted on federal Form 1041, line 11 such as state and local income taxes, real or personal property taxes, foreign or U.S. possession income taxes, and state and local general sales taxes. Montana income taxes paid or accrued and reported here are added back on Schedule A, Schedule of Additions, line 5. Federal income taxes paid or accrued are reported on Schedule B, Schedule of Deductions/Subtractions, line 1.

Line 15a – Other Deductions Not Subject to the 2% Floor

Examples of deductions that are reported on line 15a include casualty and theft losses, net operating loss deduction or domestic production activities deduction.

Line 16

Add lines 10 through 15b.

Line 17

Subtract line 16 from line 9. The amount entered must agree with the amount entered on page 1, line 17, of the federal Form 1041 filed for the estate or trust.

Line 18 – Montana additions from Schedule A

Enter the Montana additions from Schedule A, line 11.

Line 19 – Montana deductions/subtractions from Schedule B

Enter the Montana deductions/subtractions from Schedule B, line 10.

Line 20

Add lines 17 and 18, then subtract line 19. This is the Montana adjusted total income (loss).

Line 21 – Montana Income Distribution Deduction

Enter the Montana income distribution deduction from Schedule C, line 13. Do not enter an amount less than zero.

Line 22 – Exemption

Each estate or trust is allowed one exemption of \$2,130.

Line 23

Add lines 21 and 22. This is the total of Montana income distribution deduction and exemption.

Line 24 – Montana Taxable Income

Subtract line 23 from line 20. This is the Montana taxable income.

Taxes and Credits

Line 26 – Tax from Tax Table

If line 25 is zero or less, enter zero.

For resident estates and trusts, compute the tax liability using the table that follows.

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	
\$9,400	\$12,100	5% (0.050)	\$235	
\$12,100	\$15,600	6% (0.060)	\$356	
More than \$15,600		6.9% (0.069)	\$496	

For Example: Taxable Income \$6,800 X 3% (0.030) = \$204;
\$204 Minus \$72 = \$132 Tax

For nonresident estates and trusts, use Form FID-3, Schedule F, page 6 to complete the calculation of the tax liability.

Line 27 – Capital Gains Tax Credit

The estate or trust can claim a capital gains tax credit against the Montana income tax of up to 2% of the net capital gains. Enter the amount from Schedule E, Capital Gains Tax Credit Calculation, line 7.

The credit is nonrefundable. It is applied directly against the income tax liability and it cannot reduce the liability below zero. This credit is applied before any other credits and cannot be carried back or carried forward.

If the trust or estate is a nonresident entity, you will need to apply this credit to the Montana income tax computed on line 26 as if it were a resident entity.

Line 28 – Resident Tax After Capital Gains Tax Credit

Complete this line if the estate or trust is a resident or nonresident entity.

If the estate or trust is a resident entity, this is the resident tax after capital gains tax credit. Skip line 28a and go to line 29.

If the estate or trust is a nonresident entity, go to line 28a.

Line 28a – Nonresident Tax after Capital Gains Tax Credit

If this is a nonresident estate or trust, go to Form FID-3, Schedule F, Nonresident Estate and Trust Tax, page 6 to calculate the nonresident tax after capital gains tax credit. See the instructions for Form FID-3, Schedule F on page 11.

Line 29 – Tax on Lump-Sum Distributions

If you qualify on your federal tax return for special averaging of your lump-sum distribution and have not included it as ordinary pension income in federal adjusted gross income, you will need to pay Montana income tax on this distribution. Your Montana tax liability on the lump-sum distribution is 10% of the federal tax calculated on federal Form 4972.

Line 30 – Total Tax

If the estate or trust is a resident entity, add lines 28 and 29; enter the result here. If it is a nonresident entity, add lines 28a and 29; enter the result here.

Line 31 – Credit for an Income Tax Liability Paid to Another State or Country (Residents Only)

Resident estates and trusts are allowed a credit for taxes paid to another state or country. If the estate or trust had income from a state that has no state income tax, make no entry on line 31 and go to line 32. A copy of the other state or country's income tax return, or a copy of federal Form 1116 (if applicable) for claiming a foreign tax credit, must be included with the Montana FID-3.

Foreign Tax Credit: The estate or trust is not entitled to a Montana tax credit for taxes paid to a foreign country unless it has unused federal credit that is not eligible to be carried back or carried forward to another tax year.

Nonresidents—Nonresident estates and trusts may not claim this tax credit against the Montana tax liability.

Line 32 – Other Nonrefundable Credits

If the estate or trust is claiming one or more of the nonrefundable credits listed below, identify each credit being claimed and its amount on line 32, and include the amount(s) of the nonrefundable credit(s) in the total for line 32. If more than one credit is claimed, include a list of credits claimed and enter the total. Include all applicable credit forms.

Important: You must complete and include the appropriate form to claim any credit. Visit our website at *revenue.mt.gov* to obtain forms and instructions.

Nonrefundable/noncarryover credits:

- Alternative Fuel Credit (Form AFCR)
- College Contribution Credit (Form CC)
- Energy Conservation Installment Credit (Form ENRG-C)
- Health Insurance for Uninsured Montanans Credit (Form HI)
- Qualified Endowment Credit (Form QEC)
- Recycle Credit (Form RCYL)

Nonrefundable/carryover credits:

- Alternative Energy System Credit (Form ENRG-B)
- Alternative Energy Production Credit (Form AEPC)
- Biodiesel Blending and Storage Credit (Form BBSC)
- Contractor's Gross Receipts Tax Credit
- Empowerment Zone Credit
- Geothermal System Credit (Form ENRG-A)
- Film Production Credit (Form FPC)
- Historic Property Preservation Credit (federal Form 3468)
- Infrastructure User Fee Credit (Form IUFC)
- Mineral and Coal Exploration Incentive Credit (Forms MINE-CERT and MINE-CRED)
- Oilseed Crushing and Biodiesel/Biolubricant Production Credit (Form OSC)
- Increase Research and Development Activities Credit (Form RSCH)

Line 33 – Total Nonrefundable Credits

Add lines 31 and 32.

Line 34 – Tax Less Nonrefundable Credits

Subtract line 33 from line 30. If zero or less, enter zero.

Line 35 – Endowment Credit Recapture Tax

Some deductions and tax credits have provisions requiring a recapture of the tax benefit the estate or trust received in an earlier year if certain requirements in subsequent tax years are not met.

If the estate or trust previously claimed an endowment credit and has also taken a charitable deduction for a gift that it contributed to a qualified endowment and the estate or trust has now received the gift back, the estate or trust is required to recapture the previous credit to the extent it reduced the income tax liability in a previous year.

Enter here the amount of the endowment credit recapture tax. If, in addition to the recapture tax, part of the amount that is recaptured was claimed as a charitable contribution in a prior year, the estate or trust will have to include in its income on Form FID-3, Schedule A, line 4, any recoveries of this prior year deduction that reduced the tax liability in the year of that deduction.

Line 36 – Tax Liability

Add lines 34 and 35; enter the result here.

Payments and Refundable Credits**Line 37 – Montana Income Tax Withheld**

Enter the amount of the Montana income tax withheld and reported in Box 17 of the federal Form W-2, or in Box 10 of federal Form 1099-R. When you claim Montana income tax withheld, you are required to include a copy of your withholding statement(s), such as federal Form(s) W-2 or 1099-R.

Do not report Montana mineral royalty tax withheld or income tax withheld as a result of an ownership interest in a pass-through entity (Form PT-WH) on this line.

Line 38 – Montana Pass-Through Entity Withholding

If the estate or trust has an ownership interest in an S corporation, partnership or disregarded entity that had Montana source income and withheld Montana income tax, enter the amount here. This amount is reported to the estate or trust on Montana Schedule K-1 or Form PT-WH issued by the entity and should not be confused with any Montana mineral royalty tax withheld passed through to the estate or trust by the S corporation, partnership or disregarded entity.

Line 39 – Montana Mineral Royalty Tax Withheld

Enter the amount of the Montana income tax withheld from royalty payments received during the year. This is generally reported on federal Form 1099. If the mineral rights are held by a partnership or S corporation for which the estate or trust has an ownership interest or from which the estate or trust receives a distribution, enter the amount reported to the estate or trust as its share of the withholding. Include a schedule detailing the calculation of the estate's or trust's

portion of the withholding and any supporting documents such as the Montana Schedule K-1 issued to you by the entity or a copy of the Form 1099 issued to the partnership or S corporation. For more information, please visit the "Mineral Royalty Withholding" at revenue.mt.gov.

Line 40 – Estimated Tax Payments

If the estate or trust has made estimated income tax payments for tax year 2010, enter the amount of these estimated tax payments. Include in this amount the 2009 refund that was requested to be applied to the 2010 estimated income tax payments. Do not include in this total any income taxes paid for a previous year because these are not estimated taxes paid for tax year 2010.

Line 41 – Extension Payments

If the estate or trust paid an extension payment on or before April 15, 2011, in order to qualify for an automatic five-month extension to file the income tax return, enter that amount on this line. To determine whether the entity needs to make an extension payment, complete the Extension Payment Worksheet, Montana Form EXT-FID-10. The worksheet is available on our website at revenue.mt.gov or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

Line 42 – Refundable Credits

If the estate or trust is claiming a refund of one or more of the refundable credits listed below, identify each credit being claimed and its amount on line 42, and include the amount(s) of the refundable credit(s) in the total for line 42. If you need more room, make a list showing each credit and its amount and include the list with your fiduciary return. Include all applicable credit forms.

- Film Production Credit (Form FPC)
- Insure Montana Small Business Health Insurance Credit
- Temporary Emergency Lodging Credit (Form TELC)

Line 43 – Total Payments and Refundable Credits

Add lines 37 through 42. This is the total payments and refundable credits.

Tax**Line 44 – Tax Due**

If line 36 is greater than line 43, subtract line 43 from line 36. This is the tax due.

Line 45 – Tax Overpaid

If line 43 is greater than line 36, subtract line 36 from line 43. This is the tax overpaid.

Penalties and Interest

Line 46 – Interest on Underpayment of Estimated Taxes

The estate or trust is required to pay its income tax liability throughout the year if it expects to owe an income tax liability of at least \$500 after subtracting tax credits and withholding payments. Payments can be made through withholding, installment payments of estimated taxes, or a combination of both.

If the estate or trust did not pay in advance at least 90% of the 2010 income tax liability (after applying credits) or 100% of the 2009 income tax liability (after applying credits), the estate or trust may have to pay interest on the underpayment of the estimated tax.

To calculate the interest, please complete Form EST-I, 2010 Underpayment of Estimated Tax by Individuals and Fiduciaries. The form is available on our website at revenue.mt.gov or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

Line 47 – Late File Penalty, Late Payment Penalty and Interest

Late File Penalty

If the estate or trust files its tax return after April 15, 2011—or September 15, 2011 with a valid extension—it will need to pay a late file penalty if there is tax due on line 44. The penalty is equal to the lesser of \$50 or the amount of tax the estate or trust owes. The estate or trust does not have to pay a late file penalty if it is filing the tax return late and has a refund. To calculate the late file penalty, compare the amount on line 44 to \$50. The late file penalty is the lesser of these amounts.

Late Payment Penalty

If the estate or trust has not paid all of its tax liability by the due date of the fiduciary return, it will need to pay a late payment penalty. The late payment penalty is equal to 1.2% per month or part of a calendar month on the unpaid amount from the original due date until it is paid. For example, if the estate or trust does not pay the tax due until May 10, 2011, the late payment penalty will be 2.4% (two parts of a month x 1.2%) of the unpaid tax. Please remember that an extension to file the return is not an extension to pay the income tax.

To calculate the late payment penalty, multiply the amount on line 44 by 1.2% per month or part of a calendar month that the payment is late. This penalty cannot exceed 12% (10 months X 1.2%) of the tax liability.

Interest

Compute interest on any tax liability (line 44) that the estate or trust has not paid by the due date of the tax return and enter the total here.

If 100% of your tax liability is not paid by April 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 the interest, multiply line 44 by 0.02192% (0.0002192) times the number of days after April 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 April 15, 2011. Interest accrues from the original due date.

If the entity owes more than one of the items listed above, enter each amount on the following worksheet.

Type	Amount
Late file penalty	
Late payment penalty	
Interest	
Total	

Enter the total on line 47. (You may wish to keep this worksheet as part of your records for future reference.)

Line 48 – Other Penalties

Include on this line any of the following other penalties if they apply to your situation. These forms are available by visiting our website at revenue.mt.gov or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

First-Time Home Buyer Savings Account 10% Penalty

If the estate or trust withdraws funds from a first-time home buyer savings account for purposes other than to pay for eligible costs for the purchase of a single family residence, it is required to pay a 10% penalty on this withdrawal unless the withdrawal is on the last business day of your business year, which is the last weekday in December. Complete Montana Form FTB and enter the amount of the penalty on this line. Include a copy of Form FTB with the tax return.

Medical Care Savings Account 10% Penalty

If the estate or trust withdraws funds from a medical care savings account for purposes other than to pay for eligible medical costs, it is required to pay a 10% penalty on this withdrawal unless the withdrawal is on the last business day of your business year, which is the last weekday in December. Complete Montana Form MSA and enter the amount of the penalty on this line. Include a copy of Form MSA with the tax return.

If you are required to pay more than one of the penalties listed above, enter the sum of the other penalties.

Line 49 – Total Penalties and Interest

Add the amounts on lines 46 through 48. This is the total penalties and interest.

Amount the Entity Owes or Its Refund

Line 50 – Amount the Estate or Trust Owes

If the estate or trust has a tax due (amount on line 44), add lines 44 and 49 OR, if the estate or trust has a tax overpayment (amount on line 45) and it is less than line 49, subtract line 45 from line 49. This is the amount the estate or trust owes.

You can pay the amount you owe by:

- Personal check, money order, or cashier's check. Please use the voucher that we have provided with this income tax booklet. Make the check payable to the Montana Department of Revenue. Please write your FEIN and "Tax Year 2010" on the memo line of the check. Send your payment and voucher with your tax return to: Montana Department of Revenue, PO Box 8021, Helena, MT 59604-8021.
- You can 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.

If you cannot pay the entire amount that you owe with your tax return, we encourage you to file your tax return timely and pay as much as possible. By filing and paying as much as you can by April 15, 2011, you may not have to pay a late file penalty and you can reduce the amount of your late payment penalty and interest. If you need to establish a payment plan, please call us toll free at (866) 859-2254 (in Helena, 444-6900) as soon as possible to discuss your options and make payment arrangements.

Line 51 – Overpayment

If the estate or trust has a tax overpayment (amount on line 45) and it is greater than line 49, subtract line 49 from line 45 and enter the result here. This is your overpayment.

Line 52

Enter the amount of the overpayment from line 51 that the estate or trust wants applied to the 2011 estimated taxes.

Line 53 – Refund

Subtract line 52 from line 51. This is the amount of your refund. Only refunds more than \$1 will be issued.

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 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 _____ \$ _____ Dollars
Anyplace Bank
Anyplace, MT 59000
Routing Number: 123456789
Account Number: 9876543210
1234
Do not include the check number in the account number

Schedule A – Schedule of Additions

Line 1 – Interest and Mutual Fund Dividends from State, County, or Municipal Bonds from Other States

Interest income from non-Montana state and local government obligations is exempt for federal income tax purposes, but not for Montana income tax purposes.

Enter the interest income from state and local government obligations, except for Montana and its political subdivisions, that is exempt from federal income tax and the portion of dividends received from a mutual fund that is attributable to the fund's investment in the same kinds of obligations. Interest and dividends from Montana bonds are not taxable.

Line 2 – Dividends not included in federal total income

Enter the amount of the dividends that you received as Montana source income that are not already included in your total federal income. Do not include your qualified dividends because these dividends are already in the total of your ordinary dividends reported on Form FID-3, page 1, line 2.

Line 3 – Taxable federal refund

If you claimed a federal tax deduction, either by withholding or by payment of an estimated tax in a prior year, any refund of that tax is income in the year it is received.

Line 4 – Other recoveries

If you claimed a deduction in a prior year that reduced the Montana taxable income and it was subsequently reimbursed, please show that reimbursement here.

Line 5 – Montana income taxes paid or accrued

Montana income taxes paid or accrued have to be added back to income.

Line 6 – Compensation and expenditures used to compute the film production credit

Compensation and expenditures used to compute the film production credit have to be included in the income of the year that the expenditures were incurred.

Line 7 – Insure Montana Small Business Health Insurance Program premiums

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.

Lines 8a and 8b – ESBT S corporation income

If you are an Electing Small Business Trust (ESBT), report your income and capital gains.

Line 9 – Expenses allocated to U.S. obligations

If the estate or trust has tax exempt interest income, report the adjustment for deductions related to the tax exempt interest income. Enter only the amount deducted for federal purposes that is not allowed as a deduction for Montana purposes.

Deductions allocable to tax exempt interest income must be used only against tax exempt interest income.

Although subject to federal tax, interest in federal bonds, notes and other U.S. obligations is exempt to Montana. Therefore, if interest in federal bonds, notes and other U.S. obligations is excluded on the Montana fiduciary return, expenses related to such tax exempt interest income must be included in the taxable income for Montana purposes.

To compute the expenses allocable to tax exempt interest income, divide tax exempt interest income by total gross income (including tax exempt interest income). Multiply the resulting percentage by total expenses not directly allocable to any item of income. Report the portion of expenses allocated to tax exempt interest income on the appropriate line.

Example:

1. Gross income from U. S. obligations	\$6,190 (reported on Form FID-3, Schedule B, line 2)
2. Total gross income	\$73,496 (total federal income on page 1, line 9 plus any capital losses plus the gross tax exempt income from federal Form 1041, page 2, Other Information, line 1)
3. Line 1 divided by line 2	0.084222
4. Total indirect expenses	\$21,987
5. Indirect expenses allocated to U.S. obligations income (line 3 x line 4)	\$1,852 (reported on Form FID-3, Schedule A, line 9)

Line 10 – Other Additions

Include a detailed schedule listing types and amounts.

Line 11 – Total Additions

Add lines 1 through 10 and enter the result on this line. Enter the result on Form FID-3, page 1, line 18.

Schedule B – Schedule of Deductions/ Subtractions

Line 1 – Federal income tax deduction

Enter 100% of the federal income tax paid or accrued within the tax year. For an estate or trust, the federal income tax deduction is not limited to the lesser of \$5,000 or the amount of federal income tax paid or accrued.

Line 2 – Exempt interest and mutual fund dividends from federal bonds, notes and other obligations

Tax exempt interest income for Montana income tax purposes can differ from tax exempt interest income for federal purposes. Interest income from obligations of the United States or its possessions is taxable for federal income tax purposes and is exempt for Montana income tax purposes.

Interest income from the obligations of the State of Montana and the obligations of Montana local political subdivisions is exempt for federal income tax purposes, and is exempt for Montana income tax purposes.

Enter the following on this line if included in the amount on Form FID-3, page 1, line 1:

- Interest income from U.S. obligations. Common sources of interest income that may be entered on this line include U.S. Series E, EE, F, G and H savings bonds, U.S. Treasury bills and notes, and securities issued by the Banks for Cooperatives, Commodity Credit Corporation, Federal Deposit Insurance Corporation, Federal Farm Credit System, Federal Home Loan Banks and Student Loan Marketing Association.
- Interest income from other securities that is specifically exempted from state income tax by federal statute.
- The portion of dividend income from a mutual fund attributable to the fund's investment in the same kinds of securities listed above. Refer to federal Form 1099-DIV to determine what percentage of dividends qualifies for this exemption.
- Obligations that are guaranteed by the United States government are not tax exempt. Interest or mutual fund dividends attributable to Government National Mortgage Association (Ginnie Mae) bonds, Federal National Mortgage Association (Fannie Mae) bonds or Federal Home Loan Mortgage Corporation (Freddie Mac) securities, cannot be subtracted.

Line 3 – State tax refunds

If a state tax refund is included on Form FID-3, page 1, line 8, deduct it here.

Line 4 – Other recoveries

If a recovery was shown as income on Form FID-3, page 1, line 8, but the original deduction did not reduce Montana taxable income, deduct it here.

Line 5 – Partial pension and annuity income exemption

If the estate or trust reported taxable retirement income on FID-3, page 1, line 8, the estate or trust may be entitled to a partial exemption of this income. Qualifying pension and annuity income is reported on federal Form 1099-R, with a distribution code 7.

Premature distributions and early withdrawals of your retirement income do not qualify for the retirement income exemption. Early distributions which required payment of the federal 5% or 10% additional tax do not qualify for this exemption. Also, if the estate or trust received a disability pension, which is identified as a distribution code 3 on your federal Form 1099-R, you should use Montana Form DS-1, 2010 Disability Income Exemption, to determine your deduction instead of the retirement income exemption.

Tier I and Tier II Railroad Retirement benefits received from the Railroad Retirement Board are exempt from Montana tax. Enter the full amount of Tier I and Tier II annuity or pension benefits reported on Form FID-3, page 1, line 8 as a reduction to income on Schedule B, line 6.

Your retirement exemption is limited to the lesser of the taxable retirement income that you received or \$3,640, as long as your federal total income is \$30,320 or less. When your federal total income exceeds \$30,320, the retirement exemption is reduced \$2 for every \$1 that the federal total income is over \$30,320. For example, if your federal total income is \$31,320, your retirement exemption is \$1,640 ($\$3,640 - (\$1,000 \times 2) = \$1,640$). You are not entitled to this retirement income exemption if your federal total income is greater than \$32,140 ($\$3,640 - (\$1,820 \times \$2) = \0).

To calculate your pension and annuity income exemption, use the worksheet that follows.

Partial Pension and Annuity Income Exemption Worksheet		
1.	Enter the federal total income from Form FID-3, page 1, line 9 here.	
2.	Phase-out limitation.	\$30,320
	If line 1 is smaller than line 2, enter the smaller of the pension and annuity income or \$3,640 on Schedule B, line 5. Stop here; do not complete the remainder of this worksheet.	
3.	If line 1 is larger than line 2, subtract line 2 from line 1 and enter the result here.	
4.	Enter the smaller of the pension and annuity income or \$3,640.	
5.	Double the amount on line 3 and enter the result here.	
6.	Pension and annuity exclusion. Subtract line 5 from line 4. If the result is zero or negative, there is no exclusion. If the number is positive, enter the result here and exclude this amount on Schedule B, line 5. This is your partial pension and annuity exemption.	

Line 6 – Federal taxable U.S. Railroad Retirement Board Retirement benefits

Tier I and Tier II Railroad Retirement benefits received from the Railroad Retirement Board are exempt from Montana tax. Enter the full amount of Tier I or Tier II annuity or pension benefits reported on Form FID-3, page 1, line 8.

Lines 7a and 7b – ESBT S corporation income

If you are an Electing Small Business Trust (ESBT), report your losses and capital losses.

Line 8 – Expenses allocated to other states' interest and mutual fund dividends

If the estate or trust has tax exempt income, report the adjustment for additional expenses allocated to the tax exempt income. Enter only the additional deductible expenses for Montana on this line.

Although exempt from federal tax, interest on non-Montana state and municipal securities is taxable to Montana. Therefore, if interest in non-Montana municipal securities is included on the Montana fiduciary return, expenses related to such tax exempt income must be subtracted from the taxable income for Montana purposes.

To compute the expenses allocable to tax exempt income, divide tax exempt income by total gross income (including tax exempt income). Multiply the resulting percentage by total expenses not directly allocable to any item of income. Report the portion of expenses allocated to tax exempt income on the appropriate line.

Example:

1. Gross taxable municipal interest	\$4,575 (reported on Form FID-3, Schedule A, line 1)
2. Total gross income	\$73,496 (total federal income on page 1, line 9 plus any capital losses plus the gross tax exempt income from federal Form 1041, page 2, Other Information, line 1)
3. Line 1 divided by line 2	0.062248
4. Total indirect expenses	\$21,987
5. Indirect expenses allocated to out of state municipal income (line 3 x line 4)	\$1,369 (reported on Form FID-3, Schedule B, line 8)

Line 9 – Other subtractions

Please specify. Include information if necessary.

Line 10 – Total Deductions/Subtractions

Add lines 1 through 9. Enter the result on Form FID-3, page 1, line 19.

Schedule C – Montana Distributable Net Income (MDNI) and Montana Income Distribution Deduction (MIDD)

Lines 1 through 5 compute the Montana Distributable Net Income (MDNI). Montana DNI serves the same purpose as the federal DNI. Montana DNI, adjusted for items not included in the gross income of the estate or trust in accordance with 26 U.S.C. §§651 and 661, limits the deduction an estate or trust may claim for distributions to beneficiaries. Montana DNI may also limit the amount of Montana income a beneficiary or trust owner must report.

Line 1

Enter the amount from Form FID-3, page 1, line 20. If line 20 of page 1 is a loss, and line 4 of page 1 is a loss, enter the smaller loss.

Line 2a

Enter the gross amount of tax exempt interest income from federal Form 1041, Other Information, line 1. Do not use the amount reported on federal Form 1041, Schedule B, line 2 which normally has been adjusted for allocation of expenses.

Line 2b

Enter the expenses allocated to federal tax exempt income.

Line 2c

Enter the gross exempt interest and mutual fund dividends from federal bonds, notes and other U.S. government obligations reported on Schedule B, line 2.

Line 2d

Enter the expenses allocated to U.S. government tax exempt income reported on Schedule A, line 9.

Line 2e

Enter the gross taxable out of state municipal tax exempt income reported on Schedule A, line 1.

Line 2f

Enter the expenses allocated to out of state municipal tax exempt income reported on Schedule B, line 8.

Line 2

Enter the sum of lines 2a through 2f. This is the Montana adjusted tax exempt interest income.

Line 3

If there are entries on the federal Form 1041, Schedule B, lines 3, 4 and 5, enter the sum of those lines here. Include all capital gains, whether or not distributed, that are attributable to income under the governing instrument or local law. For further information, please read the instructions for federal Form 1041, Schedule B, lines 3 and 5.

Line 4

If the amount on Form FID-3, page 1, line 4 is a net gain, enter the gain as a negative. If the amount on Form FID-3, page 1, line 4 is a net loss, enter the loss as a positive number.

Line 5

Enter the sum of lines 1 through 4. The computations on lines 6 through 13 of Schedule C adjust Montana DNI and compute certain limits for the Montana Income Distribution Deduction (MIDD). The Montana Income Distribution Deduction is generally computed in accordance with 26 U.S.C. §§651 and 661.

Line 6

This line applies to complex trusts only. Enter the accounting income of the trust for the tax year determined under the terms of the governing instrument and Montana income tax law.

Line 7

This line applies to simple and complex trusts. Enter the amount of income required to be distributed currently, whether distributed or not.

Line 8

This line only applies to decedent's estates or complex trusts. These distributions consist of any other amounts paid, credited, or required to be distributed and are referred to as second tier distributions.

Line 9

Enter the sum of lines 7 and 8.

Line 10

Enter the amount of Montana tax exempt interest income included in actual distributions on line 9 above.

Line 11

Subtract line 10 from line 9.

Line 12

Subtract line 2 from line 5. Enter zero if equal to zero or less.

Line 13

Enter the smallest of the amounts entered on lines 11 or 12, but not less than zero, and on page 1, line 21.

Schedule D – Beneficiaries and Montana Income Distributions

Complete Schedule D for all beneficiaries who received an income distribution if the estate or trust was required to distribute income currently or if it paid, credited, or was required to distribute any other amounts to beneficiaries during the tax year.

List the name, address, SSN or FEIN, residency status and the Montana income distribution amount for each beneficiary who received a distribution from the estate or trust during the tax year.

Enter the distributions reported to each beneficiary on his or her Montana Schedule K-1 (or equivalent). The total of column D should equal the income distribution deduction reported on Form FID-3, line 21.

Please use the dollar amount and not the percentage. If there are more than 10 beneficiaries, include a separate schedule.

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

Schedule E – Capital Gains Tax Credit Calculation

The estate or trust can claim a capital gains tax credit against the Montana income tax of up to 2% of the net capital gains. Your net capital gains eligible for the capital gains tax credit are the amount you reported on Form FID-3, page 1, line 4 less the amount of net capital gains distributed to a beneficiary plus any net capital gains/losses from an ESBT S corporation.

Example: A capital gain of \$46,675 is reported on Form FID-3, page 1, line 4. The income distribution deduction to the beneficiary included \$12,482 of the capital gain. The 2% capital gains tax credit is computed on the undistributed income of \$34,193.

If the trust is reporting ESBT S corporation income which includes capital gains/losses, the net capital gains eligible for the capital gains tax credit must include any offset of capital gains/losses from the ESBT S corporation.

Example: The trust is a shareholder of an S corporation and is an electing small business trust. The following income has been reported on the Form FID-3 as an addition:

Ordinary income	\$3,725,255
Interest income	\$5
Dividend income	\$99,507
Section 1231 gain (loss)	(\$764)
Charitable contributions	(\$17,917)
Net income from S corporation	\$3,806,086

In addition to the above income, the trust had a short term capital loss of \$90,000, and a long term capital loss of \$104,605.

Since the fiduciary return included a capital gain of \$41,636 on Form FID-3, page 1, line 4 in order to balance with the regular income portion of the federal return, this amount, when combined with the ESBT portion, would yield no net capital gains tax credit for the trust.

This credit is nonrefundable. It is applied directly against the income tax liability and it cannot reduce the liability below zero. This credit is applied before any other credits and cannot be carried back or carried forward.

If the trust or estate is a nonresident entity, you will need to apply this credit to the Montana income tax computed on Form FID-3, page 2, line 26 as if it were a resident entity.

Schedule F – Nonresident Estate and Trust Tax

Schedule F applies only to nonresident estates and trusts. The fiduciary will use this schedule to compute the ratio of Montana source income to total income. This ratio is then multiplied by the resident tax from Form FID-3, page 2, line 28 to determine the nonresident tax to be reported on Form FID-3, page 2, line 28a. Enter in column A, the gross income from Form FID-3, page 1, lines 1 through 8 and Schedule A. Enter in column B the gross Montana source income from Form FID-3, lines 1 through 8 and Schedule A.

The following line-by-line instructions are for nonresident estates and trusts that have Montana source income.

Line 1 – Interest income

Enter the interest income received from an installment sale of real property in Montana. Include any interest received from a business or commercial property located in Montana and included in the total federal income on Form FID-3, page 1, line 1.

Interest received from financial institutions, notes, dividends on capital stock, royalties from patents and copyrights is

not considered Montana source income and therefore is not taxable to Montana.

Line 2 – Ordinary dividends

Generally, dividends are not considered Montana source income and should not be included on line 2, column B.

Line 3 – Business income or (loss)

Enter the net income or loss reported on Form FID-3, page 1, line 3, received from any trade, business, profession or occupation carried on in Montana. If you have more than one business, complete a separate federal Schedule C for each business activity.

Line 4 – Capital gain or (loss)

Enter the gains or losses included in the total on Form FID-3, page 1, line 4, which were received on the sale or transfer of tangible property used or held in connection with the trade, business or occupation located in Montana.

Line 5 – Rental real estate, royalties, partnerships, S corporations, other estates or trusts, etc.

If the estate or trust is a nonresident entity, enter the following income or losses that are included in the total income on Form FID-3, page 1, line 5:

- Net rental income or loss from real property and tangible personal property located in Montana.
- Net royalties to the extent that the income received is for production, fabrication, manufacturing, or other processing in Montana, or the patented product is produced in Montana.
- Net copyright royalties to the extent that the printing and other publication originated in Montana.
- Partnership income derived from a trade, business, occupation or profession carried on in Montana.
- S corporation income derived from a trade, business, occupation or profession carried on in Montana.
- Estate and trust income derived from a trade, business, occupation or profession carried on in Montana.

Line 6 – Farm income or (loss)

Enter the farm income or (loss) received from the farming activity carried on in Montana. Include a separate federal Schedule F if necessary, showing only the Montana farm activity.

Line 7 – Ordinary gain or (loss)

Report any ordinary gain or (loss) received from the sale or exchange of business property located in Montana and reported on the federal Form 4797.

Line 8 – Other income

Enter any other income attributed to Montana that is not identified on lines 1 through 7. This includes, but is not limited to:

- Montana lottery winnings
- Non-employee compensation

Line 9 – Interest and mutual fund dividends from other states' state, county or municipal bonds

Enter the interest and dividend income from bonds and obligations of other states or their political subdivisions attributed to Montana.

Line 10 – Dividends not included in federal total income

Enter the amount of the dividends that you received as Montana source income that are not already included in your total federal income.

Line 11 – Taxable federal refund

If a federal tax deduction was claimed in a prior year, any refund of that tax is income in the year it is received.

Line 12 – Other recoveries

If a deduction in a prior year was claimed and reduced the Montana taxable income, and you were subsequently reimbursed, please show that reimbursement here.

Line 13 – ESBT S corporation income

Enter the amount of ESBT income received from the S corporation that was derived from sources within Montana. Report the taxable income attributable to Montana.

Line 14 – Other additions

Enter any other source of Montana income that has not been included or identified in the lines above.

Line 15 – Total Montana source income

Add lines 1 through 14; enter the result here. Column B is the estate's or trust's Montana source income.

Line 16

Divide the amount in column B, line 15, by the amount in column A, line 15 and enter the result. Carry to four decimal places and do not enter more than 100%.

Line 17

Enter your resident tax after capital gains tax credit reported on Form FID-3, line 28.

Line 18 – Nonresident estate and trust tax after capital gains tax credit

Multiply the amount on line 17 by the percentage amount on line 16. This is the amount of the nonresident tax after

the capital gains tax credit. Enter the result on Form FID-3, page 2, line 28a.

Schedule G – Credit for an Income Tax Liability Paid to Another State or Country

This credit is available to resident estates and trusts only. If you paid an income tax to another state or country on income that is also taxable to Montana, you may be entitled to a credit against your Montana income tax liability for these income taxes paid to another state or country. However, if you claimed the foreign tax credit on your federal tax return, you can claim this credit for foreign taxes on your Montana tax return only if you have unused federal credit that is not eligible to be carried back or forward to another tax year. If you are a resident and have unused federal credit or paid tax to another state, you will need to complete Form FID-3, Schedule G to determine your available credit.

If all or part of the income reported on this tax return is subject to taxation in another state or country and you have filed a tax return and paid a net income tax to a state or foreign country, a credit may be claimed against the Montana income tax. A credit is allowed against the Montana income tax only if the tax paid to a state or foreign country was based on net income of the same taxable year and only if the income taxed by the state or foreign country was derived from sources outside of Montana. A copy of the tax return filed with any state or foreign country for which credit is claimed must be included with Form FID-3. To determine if a credit is available, complete Form FID-3, Schedule G.

If you are a shareholder of an S corporation or a partner in a partnership, and the S corporation or partnership pays an income tax, excise tax, or franchise tax that was measured by and imposed on net income to another state or country, you can claim a credit for your share of these taxes paid by the entity.

Other taxes paid by the S corporation or partnership, such as, but not limited to, franchise or license taxes or fees that are not imposed on or measured by net income, gross receipt taxes or gross sales taxes, are not allowed.

When you claim this credit for the taxes paid by the entity, you will have to add back to Montana income your share of the S corporation's or partnership's federal tax deduction that is included in your total income. This is required whether or not the S corporation or partnership separately or non-separately stated the income tax deduction on the federal Schedule K-1.

If you are required to file an income tax return in more than one state or country and you are entitled to the credit, complete a separate Schedule G for each state or country in which an income tax return was filed and tax was paid on the income that is also taxed to Montana.

A credit is not allowed if the other state or country in which you have filed has allowed a credit against the taxes they have imposed on the net income.

When calculating the credit on Form FID-3, Schedule G, do not include penalties and interest that you paid to the other state or country in the calculation.

Schedule H – Reporting of Special Transactions

Check the appropriate boxes indicating which forms were filed with the Internal Revenue Service. If any statements are answered "Yes," the estate or trust will have to include a copy of the applicable form.

Montana Schedule K-1 Instructions

Montana Schedule K-1 (Form FID-3), Beneficiary's Share of Income (Loss), Deductions, Credits, etc., is required to be used by a fiduciary to provide information that the beneficiary will need to complete their Montana income tax return. Beginning with the 2010 tax year, the Montana Schedule K-1 is required for all beneficiaries. Parts 1 and 2 must be completed for all beneficiaries. Parts 3 and 5 are completed only if there is any applicable information. Part 4 applies to nonresident beneficiaries only.

The fiduciary has to prepare a Montana Schedule K-1 for each beneficiary during the estate's or trust's taxable year. The estate or trust will include a copy of each beneficiary's Montana Schedule K-1 with the Form FID-3 filed with the department. A copy is kept as part of the estate's or trust's records and each beneficiary is given their own separate copy (with a copy of the Beneficiary's Instructions).

Character of Income

The character of the income that is reported by the beneficiary or owner of an estate or trust must reflect the same character the income possessed when the income was originally received by the estate or trust.

Heading Information

Checkboxes:

- Final Schedule K-1 -- mark this box if this is the last Montana Schedule K-1 that the estate or trust will issue to the beneficiary.
- Amended Schedule K-1 -- mark this box if you are amending the beneficiary's Montana Schedule K-1.

Part 1 – Information About the Estate or Trust

- A. Enter the estate's or trust's federal employer identification number (FEIN) as you reported it for federal income tax purposes.
- B. Enter the name of the estate or trust.
- C. Enter the fiduciary's name and mailing address.

Part 2 – Information About the Beneficiary

- A. Enter the beneficiary's tax identification number (SSN or FEIN) as you reported it for federal income tax purposes.

- B. Enter the name and address of the beneficiary at the end of the tax year.
- C. Enter the type of entity that identifies how the beneficiary files for federal income tax purposes. For example, if the beneficiary is an LLC that files a federal partnership return, you would enter, "partnership."
- D. If the beneficiary is an individual, estate or trust, check the appropriate box if the beneficiary is a full-year resident, part-year resident or nonresident.

Part 3 – All Beneficiaries – Montana Adjustments

A. Montana Additions to Income

Fill in the beneficiary's distributive share of Montana additions to income from the corresponding lines on Form FID-3, Schedule A.

B. Montana Deductions from Income

Fill in the beneficiary's distributive share of Montana deductions from the corresponding lines on Form FID-3, Schedule B.

Part 4 – Nonresident Beneficiary Only-- Montana Source Income (Loss)

Lines 1-9

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

On each line, enter the income derived from Montana sources which was distributed to the beneficiary.

Part 5 – Supplemental Information

Enter any other pertinent information concerning the beneficiary's share of income or deductions or withholding.

Enter each beneficiary's distributive share of items that could be adjustments to the beneficiary's Montana income tax return.

Line 1

If the estate or trust received a federal Form 1099 because the estate or trust had Montana mineral royalty tax withheld from its mineral royalty income in Montana, you will report the amount of any mineral royalty tax withheld which was distributed to the beneficiary. These amounts are the same as the amounts reported on Form FID-3, page 2, line 39b.

FAQs—Frequently Asked Questions

Please find the answers to these questions identified by number on pages 15-20.

Filing Requirements

- ❶ Who has to file Form FID-3?
- ❷ Is the estate or trust a resident of Montana?
- ❸ Which tax year and accounting method should the estate or trust use to file Form FID-3?
- ❹ What forms and schedules have to be filed by the estate or trust?
- ❺ Who has to sign the tax return?
- ❻ When is the estate's or trust's income tax return due?
- ❼ Can the estate or trust get an extension of time to file the tax return?
- ❽ Where is the tax return filed?
- ❾ What does the checkbox that asks "May the DOR discuss this tax return with your tax preparer" mean?

Specific Situations

- ❿ Are there special filing instructions for a specific entity type?
- ⓫ How should an estate or trust report excess distributions or a net operating loss?

- ⓬ How does the estate or trust determine if income is sourced to Montana?

Electronic Filing

- ⓭ Can the estate or trust file its Montana tax return electronically?

Amended Returns

- ⓮ How does a fiduciary amend the tax return?
- ⓯ What are some helpful hints for preparing an amended return?

Estimated Payments and Interest

- ⓰ Is the estate or trust required to make estimated tax payments?
- ⓱ What is the interest rate on unpaid taxes?

Additional Information

- ⓲ Where are definitions applicable to estates and trusts?
- ⓳ When does the estate or trust need a new Federal Employer Identification Number (FEIN)?

❶ Who has to file Form FID-3?

The fiduciary of an estate or trust, both resident and nonresident, has to file a Montana Income Tax Return for Estates and Trusts (Form FID-3) if the Montana adjusted total income is \$2,130 or more. A fiduciary includes a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in a position of trust or fiduciary capacity for any other person or group of persons.

If an estate or trust is not required to file a federal tax return, it is not required to file a Montana tax return.

❷ Is the estate or trust a resident of Montana?**Resident estate**

An estate is treated as a resident estate if the decedent was domiciled in Montana on the date of his or her death. If the estate is a bankruptcy estate, it is treated as a resident estate if the person for whom the estate was created is a Montana resident.

Resident trust

A trust is treated as a resident trust if three or more of the following occur in Montana:

- Domicile of the grantor
- Creation of the trust
- Existence of trust property
- Domicile of the trustee
- A Montana court is able to exercise primary supervision over the administration of the trust
- Administration of the trust (one or more Montana residents have the authority to control all substantial decisions of the trust)

Nonresident Estate or Trust

If the estate or trust does not qualify as a resident entity, it is treated as a nonresident estate or trust.

With a nonresident estate or trust, the Montana tax liability is computed as if the entity was a resident estate or trust, and then multiplied by the ratio of the estate's or trust's undistributed Montana source income to the undistributed total income.

A nonresident estate reports income earned from Montana sources in the same manner as though the taxpayer was a nonresident individual.

Please refer to the instructions on page 11, for Schedule F, Nonresident Estate and Trust Tax.

❸ Which tax year and accounting method should the estate or trust use to file Form FID-3?

The 2010 Form FID-3 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 FID-3, 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 estate or trust 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 "Final Return" box on Form FID-3, page 1 if the estate or trust ceased to exist during the 2010 tax year.

Please Note: Fiscal year filers use the 2009 Form FID-3 if the estate's or trust's taxable year began in the 2009 calendar year.

❹ What forms and schedules have to be filed by the estate or trust?

When you file Form FID-3, please include a complete copy of the federal Form 1041, U.S. Income Tax Return for Estates and Trusts, with all federal Schedule(s) K-1, all statements and all documents.

Failure to include a complete copy of the federal Form 1041 will subject the return to treatment as a delinquent return. In addition, for the Montana Form FID-3 to be considered a complete return, a properly completed Montana Schedule K-1 must be included for each person or tax entity that was a beneficiary at any time during the taxable year.

❺ Who has to sign the tax return?

Form FID-3 has to be signed and dated by the fiduciary or an officer representing the fiduciary. Form FID-3 is not considered to be complete unless it is signed. Unsigned tax forms will delay the processing of your return. If the estate or trust has an outside accounting firm or an individual prepare Form FID-3, the name, address and telephone number of the tax preparer has to be included on your tax return.

❻ When is the estate's or trust's income tax return due?

Your Montana filing period is the same as your federal filing period. Form FID-3 is due following the close of the tax year for:

- calendar year estate or trust – on or before April 15
- fiscal year estate or trust – on or before the 15th day of the 4th month following the end of the tax year

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

7 Can the estate or trust get an extension of time to file the tax return?

Yes. To receive a five-month extension, the fiduciary for an estate or trust has to check the extension indicator box on Form FID-3, page 3, and include a copy of the federal extension Form 7004 to the completed Montana estate or trust income tax return. Do not send copies of the federal extension before you file your Montana estate or trust return.

In addition, one of the following requirements must be met on or before April 15, 2011:

- The estate or trust has paid 90% of the estate's or trust's current year tax liability.
- The estate or trust has paid 100% of its previous year tax liability through estimated tax payments, withholding tax, or a combination of estimated tax payments and withholding tax.

Complete the Montana Extension Payment Worksheet, Form EXT-FID-10, to determine whether the estate or trust has a Montana extension payment requirement. You can get this form by visiting our website at revenue.mt.gov or by calling us toll free at (866) 859-2254 (in Helena, 444-6900). If you are required to make an extension payment, please use the tax payment voucher found on this worksheet.

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.

If you do not meet these requirements, your extension will not be accepted and penalties will be assessed.

8 Where is the tax return filed?

Please mail your Income Tax Return for Estates and Trusts to:



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

9 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 the fiduciary, 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 April 15, 2012, for most estates and trusts.

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.

10 Are there special filing instructions for a specific entity type?

Decedent's estate

Do not use a decedent's social security number for an estate. If the federal employer identification number (FEIN) is not available at the time of filing, enter "applied for" and the date you applied in the box provided.

Section 645 election

The election allows a qualified revocable trust to be treated and taxed as part of the related estate during the election period. If the election is made for federal income tax purposes, it also applies for Montana. Enclose a copy of federal Form 8855 or letter making the election.

Electing Small Business Trust (ESBT)

If the trustee makes the election under IRC Section 1361 for the trust to be an ESBT for federal purposes, the trust will be treated as an ESBT for Montana income tax purposes. No separate election for Montana purposes is required.

Special rules apply when computing the tax on the S corporation portion of an ESBT. The portion of an ESBT that consists of stock in one or more S corporations, which is treated as a separate trust for federal tax purposes, is combined with the remainder (non S corporation portion) in computing Montana adjusted total income or loss. The Montana tax liability is calculated in the usual manner, using the regular tax table, on the combined ESBT income.

Please Note: If the ESBT consists entirely of stock in one or more S corporations, complete Form FID-3 and report

the income, losses and deductions of the ESBT as an S corporation shareholder, and any gain or loss from the disposition of S corporation stock as Montana adjusted total income. Include the tax computation used in reporting and paying the federal income tax liability with the estate or trust tax return. If you are an ESBT, report the income and capital gains on Schedule A, Schedule of Additions, lines 8a and b. If you have losses and/or capital losses, report the losses on Schedule B, Schedule of Deductions/Subtractions, lines 7a and b.

Grantor type trusts

The fiduciaries of grantor trusts are required to file informational tax returns and send copies to the grantors/owners that are required to report the income, deductions, and credits on their individual income tax return (Form 2).

Example: The John Doe Trust is a grantor type trust. During the year, the trust sold 100 shares of ABC stock for \$1,010 (it had a basis of \$10) and 200 shares of XYZ stock for \$10 (it had a \$1,020 basis). The trust does not report these transactions on federal Form 1041 or Form FID-3. Instead, a schedule is included with Form 1041 and FID-3 showing each stock transaction separately and in the same detail as John Doe (grantor and owner) needs to report on his Schedule D (Form 1040). The trust may not net the capital gains and losses, nor may it issue John Doe a Schedule K-1 showing a \$10 long-term capital loss.

If the entire trust is a grantor trust, complete only the heading portion of Form FID-3 and check the "Grantor Type Trust" box. Do not show any dollar amounts on the form itself; show dollar amounts only on a supporting statement. Include the supporting statements to the form, along with a complete copy of the federal Form 1041.

If only part of the trust is treated as a grantor trust, report on Form FID-3 only the part of the income, deductions, etc., that is taxable to the trust. The amounts that are taxable directly to the grantor are shown only on a supporting statement to the form. The income taxable to the grantor and the deductions and credits that apply to that income must be reported by that person on his or her own individual income tax return.

Please Note: The purchasers of pre-need funeral services are the grantors and the owners of pre-need funeral trusts are established under state laws. However, the trustees of pre-need funeral trusts can elect to file the return and pay the tax for qualified funeral trusts (QFT). The IRS allows the trustee to file federal Form 1041-QFT, U.S. Income Tax Return for Qualified Funeral Trusts, which is a single, composite tax return for some or all QFTs for which he or she is the trustee.

A trustee of more than one qualified funeral trust may file the Form FID-3 reporting all the QFTs included on the composite federal return, rather than a separate return for each trust. However, the applicable tax due is computed on the combined taxable income of all the included QFTs, less one exemption of \$2,130.

Qualified subchapter S trusts (QSSTs)

A QSST (as defined in IRC section 1361(d)(3)) follows the reporting rules for grantor type trusts. Income allocated to S corporation stock held by the trust is treated as owned by the income beneficiary of the portion of the trust that owns the stock.

Pooled income funds

The trustee files federal Form 5227, Split-Interest Trust Information Return, along with a statement to support the following:

- The calculation of the yearly rate of return,
- The computation of the deduction for distributions to the beneficiaries, and
- The computation of any charitable deduction.

If filing for a pooled income fund, complete only the heading portion of Form FID-3 and check the "Pooled Income Fund" box. Do not show any dollar amounts on the form itself; show dollar amounts only on the supporting statement. Include the supporting statements to the form, along with a complete copy of the federal Form 5227.

Other

Certain types of trusts file federal forms for which Montana does not have an equivalent form. The following are examples of these entities and the Montana income tax returns that they need to complete.

Split-interest trusts

Split-interest trusts described in IRC section 4947(a)(2), including charitable lead trusts and charitable remainder trusts described in IRC section 664 that meet the definition of a split-interest trust, need to file federal Form 5227.

If filing for a split-interest trust, complete only the heading portion of Form FID-3 and check the "Other" box. Do not show any dollar amounts on the form itself, show dollar amounts only on the supporting statement. Include the supporting statements to the form, along with a complete copy of the federal Form 5227.

Qualified Settlement Fund or Designated Settlement Fund

Except as otherwise provided in Regulations section 1.468B-5(b), for purposes of subtitle F of the Internal Revenue Code, a qualified settlement fund is treated as a corporation and any tax imposed under Regulations section 1.468B-2(a) is treated as a tax imposed by section 11. See Regulations section 1.468B-2(k) for more information. A designated settlement fund is taxed in the same manner as a qualified settlement fund.

These funds file federal Form 1120-SF, U.S. Income Tax Return for Settlement Funds, to report transfers received, income earned, deductions claimed, distributions made, and to figure the income tax liability of a qualified or designated settlement fund. For Montana purposes,

these funds would file Montana Form CLT-4, Montana Corporation License Tax Return.

Common Trust Funds

A common trust fund maintained by a bank files federal Form 1065, U.S. Return of Partnership Income. See IRC section 584 and Regulations section 1.6032-1 for more information. For Montana purposes, the fund would file Montana Form PR-1, Montana Partnership Information and Composite Tax Return.

Exempt Trusts

A trust, which by reason of its purpose and activities is exempt from federal income tax, is also exempt from Montana income tax. However, exempt trusts filing an Exempt Organization Business Income Tax Return, federal Form 990-T, to report unrelated business income must file a Montana return and pay tax to Montana. The fiduciary must file a Montana Form CLT-4, Montana Corporation License Tax Return.

11 How should an estate or trust report excess distributions or a net operating loss?

Miscellaneous Items

Montana law follows federal law in the areas of:

- **Excess distributions**

A deduction shall be allowed to the beneficiaries succeeding to the property of the estate or trust if, upon termination, the estate or trust has one of the following:

- A capital loss carryover
- For its final year, deductions (other than the charitable deductions) in excess of gross income
- A net operating loss

- **Net operating loss deduction**

Montana does not have specific net operating loss provisions for trusts and estates. Montana conforms to the federal net operating loss provisions. The amount that is reported on federal Form 1041, line 15a is the same for Montana reporting purposes.

12 How does the estate or trust determine if income is sourced to Montana?

If the trust or estate is a resident entity, 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 the trust or estate is a nonresident entity, items of income are sourced to Montana as follows:

- Interest and dividend income received by a nonresident trust or estate is not Montana source income.
 - Exception:** Installment sale interest income. Interest income from the sale, exchange or other disposition of property located in Montana at the time of the sale is Montana source income.
- Rents and royalties from real property are Montana source income if the property is located in Montana.
- Rents and royalties from tangible personal property are sourced to Montana to the extent the property is used in Montana. The extent of use of tangible personal property in Montana is determined by multiplying the rents and royalties derived from the property by a fraction, in which the numerator is the number of days of physical location of the property in Montana during the rental and royalty period in the tax year and the denominator is the number of days of physical location of the property everywhere during all rental or royalty periods in the tax year.
- Patent and copyright royalties are sourced to Montana to the extent the patent or copyright is used in Montana. A patent is used in Montana to the extent that it is employed in production, fabrication, manufacturing, or other processing in Montana, or to the extent that a patented product is produced in Montana. A copyright is used in Montana to the extent that printing or other publication originates in Montana.
- Gains and losses from the sale, exchange or other disposition of real or tangible personal property are Montana source income if the property is located in Montana at the time of the sale, exchange or other disposition. Gains or losses from the sale, exchange or other disposition of intangible personal property are not sourced to Montana.
- Income from subchapter S corporations, partnerships and other fiduciaries paid to the trust or estate may be sourced to Montana. See the information provided by the subchapter S corporation or partnership or other fiduciary to determine what income is sourced to Montana.
- Other income not included above that is derived from Montana sources is sourced to Montana. This includes compensation for services performed in Montana (for example, wages received by an estate for services performed in Montana by the decedent).
- Other unspecified items of income or deduction of a nonresident taxpayer are not sourced to Montana.

13 Can the estate or trust file its Montana tax return electronically?

At the present time, tax professionals who are Authorized E-file Providers can submit only the federal fiduciary tax returns.

We are working to create electronic filing and payment services for fiduciaries on our website. The Form FID-3 may be available for direct electronic filing through our website. Please visit revenue.mt.gov/efile regularly to check availability.

14 How does a fiduciary amend the tax return?

If the fiduciary needs to correct an error on a previously filed Form FID-3, the fiduciary must file an amended return. There is no special form for this purpose. See "What are some helpful hints for preparing an amended return?" below.

The fiduciary has five years from the due date of the original tax return to file an amended fiduciary tax return and correct any error.

If the IRS changes or makes corrections to the federal Form 1041 or if the estate or trust amends its federal tax return, the fiduciary will need to amend the Form FID-3 within 90 days of receiving the Internal Revenue Service's notification of the corrections made to the federal Form 1041 or within 90 days of filing the amended federal tax return.

Please Note: If the fiduciary files 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. By checking this box and paying all the tax and interest in full, you are requesting a waiver of the late payment penalty.

15 What are some helpful hints for preparing an amended return?

- Use the correct Form FID-3 for the year being amended. The forms are available from our website at revenue.mt.gov.
- Enter the name of the estate or trust, and the fiduciary's name, current address, FEIN, and other requested information in the top portion of Form FID-3, page 1.
- Check the "Amended return" box at the top of Form FID-3, page 1.
- If you are amending to carry back a net operating loss, check the "NOL carryback" box at the top of Form FID-3, page 1.
- Complete the entire Form FID-3 and its applicable schedules using the corrected amounts. Include a copy of the original Form FID-3.
- Include the applicable forms and statements explaining all of your adjustments in detail. If the

reason for filing the amended return is because of changes the fiduciary or the IRS made to the federal Form 1041, include a copy of the amended federal return or IRS notice.

- Complete and provide a corrected Montana Schedule K-1 (for tax years 2009 and later) along with a copy of the amended Form FID-3 to the beneficiaries.

16 Is the estate or trust required to make estimated tax payments?

A fiduciary for an estate or trust is required to make estimated tax payments in 2011 if one of the following conditions apply:

- The net income tax liability on the fiduciary's taxable income for the 2010 tax year (as shown on the 2010 Form FID-3, page 2, line 36) was \$500 or more.
- The fiduciary expects to owe (after subtracting any Montana income tax withheld, mineral royalty tax withheld and tax credits) \$500 or more for the 2011 tax year.

Complete Form ESW-FID, the 2011 Montana Fiduciary Estimated Income Tax Worksheet, to calculate if there is a requirement to pay estimated tax for 2011. You can get this form by visiting our website at revenue.mt.gov or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

17 What is the interest rate on unpaid taxes?

The current interest rate is 8%, and it will continue to be in effect through December 31, 2011. Under Montana law, the interest rate for all unpaid individual income taxes depends on the rate set by the Internal Revenue Service and may fluctuate each year, but will not be less than 8%.

18 Where are definitions applicable to estates and trusts?

For information, including definitions, about any of the following estates or trusts, please read federal Form 1041, U.S. Income Tax Return for Estates and Trusts:

- Bankruptcy estates
- Beneficiaries
- Complex trusts
- Decedent's estate
- Distributable net income (DNI)
- Fiduciaries
- Grantor-type trusts
- Income required to be distributed currently
- Income, deductions and credits in respect of a decedent
- Pooled income funds

- Qualified disability trusts
- Simple trusts

19 When does the estate or trust need a new Federal Employer Identification Number (FEIN)?

Estates

You are required to obtain a new FEIN if either of the following statements is true.

- A trust is created with funds from the estate (not simply a continuation of the estate).
- You represent an estate that operates a business after the owner's death.

You are not required to obtain a new FEIN if the administrator, personal representative or executor changes his or her name or address.

Trusts

You are required to obtain a new FEIN if any of the following statements are true.

- One person is the grantor/maker of many trusts.
- A trust changes to an estate.
- A living or inter vivos trust changes to a testamentary trust.
- A living trust terminates by distributing its property to a residual trust.

You are not required to obtain a new FEIN if either of the following statements is true.

- The trustee changes.
- The grantor or beneficiary changes his/her name or address.

Attach a complete copy of the federal Form 1041 and all related forms and schedules.

For calendar year 2010 or tax year beginning MMDD2010 and ending MMDDYYYY

Check all that apply: Name of estate or trust, FEIN, Name and title of fiduciary, Date entity created, Mailing address, City, state and zip code + 4, Entity Type, Residency status.

Enter amounts corresponding to your federal return. Round to the nearest dollar. If no entry, leave blank.

Table with 4 columns: Line number, Description, Federal Business Code/NAICS, and Amount. Rows include Interest income, Ordinary dividends, Business income, Capital gain, Rents, royalties, Farm income, Other income, Deductions (Interest, Taxes, Fees, Charitable, etc.), and Montana adjustments.



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Taxes and Credits	25	Montana taxable income from line 24.....	25		00
	26	Tax from the tax table. If line 25 is zero or less, enter zero	26		00
	27	2% capital gains tax credit on undistributed capital gains only. Enter the amount from Form FID-3, Schedule E, line 7.....	27		00
	28	Subtract line 27 from line 26. If zero or less, enter zero. Resident tax after capital gains tax credit.....	28		00
	28a	Nonresident tax after capital gains credit. Enter amount from Form FID-3, Schedule F, line 18, but not less than zero	28a		00
	29	Tax on lump sum distributions. (See instructions.).....	29		00
	30	Add line 28 or 28a and line 29. Total tax.....	30		00
	31	Credit for taxes paid to other states or countries. Enter the amount from Form FID-3, Schedule G, line 10. (If more than one Schedule G, enter the total of all schedules.).....	31		00
	32	Other nonrefundable credits. List credit form(s) _____ Attach all appropriate forms.....	32		00
	33	Add lines 31 and 32. Total nonrefundable credits.....	33		00
Payments and Refundable Credits	34	Subtract line 33 from line 30. If zero or less, enter zero	34		00
	35	Endowment credit recapture tax.....	35		00
	36	Add lines 34 and 35. Tax liability.....	36		00
	37	Montana income tax withheld. Attach federal Form(s) W-2 and 1099.....	37		00
	38	Montana pass-through entity withholding. Attach Montana Schedule K-1 or Form PT-WH	38		00
	39a	Total Montana mineral royalty tax withheld. Attach federal Form(s) 1099 and supporting schedule if any.....	39a		00
	39b	Mineral royalty tax withheld distributed to beneficiaries	39b		00
	39	Subtract line 39b from 39a. Mineral royalty tax withheld attributable to the estate or trust.....	39		00
	40	2010 estimated tax payments and amount applied from the 2009 return	40		00
	41	2010 extension payments from Form EXT-FID-10.....	41		00
Tax	42	Refundable credits. List credit form(s) _____ Attach all appropriate forms.....	42		00
	43	Add lines 37 through 42. Total payments.....	43		00
	44	If line 36 is greater than line 43, subtract line 43 from line 36. Tax due.....	44		00
Penalties and Interest	45	If line 43 is greater than line 36, subtract line 36 from line 43. Tax overpaid.....	45		00
	46	Interest on underpayment of estimated taxes. (See instructions on page 6.)	46		00
	47	Late file, late payment penalties and interest. (See instructions and table on page 6.)	47		00
	48	Other penalties. (See instructions on page 6.).....	48		00
	49	Add the amounts on lines 46 through 48. Total penalties and interest.....	49		00

See page 3 for the calculation of the amount the entity owes or its refund.

2010 Montana Fiduciary Income Tax Table									
If The Taxable Income Is More Than	But Not More Than	Multiply The Taxable Income By	And Subtract	This Is The Tax	If The Taxable Income Is More Than	But Not More Than	Multiply The Taxable Income By	And Subtract	This Is The Tax
\$0	\$2,600	1% (0.010)	\$0		\$9,400	\$12,100	5% (0.050)	\$235	
\$2,600	\$4,600	2% (0.020)	\$26		\$12,100	\$15,600	6% (0.060)	\$356	
\$4,600	\$6,900	3% (0.030)	\$72		More Than \$15,600		6.9% (0.069)	\$496	
\$6,900	\$9,400	4% (0.040)	\$141						

For Example: Taxable Income \$6,800 X 3% (0.030) = \$204. \$204 Minus \$72 = \$132 Tax

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 B – Schedule of Deductions/Subtractions

1	Federal income tax deduction	1		00
2	Exempt interest and mutual fund dividends from federal bonds, notes, and other obligations	2		00
3	State tax refunds included on Form FID-3, page 1, line 8	3		00
4	Other recoveries of amounts deducted in earlier years that did not reduce Montana taxable income	4		00
5	Partial pension and annuity income exemption. See worksheet and instructions.	5		00
6	Subtraction for federal taxable U.S. Railroad Retirement Board benefits (Tier I and Tier II)	6		00
7a	Losses from an ESBT S corporation not included in federal taxable income	7a		00
7b	Capital losses from an ESBT S corporation not included in federal taxable income	7b		00
7	Losses from an ESBT S corporation not included in federal taxable income (total of lines 7a and 7b)	7		00
8	Expenses allocated to other states' interest and mutual fund dividends	8		00
9	Other subtractions. List type and amount:	9		00
10	Total deductions/subtractions (add lines 1 through 9). Enter the total on Form FID-3, page 1, line 19	10		00

Schedule C – Montana Distributable Net Income (MDNI) and Montana Income Distribution Deduction (MIDD)

1	Montana adjusted total income for Distributable Net Income (DNI). If adjusted total income AND line 4 are losses, use the smaller loss. (See page 10 of the instructions.)	1		00
2a	Add: Federal tax exempt income (gross).....	2a		00
2b	Less: Expenses allocated to federal tax exempt income.....	2b		00
2c	Add: U.S. government tax exempt income for Montana (gross).....	2c		00
2d	Less: Expenses allocated to U.S. government tax exempt income for Montana	2d		00
2e	Add: Expenses allocated to non-Montana municipal income taxable to Montana	2e		00
2f	Less: Non-Montana municipal income taxable to Montana	2f		00
2	Montana adjusted tax exempt interest income	2		00
3	The sum of capital gains reported on federal Schedule B, lines 3, 4 and 5	3		00
4	If the amount on Form FID-3, page 1, line 4 is a gain, enter as a negative number. If the amount on page 1, line 4 is a loss, enter the loss as a positive number. (See page 10 of the instructions.)	4		00
5	Montana distributable net income. Combine lines 1 through 4. If zero or less, enter zero. (See page 10 of the instructions.).....	5		00
6	If a complex trust, enter the accounting income for the tax year as determined under the governing instrument.....	6		00
7	Income required to be distributed currently	7		00
8	Other amounts paid, credited or otherwise required to be distributed.....	8		00
9	Actual total distributions for the year. Add lines 7 and 8	9		00
10	Tax exempt income included in actual distributions included on line 9.....	10		00
11	Tentative income distribution deduction based on actual distributions. Subtract line 10 from line 9	11		00
12	Tentative income distribution deduction. Subtract line 2 from line 5. If zero or less, enter zero	12		00
13	Montana income distribution deduction. Enter the smaller of line 11 or line 12 and on Form FID-3, page 1, line 21. Do not enter less than zero	13		00



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Schedule D – Beneficiaries and Montana Income Distributions

List name and address of each beneficiary receiving a portion of distributions reported on line 21. If more than 10 beneficiaries, attach a separate schedule.

A		B		C		D	
Name and Address of Beneficiary Name Street Address City State Zip Code		Identification Number		Residency Status		Montana Income Distribution Received by Beneficiary	
1		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
2		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
3		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
4		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
5		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
6		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
7		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
8		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
9		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
10		SSN		<input type="checkbox"/> Resident			
		FEIN		<input type="checkbox"/> Nonresident			00
11				Total			00



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Schedule E – Capital Gains Tax Credit Calculation

1	Enter the capital gain or (loss) from Form FID-3, page 1, line 4.....	1	00
2	Enter the capital gains from an ESBT S corporation, Schedule A, line 8b	2	00
3	Enter the capital losses from an ESBT S corporation, Schedule B, line 7b	3	00
4	Add lines 1 and 2, then subtract line 3. This is the fiduciary's total net capital gains	4	00
5	Enter the capital gains reported as distributions to the beneficiaries from Form FID-3, page 1, line 4 (1).....	5	00
6	Subtract line 5 from line 4. This is the amount of net capital gains eligible for the credit	6	00
7	Multiply line 6 by 2% (.02). This is the allowable capital gains tax credit. Enter on Form FID-3, page 2, line 27	7	00

Schedule F – Nonresident Estate and Trust Tax

	A Gross Income	B Montana gross source income included in column A
1	Interest income	00 00
2	Ordinary dividends.....	00 00
3	Business income or (loss)	00 00
4	Capital gain or (loss).....	00 00
5	Rental real estate, royalties, partnerships, S corporations, other estates and trusts, etc.....	00 00
6	Farm income or (loss).....	00 00
7	Ordinary gain or (loss).....	00 00
8	Other income	00 00
9	Interest and mutual fund dividends from other states' state, county or municipal bonds	00 00
10	Dividends not included in federal total income	00 00
11	Taxable federal refund.....	00 00
12	Other recoveries of amounts deducted in earlier years that reduced Montana taxable income.....	00 00
13	ESBT S corporation income	00 00
14	Other additions	00 00
15	Add lines 1 through 14 and enter the result here. Column B is the estate or trust's Montana source income.	00 00
16	Divide the amount in column B, line 15 above by the amount in column A, line 15 above and enter result here. Carry to 4 decimal places and do not enter more than 1.0000.....	
17	Enter the resident tax after capital gains tax credit reported on Form FID-3, page 2, line 28	00
18	Multiply the tax on line 17 by the percentage on line 16 and enter here and on Form FID-3, page 2, line 28a. This is the estate or trust nonresident tax after capital gains tax credit.	00

Schedule F applies to nonresident estates and trusts only. The fiduciary will use this schedule to compute the ratio of Montana source income to total income. This ratio is then multiplied by the resident tax from FID-3, page 2, line 28 to determine the nonresident tax to be reported on FID-3, page 2, line 28a.

Column A – Enter on lines 1 through 14 the gross income from Form FID-3, lines 1 through 8 and Schedule A.

Column B – Enter on lines 1 through 14 the gross Montana source income from Form FID-3, lines 1 through 8 and Schedule A.

How does a nonresident estate or trust determine its Montana source income?

For further information and a line-by-line description of Montana source income, refer to Form FID-3, Schedule F instructions beginning on page 11.



Montana Schedule K-1

(FID-3)

Beneficiary'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 Estate or Trust Information	Check applicable boxes: <input type="checkbox"/> Final Schedule K-1 <input type="checkbox"/> Amended Schedule K-1											
	A	Estate's or trust's federal employer identification number (FEIN) <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										
	B	Name of estate or trust _____										
C	Fiduciary's name and mailing address _____											

Part 2 Beneficiary Information	A	Beneficiary's identifying number (SSN/FEIN) <table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>										
	B	Beneficiary's name and mailing address _____										
	C	What type of entity is this beneficiary? _____										
D	If beneficiary is an individual, estate, or trust, the beneficiary is a: <input type="checkbox"/> Full-year resident <input type="checkbox"/> Part-year resident <input type="checkbox"/> Full-year nonresident											

Part 3 All Beneficiaries—Montana Adjustments	A Montana additions to income	
	1. Interest and mutual fund dividends from state, county and municipal bonds from other states A1.	00
	2. Other additions. List type _____ and amount A2.	00
	B Montana deductions from income	
1. Exempt interest and mutual fund dividends from federal bonds, notes and other obligations B1.	00	
2. Other deductions. List type _____ and amount B2.	00	

Part 4 Nonresident Beneficiary's Share of Montana source income (loss)	1. Interest income allocable to Montana.....1.	00
	2. Dividends allocable to Montana.....2.	00
	3. Business income or (loss) allocable to Montana3.	00
	4. Capital gain or (loss) allocable to Montana4.	00
	5. Rents, royalties, partnerships, S corporations, other estates and trusts, etc. allocable to Montana5.	00
	6. Net farm income (loss) allocable to Montana6.	00
	7. Ordinary gain or (loss) allocable to Montana.....7.	00
	8. Other income (loss) allocable to Montana. List type _____ and amount 8.	00
	9. Montana source additions to income reported on Form FID-3, Schedule A. Please include list with types and amounts.....9.	00

Part 5 Supplemental information	1. Montana mineral royalty tax withheld1.	00
	2. Other information. List type _____ and amount 2.	00



Beneficiary's Instructions for Montana Schedule K-1

General Instructions

The Montana Schedule K-1 is required to be provided to all beneficiaries. Parts 1 and 2 are completed for all beneficiaries. Parts 3 and 5 are completed for all beneficiaries only if the beneficiaries have applicable information for these parts. Part 4 applies to nonresident beneficiaries 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 estate or trust. 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 beneficiary. 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 estate's or trust's Montana statutory adjustments that may affect the preparation of your appropriate Montana tax return.

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

Nonresident individual, estate, or trust beneficiary. If you are a nonresident individual, estate, or trust, the amount of your distributed share of the estate's or trust's income, gains, losses and deductions having their source in Montana is used to determine your Montana tax liability. These items are shown in Part 4 of the Montana Schedule K-1. You need to file a Montana tax return to determine your tax liability for these items.

Amended Schedule K-1. If you received an amended Montana Schedule K-1 from the fiduciary, 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.

Part 3 – All Beneficiaries – Montana Adjustments

A-B. Montana Additions or Deductions

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

Part 4 – Nonresident Beneficiary's Share of Montana Source Income (Loss)

If you are a nonresident beneficiary, you will need this information when you file your Montana tax return. Corporations and pass-through entities may need this information to report their Montana source income. Your share of the estate's or trust's distributed Montana source income, gains, losses and other additions to income that you need to report on your Montana tax return are shown. Transfer these amounts to the appropriate Montana tax return.

Part 5 – Supplemental Information

Supplemental information which could result in adjustments to the Montana tax return is listed. Include the amount from this schedule on the appropriate Montana tax return.

Montana mineral royalty tax withheld. If the estate or trust received royalty payments subject to withholding and distributed the mineral royalty tax withheld to the beneficiary, the amount distributed to the beneficiary is listed. Transfer this amount to your Montana tax return.



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Helena, MT 59604-8021

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Fax..... (406) 444-6642