



Underpayment of 2005 Estimated Tax By Corporation

Instructions attached

For calendar year 2005 or tax year beginning (MM-DD) ___ - ___ - **05** and ending (MM-DD-YY) ___ - ___ - ___

Corporation name _____ FEIN _____

Part I Figuring your underpayment

1. Enter your Montana tax liability from Form CLT-4, page 3, line 10.	1.	
2. Enter your total credits from Form CLT-4, page 3, line 12.	2.	
3. Subtract line 2 from line 1. If the result is less than \$5,000, you do not need to complete the rest of this form because you do not owe the interest. Otherwise go to line 4.	3.	
4. a. Multiply line 3 by 80% and enter the result.	4a.	
b. Enter 100% of the Montana tax liability shown on your previous year's CLT-4 (see instructions).	4b.	
c. Enter the lesser of line 4a or 4b (see instructions).	4c.	

	A	B	C	D
5. Enter in columns A through D the quarterly installment due dates (the 15th day of the fourth, sixth, ninth, and twelfth months of your tax year).				
6. Multiply the amount in 4c by 25% and enter this amount in each column of line 6 unless you use the annualized income installment method and/or the adjusted seasonal installment method. If so, complete the worksheet in the instructions and enter the amount from line 41 of the worksheet in each column of line 6. Also check this box <input type="checkbox"/> and attach a copy of the worksheet to this form. These are your required installments.				

Complete lines 7 through 14 for one column before completing the next column.

7. Enter the amount paid or credited for each period (see instructions).	7.			
8. Enter the amount, if any, from line 14 of the previous column.	8.			
9. Add lines 7 and 8 and enter result.	9.			
10. Add the amounts on lines 12 and 13 of the previous column and enter result.	10.			
11. Subtract line 10 from line 9 and enter result. If less than zero, enter zero.	11.			
12. If the amount on line 11 is zero, subtract line 9 from line 10 and enter result. Otherwise, enter zero.	12.			
13. If line 11 is less than or equal to line 6, subtract line 11 from line 6 and enter result. Then go to line 7 of the next column. Otherwise, go to line 14. This is your underpayment.	13.			
14. If line 6 is less than line 11, subtract line 6 from line 11 and enter result. Then go to line 7 of the next column. This is your overpayment.	14.			

Part II Figuring your underpayment interest

15. Enter the date of payment or the 15th day of the fifth month after the close of the tax year, whichever is earlier.	15.			
16. Enter the number of days from the installment due date on line 5 to the date shown on line 15.	16.			
17. Multiply line 13 by line 16. Multiply the result by 12% and then divide the result by 365.	17.			
18. Add the amounts from all columns on line 17. Enter the result here and on Form CLT-4, page 3, line 15. This is your total underpayment interest.	18.			

Annualized Income and Adjusted Seasonal Installment Method Worksheet (15-31-510, MCA)
Please attach a completed copy of federal Form 2220

	A	B	C	D
Part I Calculate Annualized Income Installments	Period			
	First 3 months	First 3 months	First 6 months	First 9 months
1. Enter your taxable income for each period (see instructions). 1.				
2. Annualization amounts. 2.	4	4	2	1.33333
3. Multiply line 1 by line 2 and enter result. 3.				
	Period			
	First 3 months	First 5 months	First 8 months	First 11 months
4. Enter your taxable income for each period (see instructions). 4.				
5. Annualization amounts. 5.	4	2.4	1.5	1.09091
6. Multiply line 4 by line 5 and enter result. 6.				
7. In columns A through D enter one of the following three options (see instructions): (1) the amounts in each column on line 3; (2) the amounts in each column on line 6; (3) the lesser of the amounts in each column, line 3 or 6. This is your annualized taxable income. 7.				
8. Multiply line 7 in each column by your current tax rate and enter the result. 8.				
9. For each period, enter the amount of any tax credits being claimed on Form CLT-4, page 3, line 12 (see instructions). 9.				
10. Subtract line 9 from line 8. If less than zero, enter zero. Otherwise enter the result. 10.				
11. Applicable percentage. 11.	20%	40%	60%	80%
12. Multiply line 10 by line 11 and enter the result. 12.				

Complete lines 13 through 41 for one column before completing the next column.

13. For each column enter the combined amounts of all previous columns on line 41 (i.e. - Add columns A and B from line 41 and enter result in column C on this line.) 13.				
14. Subtract line 13 from line 12. If less than zero, enter zero. Otherwise enter the result. If you are using the seasonal method, go to line 15, otherwise go to line 36. 14.				

Part II Calculate Adjusted Seasonal Installments. You can only use this method if the base period percentage for any 6 consecutive months of your tax year is at least 70%.
(See instructions for more information.)

	Period			
	First 3 months	First 5 months	First 8 months	First 11 months
15. Enter your taxable income for the following periods:				
a. Third preceding taxable year 15a.				
b. Second preceding taxable year 15b.				
c. First preceding taxable year 15c.				
16. Enter your taxable income for each period for your current taxable year 16.				
	Period			
	First 4 months	First 6 months	First 9 months	Entire year
17. Enter your taxable income for the following periods:				
a. Third preceding taxable year 17a.				
b. Second preceding taxable year 17b.				
c. First preceding taxable year 17c.				
18. Divide the amount in each column on line 15a by the amount in column D on line 17a and enter result. 18.				
19. Divide the amount in each column on line 15b by the amount in column D on line 17band enter result. 19.				

	A	B	C	D
	Period			
	First 4 months	First 6 months	First 9 months	Entire year
20. Divide the amount in each column on line 15c by the amount in column D on line 17c and enter result. 20.				
21. Add lines 18 through 20 and enter result. 21.				
22. Divide line 21 by 3 and enter result. This is your base period percentage for months before filing month. 22.				
23. Divide line 16 by line 22 and enter result. 23.				
24. Multiply line 23 by your tax rate. 24.				
25. Divide the amount on line 17a by the amount in column D on line 17a and enter result. 25.				
26. Divide the amount on line 17b by the amount in column D on line 17b and enter result. 26.				
27. Divide the amount on line 17c by the amount in column D on line 17c and enter the result. 27.				
28. Add lines 25 through 27 and enter result. 28.				
29. Divide line 28 by 3 and enter result. This is your base period percentage for months through and including your filing month. 29.				100%
30. In each column multiply the amount on line 24 by the amount on line 29. 30.				
31. For each period, enter the same type of credits as on Form CLT-4-UT, line 2 (see instructions). 31.				
32. Total tax after credits. Subtract line 31 from line 30 and enter result. If less than zero, enter zero... 32.				
33. Multiply line 32 by 80% and enter result. 33.				

Complete lines 22 through 27 for one column before completing the next column.

34. Add together all previous columns of line 41 and enter result (i.e. - add the amounts in columns A and B on line 41, and enter the result in column C). 34.				
35. Subtract line 34 from line 33. If less than zero, enter zero. 35.				

Part III Computation of required installments

	1st Installment	2nd Installment	3rd Installment	4th Installment
36. If you completed only one of the above parts, enter the amounts from line 14 or line 35. If you completed both parts, enter the lesser of the amounts in each column from line 14 or line 35. ... 36.				
37. Divide line 4c, Form CLT-4-UT, by four and enter the result in each column. 37.				
38. Enter the amount from line 40 in the preceding column of this worksheet. 38.				
39. Add lines 37 and 38 and enter the result. 39.				
40. If line 39 is more than line 36, subtract line 36 from line 39 and enter the result. Otherwise enter zero. 40.				
41. Enter the lesser of line 36 or line 39 here and on Form CLT-4-UT, line 6. These are your calculated installments. 41.				

Our mailing address is: Montana Department of Revenue
 PO Box 8021
 Helena, MT 59604-8021

Who has to pay underpayment interest?

If you did not pay enough estimated tax by any due date for paying the estimated tax, you may owe underpayment interest for this estimate period. This interest is calculated even if you are requesting a refund on your Montana tax return. The penalty is calculated separately for each installment due date. Therefore, you may owe underpayment interest for an earlier installment due date, even if you paid enough tax later to make up the underpayment.

If you do not want to calculate the underpayment interest, we will calculate it for you and send you a notice of the amount due.

You can only be subject to the underpayment interest if your tax liability is \$5,000 or more during the current year. You should have paid the lesser of:

1. 80% of your tax liability for the current year, or
2. 100% of your tax liability for the previous year.

However, if the previous year's return did not show a tax liability, if that return did not cover a full 12 months, or if you are filing your initial return this year, your installments must be based upon 80% of your tax liability for the current year.

How do I use this form?

Complete Part I of this form to determine if you have an underpayment for any of the four installment due dates. If you have an underpayment on line 13 in columns A, B, C, or D, go to Part II to calculate your underpayment interest. If you have to pay underpayment interest, please attach this form to your Montana Corporation License Tax Return (Form CLT-4).

Part I: Calculating your underpayment

Line 1 – Enter the tax from line 10 of your Form CLT-4.

Line 2 – Enter the tax credits from line 12 of your Form CLT-4.

Line 3 – Subtract line 2 from line 1. If the result is less than \$5,000, stop here. You do not need to complete this form. If the result is \$5,000 or greater, enter the result here.

Line 4a – Multiply line 3 by 80%. Enter the result on this line.

Line 4b – From your previous year's Form CLT-4, subtract the tax credits reported on line 12 from your Montana tax liability on line 10. Enter the result on this line. However, if your previous year's return covered a period less than 12 months, if last year's return did not show a tax liability, or if you are filing your initial return this year, do not use this line. Instead, enter the amount from line 4a on line 4c and go to line 5.

Line 4c – Enter the lesser of line 4a or 4b.

Line 5 – Enter the quarterly installment due dates in columns A through D. The installment due dates are the 15th day of the 4th, 6th, 9th, and 12th months of your tax year. For example, if your tax year ends on December 31st, your installment due dates are April 15th, June 15th, September 15th, and December 15th of your tax year.

Line 6 – Multiply the amount on line 4c by 25% and enter this amount in each column, A through D. This is the amount of each of your quarterly estimated installments. However, if you use the annualized income installment method and/or the adjusted seasonal installment method,

check the box on this line, complete the worksheet on page 3 of these instructions to determine the amounts of your installments, and enter the amounts from line 41 of the worksheet on line 6 of this form.

If your income varied during the year because, for example, it operated its business on a seasonal basis, you may want to use the annualized income installment method and/or seasonal installment methods. Using these methods may reduce the amount of your required installments. See the instructions on this page for more information about this calculation.

Line 7 – Complete lines 7 through 14 in each column before completing the next column. Enter the amount of estimated tax payments made before the due date on line 5 for this column, but after the due date on line 5 in the previous column. Generally, you should apply a tax overpayment from the previous year to the installment in column A, unless the payment on the previous year's return was made after the due date for that installment. In that case, apply the overpayment to the installment that includes the date that the payment was made.

Line 13 – If line 13 shows an underpayment in any column, complete Part II to calculate the underpayment interest that you owe for this tax year.

Part II: Figuring your underpayment interest

Line 15 – Enter the date of the payment that covers the installment in each column. A payment of estimated tax is applied against underpayment of required installments in the order that those installments are required to be paid. For example, you could have an underpayment of \$1,000 after the first installment due date (April 15th) has passed and the second installment requires a payment of \$2,000. A payment of \$2,000 is paid on June 10, with \$1,000 of this payment being applied to the first installment. The interest on the first installment will be calculated from April 15th through June 10th (56 days). The second installment will now be underpaid by \$1,000.

Line 16 – Calculate the number of days that the underpayment is late. This is the number of days from the installment due date until a payment for the installment is paid.

Line 17 – Calculate the amount of underpayment interest for each period. The interest rate on the underpayment is 12% per year, calculated daily. Multiply the underpayment on line 13 by the number of days late on line 16. Multiply this result by 12%. Divide this result by 365.

Line 18 – Calculate your total underpayment interest. Add all amounts on line 17, columns A through D, and enter the result here.

Instructions for Annualized/Seasonal Worksheet

If you can establish that you did not earn income evenly throughout the year, you can use this worksheet to determine your quarterly installments of estimated tax. Use the worksheet to calculate each of your estimated payments under the annualized and/or seasonal methods. Calculating your installments using the annualized or seasonal method may lower the amount of one or more required installments. If so, your underpayment interest could be reduced or eliminated for one or more installment periods. If you use

either method to determine the required installment for any quarter, you must use it for all quarters. If you use the worksheets to determine your estimated installments you have to attach the federal Form 2220, Underpayment of Estimated Tax by Corporation, to your Montana return along with Form CLT-4-UT and this worksheet.

If you are using only the annualized income installment method, you should complete Parts I and III of the worksheet.

If you are using only the seasonal installment method, complete Parts II and III of the worksheet.

If you are using both the annualized income and seasonal methods, complete the entire worksheet. To arrive at the amount of each required installment select the smallest of the annualized income installment; adjusted seasonal installment (if applicable); or regular installment.

Part I: Calculate Annualized Income Installments

The annualized income installment method for calculating estimated tax payments may benefit you if your income was not received evenly throughout the year. For example, a company may liquidate a large portion of its inventory during the last quarter of the year, making the earlier installments smaller than they would have been if the regular method was used.

Lines 1 – Enter the amount of Montana taxable income from line 7 of Form CLT-4 in each column based on the amount earned for each period that is indicated at the top of the column.

Lines 4 – Enter the amount of Montana taxable income from line 7 of Form CLT-4 in each column based on the amount earned for each period that is indicated at the top of the column.

Line 7 – You have three annualization period options to use to calculate your installment amounts on this line:

1. Use the amounts on line 3 in all columns
2. Use the amounts on line 6 in all columns
3. Use the lesser of the amounts on line 3 or line 6 for each column

Line 8 – Multiply the amounts on line 7 in each column by the tax rate used to calculate your Montana income tax return. The tax rate in Montana is 6.75% unless you are filing under the water's edge method, in which case the tax rate is 7%.

Line 9 – Enter the tax credits from line 12 on your Montana tax return here. Enter the amount in each column that you are entitled to use because of events that occurred during the months shown in the column headings. So, if you used the amount from line 3 on line 7, you will base your credit allocation on the periods listed above line 1. If you used the amount from line 6 on line 7, you will use the periods listed above line 4 to allocate the credit.

Line 13 – Add the amounts from line 41 in all previous columns and enter the result here. For example, for Column D, you add together the amounts from line 41 in columns A through C and enter the result.

Part II: Calculate Adjusted Seasonal Installments

The adjusted seasonal installment method for calculating estimated tax payments can be used if your business is seasonal. For example, a ski shop that receives most of its

income each year during the winter months might benefit from using this method. In order to use this method, your base percentage for any six consecutive months has to be at least 70%. The base period percentage for any period of months is the average percentage that the taxable income for the corresponding months in each of the three preceding tax years bears to the taxable income of the three preceding years.

You can complete this part if your base period percentage for any six consecutive months of your tax year is 70% or more. To calculate the base period percentage you need to compare your taxable income for six-month corresponding periods for the last three taxable years to the total taxable income for the last three taxable years.

Lines 15 through 30 – Prepare the calculations as directed on each line.

Line 31 – Enter the tax credits from line 12 on your Montana tax return here. Enter the amount in each column that you are entitled to use because of events that occurred during the months shown in the column headings.

Line 34 – Add the amounts from line 41 in all previous columns and enter the result here. For example, for Column D, you add together the amounts from line 41 in columns A through C and enter the result here.

Line 36 – If you only completed Part I, enter the amounts from each column on line 14 of the worksheet in each column here. If you only completed Part II, enter the amounts from each column on line 35 in each column here. If you completed both Parts I and II, enter the lesser of the amounts in each column on line 14 or 35.

Line 41 – In each column enter the lesser of the same column on line 36 or line 39. These are your calculated installments of estimated tax based on the annualized income and/or seasonal methods. Enter the amount from each column here to line 6 on the Form CLT-4-UT.