

Revisions to 2009 Montana Income Tax Return for Estates and Trusts

We have made revisions to the currently published 2009 Form FID-3 and Schedule K-1.

For the tax year 2009, we added lines to the additions and subtractions sections to address most of the differences between the federal and Montana income and expense items. Although these changes were initially made so that the Form FID-3 was more user-friendly, we are now aware that certain adjustments should not have been made.

We also added a schedule to reconcile the federal distribution deduction and the Montana distribution deduction. However, the calculations were not allowing a calculation for the Montana distributable net income.

The fiduciary return, while using the same tax concepts as individual returns for taxable and tax-exempt income and similar deductions to the individual itemized deductions, has one basic difference. The fiduciary tax return calculates a distributable net income which determines what income will be taxed to the fiduciary on the actual fiduciary return and how much of the taxable income will be taxed on the beneficiary's individual income tax return.

As a result, the department revised the Form FID-3, Schedule K-1, and instructions to address these circumstances.

A revised version of the 2009 Fiduciary Booklet, the FID-3-Income Tax Return for Estates and Trusts, the self-calculating form, and the revised Schedule K-1 are [available](#).

We are also working with the software vendors to update the form in their programs.

If you have questions regarding this issue or need income tax assistance, please call us toll free at (866) 859-2254 (in Helena, 444-6900).

Revisions:

Page 1 of the FID-3:

The following line descriptions were revised:

- Line 16 - Montana deductions and subtractions from Schedule A, column A, line 10
- Line 19 - Montana additions from Schedule B, column A, line 11
- Line 21 - Allowable miscellaneous itemized deductions subject to the 2% floor from federal Form 1041, line 15b

Schedule A – Schedule of Deductions/Subtractions:

The following line description was revised:

- Line 10 - Total deductions/subtractions (add lines 1 through 9). Enter the total of column A on FID-3, page 1, line 16.

In addition, the following were revised:

- Line 8 - The description was removed and all three columns are "grayed out" as there is no additional deduction for Montana purposes.
- Column B - The "grayed out" areas in column B, Beneficiaries was removed for all lines except line 8. The total amount of deductions/subtractions is used for the calculation of the Montana Distributable Net Income (DNI). Tax preparers normally prepare separate schedules/worksheets for these calculations. From the separate schedules/worksheets, the applicable amount is entered on each line.

Schedule B – Schedule of Additions:

The following line description was revised:

- Line 11 - Total additions (add lines 1 through 10). Enter the total of column A, on FID-3, page 1, line 19
In addition, the following were revised:
- Column B - The "grayed out" areas in column B, Beneficiaries was removed for all lines. The total amount of additions is used for the calculation of the Montana Distributable Net Income (DNI). Tax preparers normally prepare separate schedules/worksheets for these calculations. From the separate schedules/worksheets, the applicable amount is entered on each line.

Schedule C – Montana Allowable Miscellaneous Itemized Deductions Subject To 2% Floor:

This schedule has been deleted as there is no adjustment to the allowable deductions for Montana purposes.

Schedule D – Montana Income Distribution Deduction:

Lines A - D were added as a means to reconcile the federal income distribution deduction and the Montana income distribution deduction. The income distribution deduction is a percentage of taxable income calculated by dividing the actual distributions by the distributable net income (DNI).

The intent is to reconcile the Montana income distribution deduction and the amount from the federal Form 1041, line 18, plus additions or subtractions between federal and Montana income.

Tax preparers normally use worksheets or supplemental schedules to compute the Montana DNI or the amount on page 1, line 22, Montana adjusted total income or (loss). After computing the Montana DNI, the adjusted amounts of Schedule A and Schedule B applicable to the beneficiaries are entered on each schedule. The totals from Schedules A and B, columns A and B, are entered on the applicable lines of Schedule D. The resulting calculation provides the percentage difference between the federal and Montana income distribution deduction.

The following line description was revised:

- Line 1 Adjusted federal income distribution deduction. Multiply line C by line D and enter the result here.

Montana Schedule K-1 (FID-3):

Part 4 – Nonresident individual, estate or trust beneficiary only—Montana source income (loss)

The wording on lines 1 through 9 (lines 10 and 11 were deleted) was revised:

1. Montana taxable interest income
2. Montana ordinary dividends
3. Business income or (loss)
4. Capital gain or (loss)
5. Rents, royalties, partnerships, S corporations, other estates and trusts, etc.
6. Farm income (loss)
7. Ordinary gain or (loss)
8. Other income (loss). List type_____ and amount
9. Montana source additions to income reported on Form FID-3, Schedule B.

Please attach list with types and amounts.