



MONTANA 2005

Small Business Corporation Booklet

Dear Montana Business Taxpayer:

Your Montana Department of Revenue is committed to providing the best possible tax services to the citizens and businesses of our great state. We promise to do the best we can

- to provide you with the most accurate and timely assistance to help your business file its tax returns, and
- to ensure that all citizens and businesses pay their fair share of Montana taxes—no more and no less.

By paying taxes, your business supports public services that help make Montana a great place to live, work and conduct commerce. Quality education at all levels, modern infrastructure, community health and safety, public order and a system of commercial law that guarantees trust in the marketplace are just some of the goals that business tax dollars help achieve.

We recognize that businesses like yours help make Montana a great state not simply through the taxes they generate, but through their support for a wide range of community projects and services. Businesses of all sizes and types contribute greatly to the life of our state.

Finally, we continue to work for you. Please let us know how we are doing—so that we can do an even better job for you. You may contact the Department of Revenue by e-mail with any questions, requests, comments or suggestions at jpurcell@mt.gov. In addition you may download our forms and instructions at www.mt.gov/revenue or call our Customer Service Center at (406) 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

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

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No Return

For forms and instructions, call us at (406) 444-6900 or you can download them from our website at www.mt.gov/revenue.

Table of Contents		Page
General:		
Instructions		1-8
Forms included in this booklet:		
CLT-4S	Montana S. Corporation Information and Composite Tax Return	9-11
Schedule I	Multi-State S. Corporation Apportionment Factors	12
Schedule II	Montana S. Corporation Tax Credits	13
Schedule III	Montana S. Corporation Information	14
Schedule IV	Montana S. Corporation Composite Income Tax Schedule	15
Schedule V	Pass-Through Entity Backup Withholding Schedule	16
PT-WH	2005 Backup Withholding Statement	17

Additional forms that are not included in this booklet and that may be required to be filed with your Montana Form CLT-4S include:

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

Fiscal Year Filers - Please Note:

These are your Montana Small Business Corporation Information and Composite Return forms for tax year beginning in 2005. Retain this booklet for your 2005 filing purposes.

Important Numbers	
Assistance and Help Line	(406) 444-6900
Forms Request	(406) 444-6900
Fax	(406) 444-6642

General Information

Who Has To File Form CLT-4S?

An S. corporation that is engaged in business in Montana and has Montana source income has to file an annual Montana S. Corporation Information Return (Form CLT-4S). When you file Form CLT-4S, please attach a copy of your federal Form 1120S, including all federal Schedule K-1(s).

Period Covered by the Return

The 2005 Form CLT-4S has to be filed for the calendar year 2005 or fiscal year beginning in 2005. If you are reporting for a fiscal year or filing a short-period return, enter the beginning and ending dates of the taxable year in the spaces provided at the top of this form.

The taxable year for Montana has to be the same year that you used for federal income tax purposes. If your S. corporation changes its federal taxable year, you will need to change the Montana taxable year accordingly. With the first return that you send us reflecting that change you will need to send us a copy of the approval from the Internal Revenue Service that reflects that you have changed your accounting period.

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.

What Has to be Filed?

If your S. corporation is made up of only Montana resident shareholders, we don't require you to complete Schedules IV and V, or Forms PT-AGR and PT-STM.

Additional filing requirements are listed below for those S. corporations that have a shareholder who is a nonresident individual or a pass-through entity at any time during the tax year. A nonresident individual is a person who is not a resident of Montana. A pass-through entity is a partnership, S. corporation, or disregarded entity. These requirements are:

- Form PT-AGR (Montana Pass-Through Entity Owner Tax Agreement) executed by the nonresident individual that agrees to timely file, pay and be subject to personal jurisdiction of the State of Montana. The S. corporation is not required to attach a new Form PT-AGR each year but it has to attach currently effective agreements for each new nonresident individual shareholder. It also needs to retain these agreements along with its tax records.
- Schedule IV (Montana Composite Income Tax Schedule) for eligible shareholders who elect to participate in a composite filing.
- Schedule V (Pass-through Entity Backup Withholding Schedule) for a shareholder who is not participating in the S. corporation's composite return or who has not provided the S. corporation with a signed Form PT-AGR.

An S. corporation that has a shareholder who is a pass-through entity (partnership, S. corporation, or disregarded entity) that itself has a nonresident individual, foreign C. corporation or another pass-through entity as a shareholder at any time during the tax year has to include with its filing:

- Form PT-STM (Montana Second-Tier Pass-Through Entity Owner Statement) executed by the second-tier pass-through entity that identifies the owners of the second-tier pass-through entity and establishes that its Montana source income will be fully accounted for in Montana individual or corporation tax returns that are filed by the owners of the second tier pass-through entity. We require the form PT-STM to be filed each year that the S. corporation has a shareholder that is a pass-through entity that has a nonresident individual or foreign C. corporation as shareholder.

When and Where to File

The Montana filing period is the same as your federal filing period. For a calendar year S. corporation, Form CLT-4S is due on or before March 15 following the close of the taxable year. For a fiscal year S. corporation, Form CLT-4S is due on or before the 15th day of the 3rd month following the close of the tax year.

NEW An S. corporation is allowed an automatic six-month extension of time to file. This extends the time for filing Form CLT-4S and its supporting schedules and, where applicable, Forms PT-AGR and PT-STM. Please note that an extension of time to file Montana Form CLT-4S is not an extension of time for payment of any composite tax.

Please mail your S. Corporation Information and Composite Tax Return to:
Montana Department of Revenue
P.O. Box 8021
Helena, MT 59604-8021

Who Has To Sign the Return?

Form CLT-4S has to be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer or any other officer duly authorized to sign the return.

NEW Form CLT-4S is not considered to be complete unless it is signed and we will return it to you to be completed if your return is not signed. If your S. corporation has an outside accounting firm or individual prepare Form CLT-4S, the name, address and telephone number of the tax preparer has to be included on your return.

Tax Preparer Contact

To streamline questions related to the S. corporation's information return and its supporting schedules, the S. corporation can authorize the Department of Revenue to contact the tax preparer. Just place an "X" in the box authorizing us to discuss your return with the tax preparer.

Amended Return

Use Form CLT-4S to amend an original return. Indicate at the top of the form that this represents an amended filing and check the box indicating the reason(s) for amending your return. Attach the applicable forms and statements that will

explain all of your adjustments in detail. Complete the entire Form CLT-4S and its applicable schedules using the corrected amounts. If your amended return results in a change to income or a change in the distribution of any income or other information provided to any shareholder, you will also need to file an amended federal Schedule K-1 along with your amended Form CLT-4S. You will need to give a copy of the amended return to each shareholder.

If the Internal Revenue Service changes or makes corrections to your federal Form 1120S or if your S. corporation amends its federal return, you will need to amend your Form CLT-4S and file it within 90 days of receiving the Internal Revenue Service's notification of the corrections made to your federal Form 1120S.

Instructions for Montana Form CLT-4S

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

Bonus Depreciation: The Montana tax provisions incorporate Section 167, IRC, the depreciation allowance section, which is in effect with respect to the allowance of the 50% bonus depreciation for certain property. Therefore, the bonus depreciation allowed on an S. corporation's federal tax return is an allowable deduction in determining the ordinary income (loss) for Montana.

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

Lines 12 and 13 – Enter the amount of deductions that you reported on your federal Form 1120S, Schedule K, lines 11 and 12, Shareholders' Pro Rata Share Items.

Line 15 – Shareholders' Share of Montana Additions to Income. To compute Montana income taxable to shareholders, certain items have to be added to income. You will need to attach a detailed schedule to your return. Examples are:

- a. State, county, and municipal interest and dividends not taxable under the Internal Revenue Code. Interest and dividends from Montana bonds are not taxable. You should report this amount on line 15a.
- b. State, local, and foreign income taxes have to be added back to income. These taxes based on income or profits should be reported on line 15b. 15-31-114(1)(e), MCA.
- c. Report all other additions on line 15c and attach a detailed schedule reconciling the amount of other additions. **NEW** Expenditures used to compute the film production credit have to be included in the income of the year that the expenditure was incurred.

Line 16 – Shareholders' Share of Montana Exclusions and Deductions to Income. To compute Montana income taxable to shareholders, certain items are excluded or deducted from income. A detailed schedule has to be attached to the return. Examples are:

- a. Interest on United States government obligations and

mutual fund dividends attributable to that interest are exempt from Montana income tax. In addition, interest on obligations from U.S. territory or government agency obligations that are specifically exempt by federal law and any mutual fund dividends attributable to this interest are exempt from Montana income tax.

Obligations that are guaranteed by the United States government are not tax exempt. If you have received 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 (FHLMAC) securities, you cannot subtract this interest or mutual fund dividends since they are not exempt under federal law.

United States obligations that are exempt include:

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

Please refer to your federal Form 1099-DIV to determine what percentage of your dividends qualifies for this exemption.

- b. An additional 10% deduction for the purchase of recycled material as computed on Form RCYL, part IV. A copy of Form RCYL has to be attached to your return. Report this amount on line 16b. 15-32-610, MCA.
- c. Report other deductions on line 16c and attach a detailed schedule reconciling the amount of other deductions including the following:
 - The amount of contributions made by a small business to its independent liability fund. 15-31-117, MCA.
 - A portion of an investment made in a building for the purpose of conserving energy. To qualify, the building has to be used in the entity's business and the result of the investment has to be a substantial reduction in the amount of energy needed to render the building usable.
 - Current year capital losses have to be deducted in the year incurred. Attach a copy of federal Schedule D to Form CLT-4S. 15-31-114(1)(b)(i), MCA.
 - Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation. 15-32-510, MCA.

Line 18 – Income Apportioned to Montana. For a multi-state S. corporation, multiply the amount that is reported on line 17 by the apportionment percentage that you reported on line 5 of your Schedule I, multi-state S. corporation apportionment factor. Enter the Montana apportioned income on line 18.

Line 19 – Income Allocated Directly to Montana. For a multi-state S. corporation, any income that is determined to be Montana allocable income should be reported on line 19.

Line 20 – S. Corporation Information Return Late Filing Penalty. An S. corporation is charged a late filing penalty if

Form CLT-4S is filed after the due date, including the automatic six-month extension, unless the entity can show reasonable cause for not filing on time. The penalty is \$10 multiplied by the number of shareholders at the close of the tax year for each month or fraction of a month that the entity does not file the information return. This penalty is calculated for up to five months. A late filing penalty is not imposed on an entity that has ten or fewer shareholders if the shareholders have filed the required tax returns or other required reports timely and have paid all taxes when due.

Line 21 – Total Montana Composite Income Tax. Enter the total amount of composite tax reported on Schedule IV, column J.

Line 22 – Payments.

- a. 2004 overpayment applied to 2005 - Enter any overpayments from 2004 that were credited to 2005.
- b. 2005 extension payment - Enter any Montana extension payment that you made for 2005.
- c. 2005 estimated tax payments - Enter the total Montana estimated tax payments that you made for 2005.
- d. Other payments - Include any of your payments that you did not report above.
- e. Refunds previously issued (for amended returns only). If you received a refund when you filed your original return or a previously amended return, include the amount of the refund on line 22e.

Line 24 – Underpayment Interest. If your S. corporation was required to make estimated composite tax payments and it did not remit the required amounts, you will have to pay interest on any underpayments. Calculate the amount of your underpayment interest using Worksheet I below.

Worksheet I - Participant's Calculation of Underpayment Interest for Failure to Make Estimated Payments

In 2005 your S. corporation was required to have paid through estimated installments the smaller of 1) 90% of your current year's total composite tax liability, after payments, or 2) an amount equal to 100% of your previous year's total composite tax liability. Payments made with extensions are not considered estimated payments. If your S. corporation does not meet one of the above two requirements, the composite tax is subject to an underpayment interest.

Short Method

- 1. Enter your total 2005 composite tax reported on Form CLT-4S, line 21. _____
- 2. Enter 90% of line 1 above. _____
- 3. Enter the amount credited from previous year and reported on Form CLT-4S, line 22a. _____
- 4. Subtract line 3 from line 1. If the result is \$500 or less, you do not need to complete the rest of the form. You do not owe interest on your underpayment. _____
- 5. Enter your 2004 composite tax. _____
- 6. Enter the smaller of line 2 or line 5. _____

- 7. Enter the amount from line 3 plus any estimated payments made and reported on Form CLT-4S, line 22c. _____
- 8. Subtract line 7 from line 6. This is your total underpayment for the year. If zero or less, stop here. You do not owe interest on your underpayment. _____
- 9. Multiply line 8 by .07980 and enter the result. _____
- 10. If the amount on line 8 was paid on or after the due date of your CLT-4S, enter zero. If the amount on line 8 was paid before the due date of your CLT-4S, multiply the amount on line 8 times number of days paid before the due date of the information return x .0003288. _____
- 11. Subtract line 10 from line 9. This is your underpayment interest. Enter the result here and on Form CLT-4S, line 24. _____

Line 25 – Late Filing Penalty. If you are late in filing your S. Corporation Information and Composite Tax Return (Form CLT-4S), a late filing penalty of \$50 or the amount of composite tax owing (line 23), whichever is smaller, will be charged. There is no late filing penalty for the composite return if there was an overpayment of composite tax (line 23) and you are receiving a refund.

Line 26 – Late Payment Penalty. If you haven't paid your tax liability (line 23) by the due date of your S. corporation return, you will have to pay a late payment penalty. This penalty is 1.5% per month or fraction of a month on the composite tax that was not paid by the original due date of the return. This penalty cannot exceed 18% of your composite tax on line 23.

Line 27 – Interest. Interest will be charged on any composite tax (line 23) that you have not paid by the due date of your S. corporation return. Interest is 12% per year, accrued daily.

Line 28 – Net Composite Amount Due (Refund). Combine the amounts on lines 23 through 27.

Line 29 – Total Tax and Penalty Due (Refund). Add lines 20 and 28 and enter the total.

Line 30 – 2006 Estimated Tax Payments. All or part of the refund that you reported on line 29 can be refunded or all or part of your refund can be carried over as your 2006 estimated tax payment. On line 30 enter the amount of the refund reported on line 29 that you want to be applied to your 2006 estimated tax.

Line 31 – Net Composite Tax and Penalty Due (Refund). Add lines 29 and 30 and enter the total here. If you did not withhold tax payments from your shareholders, skip lines 32 through 34 and enter this amount on line 35.

Line 32 – Montana Individual Income Tax Withheld. If a shareholder is a nonresident individual who did not sign an agreement to file a Montana return and did not give the S. corporation permission to pay composite tax on the individual's Montana source income, the S. corporation has to

withhold tax at the rate of 6.9% on that individual's Montana source income.

If a shareholder is a pass-through entity (referred to as a second-tier pass-through entity) and did not sign a statement that the owners of the second-tier pass-through entity will file a Montana return or give the S. corporation permission to pay composite tax on the shareholder's Montana source income, the S. corporation has to withhold tax at the rate of 6.9% on the shareholder's Montana source income. Enter the amounts withheld for each shareholder and reported on Schedule V.

Line 33 – Payments Previously Made for Tax Withheld.

Include on this line any payments that you previously submitted for taxes withheld from the shareholders' Montana source income. If this is an amended return, you should include withholding payments that were made on the shareholders' behalf when you filed the original return.

Line 34 – Total S. Corporation Backup Withholding Due.

Subtract line 33 from line 32 and enter the result here.

Line 35 – Net Amount Due. Add lines 31 and 34. This is the total amount that you should remit with your return or the amount that you want to be refunded.

Form CLT-4S Page 3 Reporting of Special Transactions

Check the appropriate boxes indicating which forms were required to be filed with your federal income tax return. If any statements are answered "yes", you will have to attach a copy of the applicable form.

For purposes of statement 7 "related party" has the same meaning given the term in Section 267(b) or Section 707(b) of the Internal Revenue Code; 26 U.S.C. 267(b) or 26 U.S.C. 707(b).

Instructions for Montana Schedule I

Schedule I applies only to multi-state S. corporations. All multi-state S. corporations have to complete and attach the Schedule I to their Montana CLT-4S.

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

When an S. corporation is engaged in a unitary business within and without the State of Montana, the net income assignable to Montana has to be determined using the apportionment factor. An S. corporation is unitary when the operations of that business within the state depend on or contribute to the operations of that business outside the state. Schedule I has to be completed fully by every S. corporation that carries on a unitary business within and without the state.

If you have determined the income that you attribute to Montana on some basis other than the apportionment method, you will need to include a full and detailed description of your business operation along with an explanation of the method that you proposed. Even though you may use an

alternative method of determining your income taxable to shareholders, you will still need to complete and submit Schedule I.

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

Property Factor (Line 1, Schedule I) - 15-31-306, MCA . The property factor is a fraction. The numerator is the average value of the S. corporation's real and tangible personal property owned, leased or rented and used in Montana in the production of business income during the tax period. Enter the numerator values in column B of Schedule I. The denominator is the average value of all the S. corporation's real and tangible personal property owned, leased or rented and used in the production of business income during the tax period. Enter the denominator values in column A of Schedule I.

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

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

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

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

Payroll Factor (Line 2, Schedule I) - 15-31-308, MCA. The payroll factor is a fraction. The numerator is the total amount that you paid for compensation attributable to the production of business income during the tax period in Montana. Enter the numerator values in column B of Schedule I. The denominator is the total amount that you paid for compensation attributable to the production of business income during the tax period. Enter the denominator values in column A of Schedule I. 15-31-309, MCA.

Payroll is considered to be paid in Montana if:

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

Sales Factor (Line 3, Schedule I) - 15-31-310, MCA. Sales means all gross receipts of the S. corporation exclusive of non-business income and inter-company transactions. The sales factor is a fraction. The numerator is the S. corporation's total sales in Montana during the tax period. Enter the numerator values in column B of Schedule I. The denomina-

tor is the S. corporation's total sales everywhere during the tax period. Enter the denominator values in column A of Schedule I.

Sales of tangible personal property are in the state if:

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

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

- the income-producing activity is performed in this state; or
- the income-producing activity is performed both in and out side this state and a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

Sum of Factors (Line 4, Schedule I) - Add lines 1, 2 and 3 in column C. Enter the result on line 4 in column C.

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

Instructions for Montana Schedule II

Montana S. Corporation Tax Credits. A tax credit claimed by an S. corporation has to be attributable to its shareholders using the same proportion that was used to report the S. corporation's income or loss for Montana income tax purposes. Provide a detailed breakdown to each shareholder that shows how the credit is proportioned. Provide each shareholder with a copy of the credit form and/or schedule that was used to calculate this credit.

The tax credits listed below cannot be taken as a credit against your composite tax reported on this Form CLT-4S.

1. Montana Dependent Care Assistance Credit.

Employers can claim a credit for the amount that they paid or incurred during the tax year for dependent care assistance provided to employees.

This assistance can be in the form of:

- acquiring, constructing, reconstructing, renovating, or improving real property for primary use as a day care facility.
- providing dependent care assistance to employees that meet the requirements of IRS code 26 U.S.C. 129(d)(2) through (d)(6).
- providing information and referral services to assist employees within the state in obtaining dependent care.

See Form DCAC for detailed instructions. Complete Form DCAC and attach it to your return.

2. Montana College Contribution Credit. Shareholders in an S. corporation are allowed a credit for deductible contributions that they made during the tax year to the general endowment funds of the Montana University System

foundations or to the general endowment funds of a private Montana college or its foundation. This credit is 10% of the contribution with a maximum credit of \$500. It is non-refundable. The college must offer a baccalaureate degree level education program. Complete Form CC and attach it to your return.

3. Health Insurance for Uninsured Montanans Credit.

Employers are allowed a credit for a percentage of premium payments that they made in providing health insurance for their employees. See Form HI for detailed instructions. Complete Form HI and attach it to your return.

4. Montana Recycle Credit. A business is entitled to a credit for investments in depreciable equipment or machinery that it used to collect, process or manufacture a product from reclaimed material. See Form RCYL for detailed instructions. Complete Form RCYL and attach it to your return.

5. Alternative Energy Production Credit. A credit is allowed for a qualified investment of \$5,000 or more. The alternative energy system has to be located in Montana. See Form AEPC for detailed instructions. Complete Form AEPC and attach it to your return.

6. Contractor's Gross Receipt Tax Credit. A business is allowed a credit for a public contractor's gross receipts tax paid. If the business reports its income on a percentage-of-completion basis, this credit has to be prorated accordingly. Attach a schedule to your return showing the contractor's name, date and amount of contract, primary contractor, subcontractor and location of the job. **NEW** This credit can be carried forward by your shareholders for five succeeding tax years.

7. Alternative Fuel Credit. There is a credit for conversion of a motor vehicle to an alternative fuel. See Form AFRCR for detailed instructions. Complete Form AFRCR and attach it to your return.

8. Infrastructure Users Fee Credit. A business located in Montana can qualify for a credit for creating at least 15 jobs in the basic sector of the economy of a local community. This credit is calculated based on the infrastructure fees that are paid to the local government by that new business.

9. Qualified Endowment Credit. A business is entitled to a credit for 40% of the present value of a planned gift made during the tax year to a qualified Montana endowment or for 20% of a direct contribution to a qualified endowment. See Form QEC for detailed instructions. To learn more about the endowments state-wide visit the Governor's Task Force on Endowed Philanthropy website at www.endowmontana.org. Complete Form QEC and attach it to your return. **NEW** If a charitable gift is recovered in the current year by the S. corporation, the owners may have to recapture in the current year the amount of the credit that they claimed in the year that the credit was taken on their Montana return.

10. Historic Building Preservation Credit. A credit equal to 25% of the federal rehabilitation credit provided for in IRS Code 26 U.S.C. 47(a)(2) is allowed on qualifying historic buildings located in Montana. Attach federal Form 3468.

11. Increasing Research Activities Credit. A credit is available for increasing qualified research expenses and basic research payments for research conducted in Montana. This credit is determined in accordance with IRS Code 26 U.S.C. 41. However, the application percentage rate is 5% for Montana purposes. Complete Form RSCH and attach it to your return.

12. Mineral Exploration Incentive Credit. A credit can be claimed for certified expenditures of mining exploration activities 15-32-501, MCA. Certified expenditures represent costs that were incurred for activities in direct support of exploration activity conducted at a specific exploration site. This credit applies to activities associated with both new mines and mines that are being reopened. A completed Form MINE-CRED has to be attached to your return. To obtain this credit, you will first have to submit a request that details the work done and the expenses incurred. This has to be done within 60 days following the end of the calendar year and reported on a form provided by the Department of Revenue. The department has until September 30 to certify whether expenses qualify for the credit.

13. Developmental Disability Account Contribution Credit. There is a credit equal to 30% of any contribution made during the year to the Montana Developmental Disability Service Account established under 53-20-171, MCA. If this credit is claimed, the contribution cannot be deducted as a reduction to taxable income on your return.

14. Empowerment Zone Credit. An employer who has a business in an empowerment zone as described in 15-30-182, MCA is entitled to a credit for each new employee at this business. The Montana Department of Labor and Industry has to certify the business before that business can qualify for this credit.

NEW 15. Film Production Credit. (An application has to be made and a fee has to be paid by the time your return is filed) A credit can be claimed for the employment of residents of this state or qualified expenditures made in this state in connection with a state-certified film production in Montana. Expenditures used to calculate the credit cannot be taken as deductions that are used to calculate Montana taxable income. You can elect to have this credit refunded or you can carry the credit forward for three years.

NEW 16. Biodiesel Blending and Storage Credit. A qualified taxpayer can claim a credit for the cost of installing depreciable storage and blending equipment used to blend biodiesel made from Montana products with petroleum diesel. This credit cannot be carried over to other tax years. If the facility for which the credit is claimed ceases operations within five years of claiming the credit, the credit is subject to recapture.

NEW 17. Oilseed Crushing and Biodiesel Production Credit. Effective July 1, 2005, a taxpayer can claim a credit for the cost of investments in qualifying depreciable property: 1) used to crush oilseed crops for the purpose of making biodiesel fuel, or 2) used in constructing or equipping a facility in Montana to be used for biodiesel production. This credit cannot be carried over to other tax years. If the facility for

which the credit is claimed ceases operations within 5 years of receiving the credit, the credit is subject to recapture.

Instructions for Montana Schedule III

Montana S. Corporation Information

Include all shareholders on this form. If you need additional space, you can make copies of Schedule III, or you can create your own schedule as long as you use exactly the same format shown on the schedule. We cannot accept copies of federal Schedule K-1 in place of a completed Schedule III. If Schedule III is not completed, we will return Form CLT-4S for you to complete.

Shareholder Information. The shareholder information on Schedule III, columns A through D, has to be completed for all shareholders of the S. corporation. Complete columns E through H for any shareholder who is a nonresident individual or a second-tier pass-through entity.

Column A – Name and Address of Shareholder. Enter the name and complete address of each shareholder. Include the street name, city, state, and zip code.

Column B – Identification Number. If the shareholder is an individual, enter the social security number (SSN) of the individual as it appears on the federal Schedule K-1 in the top box in column B. If the shareholder is an S. corporation, disregarded entity, trust or estate, enter the federal employer identification number (FEIN) of the shareholder as it appears on the federal Schedule K-1 in the bottom box in column B.

Column C – Percentage of Ownership. Enter each shareholder's percentage of ownership in the S. corporation that is used to calculate the shareholder's share of Montana source income. The total of column C should be 100%.

Column D – Montana Source Income. Enter each shareholder's share of the S. corporation's Montana source income. Montana source income is the aggregate of the shareholder's share of income, gain, losses, or deductions or other expenses of the S. corporation, which are deductible only by the S. corporation and which are attributable to Montana.

Column E – Federal Income. Enter the shareholder's share of the S. corporation's total federal income from all sources. This includes the aggregate of the shareholder's federal share of income, gain, losses, deductions or other expenses of the S. corporation for federal tax purposes.

Column F – Composite Income Tax. Enter the amount of composite income tax for each shareholder that you calculated on Schedule IV, column J.

Column G – Shareholder Withholding. You will have to withhold tax for those nonresident shareholders who did not file a consent agreement or statement and did not elect to have the S. corporation pay composite tax. Fill in the amount of backup withholding that you reported to us on your Schedule V, column E.

Column H – Consent Agreement or Statement. The information supplied in this column is for nonresident

shareholders who will be filing a Montana return. A shareholder is considered a nonresident if the individual shareholder is not a Montana resident. We have to receive an up-to-date Form PT-AGR on file for that shareholder. For tax year 2005 and subsequent years, an S. corporation is not required to complete and attach a new agreement each year as long as we have an up-to-date Form PT-AGR for that owner. You only need to provide Form PT-STM for a second-tier pass-through entity that has a nonresident owner. If the shareholder is a second-tier pass-through entity, we have to receive a new Form PT-STM each year. In column H, enter the year that the form was provided to us or attach copies of up-to-date, signed agreements and statements and enter "2005" in column H.

Instructions for Montana Schedule IV

Montana S. Corporation Composite Income Tax Schedule

If you need additional space, you can make copies of Schedule IV, or you can create your own schedule as long as you use exactly the same format shown on the state's schedule.

An S. corporation can elect to file a composite return and pay a composite tax on behalf of a participating eligible shareholder. The tax credits from Schedule I cannot be applied to reduce your composite tax. The tax credits may be used only to offset income tax that was reported on the shareholder's Montana individual income tax return.

To be eligible to file a composite return, a shareholder has to:

- be a nonresident individual or
- be a pass-through entity, also referred to as a second-tier pass-through entity
- have only Montana source income from the S. corporation or from other S. corporations or S. corporations in which an election has been made to participate in the filing of a composite return.

An S. corporation can include a shareholder in filing a composite return only upon receipt of a power of attorney executed and signed by an eligible shareholder. The power of attorney authorizes the S. corporation to act on behalf of the participating shareholder. Do not submit the power of attorney with the return but retain it as authorization from the shareholder and for use in subsequent years.

Upon receipt of a signed power of attorney and filing of the composite return, the S. corporation is responsible for:

- remitting the composite tax to the department,
- paying any additional tax, penalty and interest associated with the composite return,
- representing the participants in any appeals, claims for refunds, hearing or court proceeding, and
- making quarterly estimated payments.

Column A – Name of Eligible Participating Shareholder.

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

Column B – Social Security Number or Federal Employer Identification Number. Enter the social security

number or federal employer identification number of the participating shareholder as this appears on your Form CLT-4S, Schedule III.

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

Column D – Standard Deduction. Each eligible participating shareholder is allowed one standard deduction equal to 20% of column C, but not less than \$1,580 or more than \$3,560. An individual shareholder who has filed a joint federal return with a spouse is entitled to only one standard deduction.

Column E – Exemption. Each participating shareholder is allowed one exemption of \$1,900. An individual shareholder who has filed a joint federal return with a spouse is entitled to only one exemption.

Column F – Taxable Income. Subtract column D from column C, then subtract column E from the result. Enter this amount in column F.

Tax Rates – For tax year 2005 you will find new individual income tax rates. The 10 tax brackets ranging from 2% to 11% that you have used in the past are now replaced with 7 tax brackets ranging from 1% to 6.9%.

2005 Tax Brackets and Table			
If your taxable income on Schedule IV, Column F is:			
At least	But less than	Then your tax is	Less:
0	\$2,300	1% of your taxable income	
\$2,300	\$4,100	2% of your taxable income	(\$23)
\$4,100	\$6,200	3% of your taxable income	(\$64)
\$6,200	\$8,400	4% of your taxable income	(\$126)
\$8,400	\$10,800	5% of your taxable income	(\$210)
\$10,800	\$13,900	6% of your taxable income	(\$318)
\$13,900		6.9% of your taxable income	(\$443)

For Example: Taxable income \$4,000 X .02(2%) = \$80.
\$80 minus \$23 = \$57 tax.

Column G – Tax from Tax Table. Use the tax table at the bottom of Schedule IV to calculate the tax on the amount in column F. Enter the result in column G. This amount cannot be less than \$0.

Column H – Montana Source Income. Enter the participating shareholder's share of the S. corporation's Montana source income. The share of Montana source income is the aggregate of the shareholder's share of income, gain, losses, deductions or other expenses of the S. corporation, which are deductible only by the S. corporation and which are attributable to Montana.

Column I – Ratio. Divide Montana source income in column H by the federal income from the S. corporation reported in column C. Carry to four decimal places. Do not enter more than 1.0000.

Column J – Montana Composite Income Tax Liability. Multiply the amount in column G, tax from tax table, by the

ratio in column I and enter the result. This is the participant's Montana composite tax liability and it has to be a positive number. A net operating loss is not created when you compute composite tax.

Instructions for Montana Schedule V

Pass-Through Entity Backup Withholding Schedule

You no longer need to submit Form PT-WH with Schedule V. Form PT-WH has to be completed and sent to the shareholder listed in column A of Schedule V. You should keep a copy for your records.

Column A – Name and Address of Shareholder. List the name and address of the shareholder as it appears on your Form CLT-4S, Schedule III.

Columns B and C – Social Security Number or Federal Employer Identification Number. Enter the social security number or federal employer identification number of the shareholder as this appears on your Form CLT-4S, Schedule III.

Column D – Total Montana Source Income. Enter the shareholder's share of the S. corporation's Montana source income that you reported on your Form PT-WH, line 1. The share of Montana source income is the aggregate of the shareholder's share of income, gain, losses, deductions or other expenses of the S. corporation, which are deductible only by the S. corporation and which are attributable to Montana.

Column E – Montana Individual Tax Withheld. Multiply the amount in column D by 6.9% and enter the result in column E.



2005 Montana S. Corporation Information and Composite Tax Return

S
MONTANA
CLT-4S
Rev. 9-05

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

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

Name	Check box if this is a change of address. <input type="checkbox"/>	FEIN: _____ Federal Business Code: _____
Address	Incorporated in State of: _____ Date: _____ Date Qualified in Montana: _____	
City	State	Zip + 4

Check here, if you do not need the Montana S. Corporation Information Return and Instructions sent to you next year.
 Check here, if you are filing Schedule V, Backup Withholding Payments with this return.

<input type="checkbox"/> Check if this an initial return	<input type="checkbox"/> Check here if this is an amended return	
<input type="checkbox"/> Check if this is a final return	If you check the box above, check all that apply below:	
Reason for final return	a. Federal Revenue Agent Report (a complete copy of this report is required)	a. <input type="checkbox"/>
a. Withdrawn a. <input type="checkbox"/>	b. Apportionment factor changes (attach a statement explaining adjustments)	b. <input type="checkbox"/>
b. Dissolved b. <input type="checkbox"/>	c. Amended federal return	c. <input type="checkbox"/>
c. Merged c. <input type="checkbox"/>	d. Amended composite return	d. <input type="checkbox"/>
d. Reorganized d. <input type="checkbox"/>	e. Other (attach a statement explaining all adjustments in detail)	e. <input type="checkbox"/>

Shareholders' Shares of Income (Loss) (Form 1120S, Schedule K)

Shareholders' Pro Rata Share Items

1. Enter ordinary business income (loss)	1.	
2. Enter net rental real estate income (loss) (attach federal Form 8825)	2.	
3. a. Enter other gross rental income (loss)	3a.	
b. Enter expenses from other rental activities (attach schedule)	3b.	
c. Subtract line 3b from line 3a. This is your other net rental income or loss.	3c.	
4. Enter interest income	4.	
5. Enter ordinary dividends	5.	
6. Enter royalties	6.	
7. Enter net short-term capital gain (loss) (attach federal Schedule D, Form 1120S)	7.	
8. Enter net long-term capital gain (loss) (attach federal Schedule D, Form 1120S)	8.	
9. Enter net section 1231 gain (loss) (attach federal Form 4797)	9.	
10. Enter other income (loss)	10.	
11. Add lines 1 through 10 and enter result. This is your total share of income or loss.	11.	

Shareholders' Shares of Deduction (Form 1120S, Schedule K)

12. Enter section 179 deduction (attach federal Form 4562)	12.	
13. a. Enter contributions	13a.	
b. Enter investment interest expense	13b.	
c. Enter section 59(e)(2) expenditures Type _____ Amount →	13c.	
d. Enter other deductions (attach schedule)	13d.	
14. Add lines 12 through 13d and enter result. This is your total share of deductions.	14.	

Shareholders' Distributive Shares of Montana Additions and Exclusions to Income

15. a. Enter interest and dividends not taxable under the Internal Revenue Code (non-Montana.)	15a.	
b. Enter taxes based on income or profits.	15b.	
c. Enter other additions (attach detailed breakdown.)	15c.	
Add lines 15a, 15b, and 15c and enter result. This is your total Montana additions to income.	15.	
16. a. Enter interest on U.S. Government obligations (attach schedule.)	16a.	
b. Enter deduction for purchasing recycled material (attach Form RCYL.)	16b.	
c. Enter other deductions (attach detailed breakdown.)	16c.	
Add lines 16a, 16b, and 16c and enter result. This is your total Montana deductions to income.	16.	
17. Subtract line 14 from line 11. Add the result to line 15, then subtract line 16 from that result.	17.	

Shareholders' Distributive Shares of Multi-state Apportionment and Allocation

18. Multi-state taxpayers: Enter line 17 X _____ % from Montana Schedule I, line 5.	18.	
19. Multi-state taxpayers should enter here their income or loss that they allocate directly to Montana.	19.	

Calculation of Net Amount Due

S. Corporation Information Return Late Filing Penalty Payment

20. Enter your S. corporation late filing penalty (see instructions) 20.

S. Corporation Composite Income Tax Calculation

21. Enter your Montana total composite tax (from Schedule IV, column J) 21.

Payments

22. a. Enter your 2004 overpayment applied to 2005 22a.
 b. Enter your 2005 extension payment 22b.
 c. Enter your 2005 estimated tax payments 22c.
 d. Enter other payments 22d.
 e. Enter previously issued refunds 22e. ()
 Add lines 22a through 22e and enter result. **This is the total of your payments.** 22.

Refund or Amount Owed

23. Subtract line 22 from line 21 and enter result. **This is your net Montana composite tax due (refund).** 23.
 24. Enter your underpayment interest (see instructions.) 24.
 25. Enter your late filing penalty 25.
 26. Enter your late payment penalty 26.
 27. Enter your interest from due date at 12% per year, accrued daily. 27.
 28. Add lines 23 through 27 and enter result. **This is your net Montana composite amount due (refund).** 28.

S. Corporation Combined Payment Due (Refund)

29. Add lines 20 and 28 and enter result. **This is your total tax and penalties due (refund).** 29.
 30. Enter the amount on line 29 to be applied to 2006 estimate. 30.
 31. Add lines 29 and 30 and enter result. **This is your total net composite tax and penalty due (refund).** . 31.

S. Corporation Backup Withholding Payment from Schedule V

32. Enter your Montana individual income tax withheld (from Schedule V, column E) 32.
 33. Enter your payments previously made for tax withheld 33. ()
 34. Subtract line 33 from line 32. **This is your total S. corporation backup withholding due.** 34.
 35. Add lines 31 and 34 and enter result. **This is your net amount due.** 35.

This return has to be signed by one of the following: president, vice president, treasurer, assistant treasurer, or chief accounting officer.

Declaration

I, the undersigned officer of the corporation for which this return is made, hereby declare that this return, including all accompanying schedules and statements, is to the best of my knowledge and belief a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana statutes and regulations.

Signature of officer	Date	
Print name	Title	Telephone number, ext.
Name of person or firm preparing return		Date
Preparer's identification number		Telephone number

Check here to authorize the Montana Department of Revenue to discuss your return with the individual/preparer listed above.

Entity Name _____ Tax period ending _____ FEIN _____

Reporting of Special Transactions

Transaction

<p>Complete this section only if you were required to complete for federal income tax purposes any of the federal forms described below. Check the appropriate box indicating which form(s) were required to be filed with your federal income tax return. If your answer is "yes" to any of these questions, you will need to attach a copy of the applicable federal form.</p>	<p>Check "yes" if you are required to file any of the following forms with the Internal Revenue Service.</p>
<p>1. I am required to file federal Form 8264 – Application for Registration of a Tax Shelter with the Internal Revenue Service.</p> <p>Form 8264 is required to be filed to register a tax shelter. Upon filing Form 8264, you receive a tax shelter registration number from the Internal Revenue Service. This tax shelter number is provided to investors in the tax shelter.</p>	<p>1. <input type="checkbox"/> YES</p>
<p>2. I am required to file federal Form 8271 – Investor Reporting of Tax Shelter Registration Number with the Internal Revenue Service.</p> <p>Form 8271 is used to report the tax shelter registration number that the Internal Revenue Service assigns to certain tax shelters required to be registered under 26 USC 6111 and to report the name and identifying number of the tax shelter.</p>	<p>2. <input type="checkbox"/> YES</p>
<p>3. I am required to file federal Form 8824 – Like-Kind Exchanges with the Internal Revenue Service.</p> <p>NOTE: Check "yes" if your like-kind exchange includes Montana property. Nonresidents do not have to report a like-kind exchange if the properties involved do not include Montana property.</p> <p>Form 8824 is used to report each exchange of business or investment property for property of a like kind.</p>	<p>3. <input type="checkbox"/> YES</p>
<p>4. I am required to file federal Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships with the Internal Revenue Service.</p> <p>Form 8865 is used to report the information required under 26 USC 6038 (reporting with respect to controlled foreign partnerships), section 6038B (reporting of transfers to foreign partnerships), or section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interest).</p>	<p>4. <input type="checkbox"/> YES</p>
<p>5. I am required to file federal Form 8886 – Reportable Transaction Disclosure Statement with the Internal Revenue Service.</p> <p>Form 8886 is used to disclose information for each reportable transaction in which you participated.</p>	<p>5. <input type="checkbox"/> YES</p>
<p>6. I am required to file federal Form 13657 – Notice of Election by Corporation to Participate in Announcement 2005-19 Settlement Initiative with the Internal Revenue Service.</p> <p>Form 13657 is an election to participate in the settlement initiative as described in Announcement 2005-19 and as contained in Internal Revenue Bulletin 2005-11 dated March 14, 2005.</p>	<p>6. <input type="checkbox"/> YES</p>

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

<p>7. During this tax year I have made payments to related parties (excluding salary compensation) that exceed \$100,000 per recipient.</p> <p>If your answer is "yes" to this question, please provide the name and federal identification number of each related party below and the amount that you paid to each related party:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 33%;">Name</td> <td style="width: 33%;">FEIN</td> <td style="width: 33%;">Amount of Payment</td> </tr> <tr> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </table>	Name	FEIN	Amount of Payment	_____	_____	_____	_____	_____	_____	_____	_____	_____	<p>7. <input type="checkbox"/> YES</p>
Name	FEIN	Amount of Payment											
_____	_____	_____											
_____	_____	_____											
_____	_____	_____											

blank

Schedule I

Entity Name _____ Tax period ending _____ FEIN _____

Apportionment Factors for Multi-state S. Corporations

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

A. Everywhere	B. Montana	C. Factor
---------------	------------	-----------

1. Property Factor: Use average value for real and tangible personal property

a. Land		
b. Buildings		
c. Machinery		
d. Equipment		
e. Furniture and fixtures		
f. Leased property		
g. Inventories		
h. Supplies and other		
i. Property of foreign subsidiaries included in combined unitary group		
j. Property of unconsolidated subsidiaries included in combined unitary group		
k. Property of pass-through entities included in combined unitary group		
l. Multiply amount of rents by 8 and enter result.		
Total Property Value add lines 1a through 1l		

Take the total in column B and divide it by the total in column A. Multiply the result by 100.

This is your property factor %

2. Payroll Factor:

a. Compensation of officers		
b. Salaries and wages		
Payroll included in:		
c. Costs of goods sold		
d. Repairs		
e. Other deductions		
f. Payroll of foreign subsidiaries included in combined unitary group		
g. Payroll of unconsolidated subsidiaries included in combined unitary group		
h. Payroll of pass-through entities included in combined unitary group		
Total Payroll Value add lines 2a through 2h		

Take the total in column B and divide it by the total in column A. Multiply the result by 100.

This is your payroll factor %

3. Sales (Gross Receipts) Factor:

a. Gross sales, less returns and allowances		
b. Sales delivered or shipped to Montana purchasers:		
Shipped from outside Montana		
Shipped from within Montana		
c. Sales shipped from Montana to:		
the United States Government		
Purchasers in a state where the taxpayer is not taxable		
d. Sales other than sales of tangible personal property (i.e. service income).		
e. Less: Intercompany Sales	()	()
f. Net gains reported on federal Schedule D and federal Form 4797		
g. Other gross receipts (rents, royalties, interest, etc.)		
h. Sales (receipts) of foreign subsidiaries included in combined unitary group		
i. Sales (receipts) of unconsolidated subsidiaries included in combined unitary group		
j. Sales (receipts) of pass-through entities included in combined unitary group		
k. Less: Other intercompany transactions	()	()
Total Sales Value add lines 3a through 3k		

Take the total in column B and divide it by the total in column A. Multiply the result by 100.

This is your sales factor. %

4. Add the percentages on lines 1, 2, and 3 in column C. This is the sum of your factors. %

5. Divide the total percentage on line 4, column C, by the number of factors that can be included in the calculation. If there is a value in column A for a factor category (Property, Payroll, or Sales) you should include this factor as part of the calculation (see instructions). Enter the results here and also insert on line 18, page 1 of Form CLT-4S. This is your apportionment factor. %

Schedule II

Entity Name _____ Tax period ending _____ FEIN _____

Montana S. Corporation Tax Credits

Type of Credit	Amount of Credit	
1. Enter Montana Dependent Care Assistance Credit attach Form DCAC		
2. Enter Montana College Contribution Credit attach Form CC		
3. Enter Health Insurance for Uninsured Montanans Credit attach Form HI		
4. Enter Montana Recycle Credit attach Form RCYL		
5. Enter Alternative Energy Production Credit attach Form AEPC		
6. Enter Contractor's Gross Receipts Tax Credit attach supporting schedule		
7. Enter Alternative Fuel Credit attach Form AFCR		
8. Enter Infrastructure Users Fee Credit		
9. Enter Qualified Endowment Credit attach Form QEC		
NEW 9a. Enter Qualified Endowment Credit Recapture	()
10. Enter Historical Buildings Preservation Credit attach federal Form 3468		
11. Enter Increase Research and Development Activities Credit ... attach Form RSCH		
12. Enter Mineral Exploration Incentive Credit attach Form MINE-CRED		
13. Enter Developmental Disability Account Contribution Credit		
14. Enter Empowerment Zone Credit		
NEW 15. Enter Film Production Credit attach Form FPC		
NEW 16. Enter Biodiesel Blending and Storage Credit attach Form BBSC		
NEW 17. Enter Oilseed Crushing and Biodiesel Production Credit attach Form OSC		
Add lines 1 through 17 and enter result. This is the amount of your total credits.		

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

In order to receive these credits, all shareholders will have to attach their applicable credit forms to their individual income or corporation license tax returns.

Schedule III
Entity name _____

Tax period ending _____

FEIN _____

Montana S. Corporation Information

Columns E through H have to be filled out for all nonresident individual and second-tier entity shareholders.

Enter the total number of shareholders that own this corporation. _____

All Shareholders			Nonresident or Pass-Through Entity Shareholders Additional Information				
A	B	C	D	E	F	G	H
Name and address of shareholder (Name Street Address City State Zip Code)	Social Security Number OR Federal Employer Identification Number	Ownership %	Montana source income	Federal income from entity (from federal Schedule K-1)	Composite income tax (from Schedule IV, column J)	Shareholder withholding (from Schedule V, column E)	Consent agreement or statement (enter year signed)
1.	SSN FEIN						
2.	SSN FEIN						
3.	SSN FEIN						
4.	SSN FEIN						
5.	SSN FEIN						
6.	SSN FEIN						
7.	SSN FEIN						
Column Totals							

Use additional sheets if necessary or you may create your own schedule if you use the exact same format used here.

Schedule V

Entity name _____ Tax period ending _____ FEIN _____

Pass-Through Entity Backup Withholding Schedule

Enter the appropriate information below.

Total number of shareholders subject to Schedule V _____

Nonresident individual and second-tier pass-through entity	Identification number		Income and backup withholding		
	A	B	C	D	E
Name and address	Social Security Number	Federal Employer Identification Number	Montana source income reported on Form PT-WH, line 1	Montana individual tax withheld	Multiply column D by 6.9% and enter result.
1.					
2.					
3.					
4.					
5.					
6.					
7.					

Add amounts in column E and enter the result here (transfer to Form CLT-4S, page 2, line 32).

This is your total backup withholding.

Use additional sheets if necessary or you can create your own schedule if you use the exact format used here.



Montana Department of
REVENUE

MONTANA
PT-WH
Rev. 9-05

2005 Montana Income Tax Withheld for a Nonresident Individual, Foreign C. Corporation, or Second-Tier Pass-Through Entity

Owner Information	Entity Information Enter the information below as it appears on your most recent return filed with the Internal Revenue Service.
Name	Name
Street or Other Mailing Address	Street or Other Mailing Address
City State Zip Code	City State Zip Code
Social Security Number or Federal Employer ID Number	Federal Employer ID Number
1. Owner's Montana source income reflected on the pass-through entity's information return. \$ _____	Check the box that describes the type of return that you filed. <input type="checkbox"/> S. Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Disregarded Entity Enter the beginning and ending dates of your taxable year. Tax year beginning (mm/dd)___/___/05, and ending (mm/dd/yy)___/___/___
2. Enter the amount of Montana tax withheld. If the owner is a nonresident individual or a second-tier pass-through entity, multiply line 1 by 6.9%. If the owner is a foreign C. corporation, multiply line 1 by 6.75%. \$ _____	

This form is to be completed when the owner does not participate in submitting a composite return and does not submit a signed Montana Form PT-AGR or PT-STM.

Owner or Partner Instructions

What does a nonresident individual need to do with this form?

We consider the amount of Montana income tax that is withheld as an estimated payment against your Montana individual income tax liability. When you complete your Montana Individual Income Tax Return, Form 2, you should claim the amount in box 2 above as an estimated payment on line 59 of your 2005 Montana Form 2. Form PT-WH has to be attached to your Montana Form 2 when you claim this estimated payment.

What does a foreign C. corporation need to do with this form?

We consider the amount of Montana income tax that is withheld as an estimated payment against your Montana corporation license tax liability. When you complete your Montana Corporation License Tax Return, Form CLT-4, you should claim the amount in box 2 above as an estimated payment on line 11(b) for your 2005 Montana Form CLT-4. You will have to attach your Form PT-WH to your Montana Form CLT-4 when you claim this estimated payment.

What does a second-tier pass-through entity need to do with this form?

We consider the amount of Montana income tax that is withheld as an estimated payment on the account of the individual, estate, trust or C. corporation in which the Montana source income of the first-tier pass-through entity's income is directly or indirectly passed through. The amount withheld can be claimed as an estimated tax payment on the Montana return filed by the owners of the second-tier pass-through entity. This amount has to be allocated to the owners based on the owners' share of income or loss from the second-tier pass-through entity.

Entity Instructions

What is the purpose of Form PT-WH?

A pass-through entity that has a nonresident individual, foreign C. corporation, or second-tier pass through entity owner at any time during the tax year has to remit amounts to the Department of Revenue on behalf of the owner as provided in 15-30-1113, Montana Code Annotated, if (1) the entity does not have a valid, currently effective tax agreement or statement from the owner and (2) the owner does not participate in filing a composite return with the entity.

How much should the pass-through entity withhold?

For a nonresident individual and a second-tier pass-through entity, the amount withheld is 6.9% of the Montana source income as reflected on your Montana information return. For a foreign C. corporation, the amount withheld is 6.75% of the Montana source income as reflected on your Montana information return.

Where does a pass-through entity report the amount that was withheld?

Transfer the amounts that you reported on lines 1 and 2 above to Form CLT-4S or PR-1, Schedule V. Send Form PT-WH to your owners. We do not require you to submit Form PT-WH to us with your information return.