



MONTANA 2009

Small Business Corporation Booklet

Dear Montana Business Taxpayer:

Your Montana Department of Revenue provides the best possible tax services to the citizens and businesses of our great state. We promise to do the best that 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.

We strongly encourage you to file electronically. You can e-file your Montana small business corporation tax return as part of the joint federal/state electronic filing program. Please visit our website at revenue.mt.gov for more details and a listing of approved software vendors. Tax professionals who are *Authorized E-file Providers* can submit your federal and state tax returns electronically. Please ask your tax professional to use this easy and convenient service.

We thank you for filing and paying Montana taxes. By paying taxes, your business supports public services that help make our state a great place to live, work and conduct commerce. Inside this booklet you'll find charts that show how your tax dollars contribute to Montana's quality of life through education at all levels, modern infrastructure, public order, community health and safety, and other important public services. We also recognize that businesses like yours help make Montana a great state through your support of many community projects and services, both public and private.

Please 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. For your convenience, we've addressed it with postage paid. 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

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

Table of Contents

Page

General:

Instructions

1-15

Forms included in this booklet:

| | | |
|--------------|--|----------------|
| CLT-4S | Montana S Corporation Information and Composite Tax Return | Form pages 1-2 |
| Schedule I | Multi-State S Corporation Apportionment Factors | Form page 3 |
| Schedule II | Montana S Corporation Tax Credits | Form page 4 |
| Schedule III | Montana S Corporation Information | Form page 5 |
| Schedule IV | Montana S Corporation Composite Income Tax Schedule | Form page 6 |
| Schedule VI | Reporting of Special Transactions | Form page 7 |
| Schedule K-1 | Partner's/Shareholder's Share of Income, Deductions, Credits, etc. | Follows forms |

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

| | |
|--------|---|
| PT-WH | 2009 Backup Withholding Statement |
| PT-AGR | Montana Pass-Through Entity Owner Tax Agreement |
| PT-STM | Montana Second Tier Pass-Through Entity Owner Statement |

You may download the forms and instructions from *revenue.mt.gov*. To request paper forms and instructions, please call us toll free at (866) 859-2254 (in Helena, 444-6900), e-mail us at *dorforms@mt.gov* or write us at Montana Department of Revenue, PO Box 5805, Helena, Montana 59604-5805.

Fiscal Year Filers - Please Note:

This booklet contains your Montana Small Business Corporation Information and Composite Return forms for the tax year beginning in 2009. Retain it for your 2009 filing purposes.

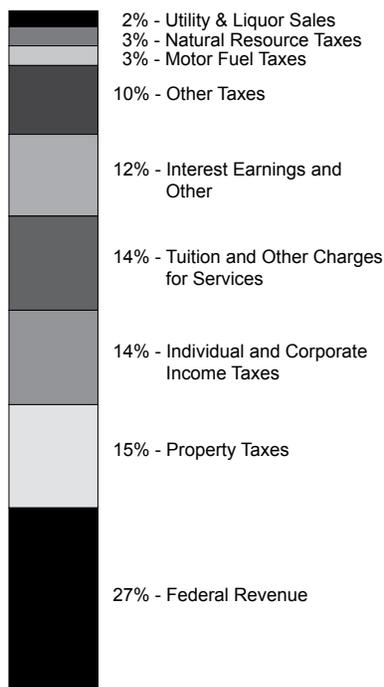
Your Tax Dollars at Work

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 2008. For the charts below, the left chart shows the sources of revenue for both state and local governments in Montana for 2007, the most recent year for which totals are compiled. The right chart shows state and local spending.

| Where Your Income Tax Dollar Goes | |
|-------------------------------------|-------------|
| Education | 47% |
| Health and Human Services | 19% |
| Public Safety and Corrections..... | 11% |
| Transfers to Local Governments..... | 5% |
| General Government Operations..... | 12% |
| Other | 6% |
| Total Spending | 100% |

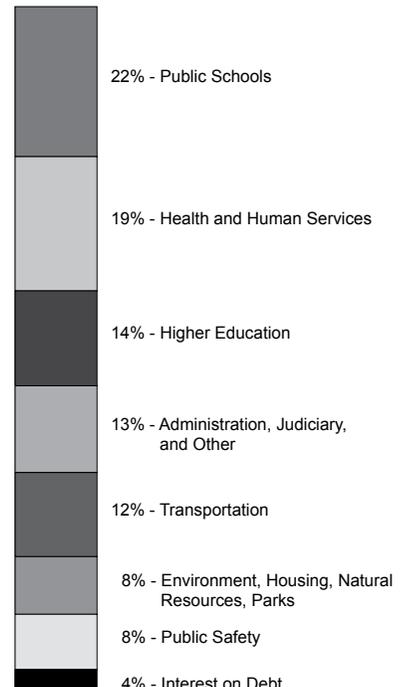
What are Montana's Public Revenues?

Total Montana State and Local Revenue, Fiscal Year Ending 2007



Where Do Your Public Dollars Go?

Total State and Local Spending in Montana, Fiscal Year Ending 2007



What's New for 2009

Form Changes

Schedule V Eliminated. We have shortened the return this year. We no longer require you to file Schedule V, Pass-through Entity Withholding Payment Schedule. Now you only need to report these amounts on Schedule III, column G.

Page 2 is Shortened. We have eliminated some lines on page 2. As a result, some of the lines have been rearranged to make the calculations easier.

Penalties and Interest. All penalties and interest are grouped together on line 26.

The penalty and interest on amounts withheld for shareholders can now be calculated on the return.

Second Tier Pass-Through Withholding. We have now included a separate line for you to show any tax withheld and reported to you as a result of your ownership in an S corporation, partnership or disregarded entity. The payments reported on this line are included on Form PT-WH (Montana Income Tax Withheld for a Nonresident Individual, Foreign C Corporation, or Second Tier Pass-through Entity), sent to you by the pass-through entity. For prior years, we asked you to report these payments with the estimated tax payments reported on your return. This year you will report this type of payment on page 2, line 24d of your return.

Tax Credit Recapture. The tax credit recapture amounts are listed separately on the Schedule II, Montana S Corporation Tax Credits.

Montana Schedule K-1. As a result of your input, we have developed a Montana Schedule K-1. You should use this schedule to report the Montana source income, tax credits, shareholder withholding, composite tax paid, and other items for each of your shareholders. Please see the Montana Schedule K-1 Instructions on page 14.

Other Changes

Gain Associated with Sale of Mobile Home Park. For tax years beginning on or after January 1, 2009, all or a portion of the gain recognized from the sale or exchange of a mobile home park to certain entities is excluded from income. Report this gain on line 16c. Please see Montana Form MHPE for more information.

Please Note As Well...

Electronic Filing. Did you know that you can electronically file your Montana Form CLT-4S? Montana participates in the joint federal/state electronic filing program. Please visit our website at revenue.mt.gov for more details and a listing of approved software vendors. Tax professionals who are Authorized E-file Providers can submit both your federal and state tax return at the same time.

Interest on Unpaid Income Tax Liabilities. The current interest rate of 8% for individual income tax and composite

income tax will continue to be in effect through December 31, 2010. Under Montana law, the interest rate for all unpaid income taxes depends on the rate set by the Internal Revenue Service and may fluctuate each year, but will not be less than 8%.

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 Tax Return (Form CLT-4S). When you file Form CLT-4S, please attach a complete copy of your federal Form 1120S, including all federal Schedule(s) K-1.

Tax Year or Accounting Method Covered by the Tax Return

The 2009 Form CLT-4S has to be filed for the calendar year 2009 or the fiscal year beginning in 2009. If the tax return is for a fiscal year or a short tax year (less than 12 months) enter the taxable year in the space at the top of Form CLT-4S, page 1.

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

Check the box "Final Return" on Form CLT-4S, page 1, if the S corporation ceased to exist during the 2009 tax year.

What Forms Have to be Filed?

Montana Resident Shareholders

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

- Form CLT-4S, pages 1 and 2;
- Schedule II, Montana S Corporation Tax Credits, if applicable;
- Schedule III, Section A, Montana S Corporation Information; and
- Schedule VI, Reporting of Special Transactions, if applicable.

You should also prepare a Montana Schedule K-1 for each shareholder, if applicable.

We cannot accept copies of federal Schedule K-1 in place of a completed Schedule III. If Schedule III is not completed, the processing of your return will be delayed until we receive this schedule.

Nonresident Shareholders

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 did not consider Montana as home at any time during the tax year even though they may have lived and worked in Montana temporarily during the tax year. A pass-through entity is a partnership, S corporation, or disregarded entity. These filing requirements are:

- Form PT-AGR (Montana Pass-Through Entity Owner Tax Agreement) is signed by the nonresident individual that agrees to timely file a Montana tax return, pay all taxes and be subject to the personal jurisdiction of Montana. The shareholder completes the agreement and returns it to the S corporation. The S corporation is not required to attach a new Form PT-AGR each year, but it has to attach currently effective agreements for each new nonresident shareholder. It also needs to retain these agreements along with its tax records.
- Form PT-STM (Montana Second Tier Pass-Through Entity Owner Statement) is signed by the second tier pass-through entity. This form 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 Form PT-STM to be filed each year that the S corporation has a shareholder that is a pass-through entity that has as an owner, a nonresident individual, pass-through entity or foreign C corporation.
- Schedule IV (Montana S Corporation Composite Income Tax Schedule) is completed for eligible shareholders who have elected to participate in a composite filing.
- Form PT-WH (Montana Income Tax Withheld for a Nonresident Individual, Foreign C Corporation or Second Tier Pass-Through Entity) is completed for each nonresident shareholder or second tier pass-through entity who is not participating in the S corporation's composite tax return or who has not provided the S corporation with a signed Form PT-AGR or Form PT-STM. The Form PT-WH is not filed with your S corporation return. This form is provided to your nonresident shareholder.

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.

An S corporation doing business only in Montana will source 100% of its income to Montana.

An S corporation is requested to ensure that its nonresident shareholders file a Montana income tax return to report their share of Montana source income earned by the S corporation. This is accomplished in one of four ways:

1. File a composite return (Form CLT-4S, Schedule IV) on behalf of the nonresident shareholders. Please see 15-30-3312, MCA.
2. Provide a completed Form PT-AGR (Montana Pass-Through Entity Owner Tax Agreement) for each nonresident shareholder establishing that the shareholder will timely file a Montana tax return, pay all taxes and be subject to the personal jurisdiction of Montana. Please see 15-30-3313, MCA.
3. Provide a completed Form PT-STM (Montana Second Tier Pass-Through Entity Owner Statement) for each shareholder that is a pass-through entity itself and has nonresident shareholders. Please see 15-30-3313, MCA, OR
4. Withhold income tax for each nonresident shareholder or pass-through entity who has not fulfilled 1, 2 or 3 above. Please see 15-30-3313, MCA.

Apportionment of Income

An S corporation doing business in more than one state generally apportions its income to any states in which the entity is doing business. This ensures income is reported to the state in which the income is earned and taxable.

Montana source income is apportioned using the Multistate Tax Compact guidelines. Business income is apportioned using the three factors: the property factor, the payroll factor and the sales factor. Nonbusiness income is directly allocated to the appropriate state. Complete and attach Schedule I of the tax return if you use this three factor apportionment method.

Allocation of Income

All income that arises from transactions and activity in the regular course of the S corporation's trade or business operations is considered business income. Nonbusiness income means all income other than business income and is narrowly construed. If an S corporation is doing business in more than one state and has nonbusiness income, the S corporation has to determine the amounts allocated to Montana and to other states.

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

Interest income is business income where the intangible, with respect to which the interest was received, arises out of, or was created in the regular course of, the taxpayer's trade or business operations.

Dividends are business income where the stock, with respect to which the dividends are received, arises out of, or was acquired in the regular course of, the taxpayer's trade or business operations. Because of the regularity with which most corporate taxpayers engage in investment activities, income arising from the ownership, sale or other disposition of investments is presumptively business income.

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

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

Composite Tax Returns

An S corporation may elect to file a composite tax return on Form CLT-4S, Schedule IV, for its nonresident shareholders as a simplified way of paying the income tax on behalf of those shareholders. This replaces the preparation of a separate Montana income tax return for each taxpayer. The composite tax rate ranges from 1% to 6.9%.

Montana law requires us to adjust the income tax rate table, the value of an exemption, and the upper and lower limits on standard deductions for inflation each year. These adjustments are based on the consumer price index for June of each year. For the first time since the law has required us to adjust for inflation, the consumer price index fell (inflation was negative). This means that tax rate brackets, the value of an exemption, and the upper and lower standard deduction limits are all slightly lower for tax year 2009 than they were for tax year 2008.

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

- They are a nonresident individual, a foreign C corporation or a pass-through entity;
- They have no other Montana source income that will require the filing of a separate Montana income tax return; and
- They consent to be included in the return by providing the S corporation with a written power of attorney, authorizing the S corporation to file and act on behalf of the shareholder.

When to File

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

- calendar year S corporation – on or before March 15

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

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

Extension of Time to File

To receive an extension, you have to check the extension indicator box on Form CLT-4S, page 2, and attach a copy of your federal extension Form 7004 to your completed Montana income tax return. Do not send copies of the federal extension prior to filing your tax return.

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.

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.

Where to File

Electronic filing is available. Montana participates in the joint federal/state electronic filing program. Please visit our website at revenue.mt.gov for more details and a listing of approved software vendors. Tax professionals who are Authorized E-file Providers can submit both your federal and state tax return at the same time.

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

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



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

Who Has to Sign the Tax Return?

Form CLT-4S has to be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer or any other officer duly authorized to sign the tax return. Form CLT-4S is not considered to be complete unless it is signed. Unsigned tax forms will delay the processing of your tax return. 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 tax return.

Tax Preparer Contact Box

You can authorize us to discuss your Form CLT-4S tax return with your tax preparer by checking the "Yes" box near the bottom of page 2 above the signature block on the

tax return. If you check this box, we may contact your tax preparer or you for additional information for this year only. It does not authorize us to discuss another tax return or tax issue with your preparer. We will inform you, not your tax preparer, if any formal tax adjustments are made.

Amended Tax Return

If you discover that your income tax return was incorrect, you have five years from the due date of the original tax return to file an amended Montana S corporation tax return. Use Form CLT-4S to amend an original tax return. Check the box at the top of the form indicating that this represents an amended return. Also, check one or more of the boxes below indicating the reason(s) for amending your tax 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 tax return results in a change to income or a change in the distribution of any income or other information provided to any shareholder, you will also need to file an amended Montana Schedule K-1 along with your amended Form CLT-4S. You will need to give a copy of the amended federal Schedule K-1 and amended Montana Schedule K-1 to each shareholder.

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

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

Net Operating Losses

Net operating losses pass through to the individual shareholders and are not available for carry forward or carry back on Form CLT-4S. Shareholders who elect to be included in the composite return lose their ability to use any net operating losses reported by the S corporation.

Form CLT-4S Instructions

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

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

Lines 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' Distributive Share of Montana Additions to Income. To compute Montana income taxable to shareholders, certain items have to be added to income. A detailed schedule is required to be attached to the tax return.

- 15a.** State, county, and municipal interest and dividends not taxable under the Internal Revenue Code are added back when computing income taxable to shareholders. Interest and dividends from Montana bonds are not taxable.
- 15b.** State, local and foreign income taxes based on income or profits have to be added back to income.
- 15c.** Report all other additions. Examples are:
 - Compensation and expenditures used to compute the film production credit have to be included in the income of the year that the compensation and expenditures were incurred.
 - If you were the owner of a business that received a tax credit from the Insure Montana Small Business Health Insurance program, you are not allowed a deduction for the premiums used to calculate the credit. Because the credit cannot exceed 50% of the premiums, multiply the amount of credit you are claiming by two and enter the result on this line.

Line 16 – Shareholders' Distributive Share of Montana Deductions to Income. To compute Montana income taxable to shareholders, certain items are deducted from income. A detailed schedule is required to be attached to the tax return.

- 16a.** 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 (Freddie MAC) securities, you cannot subtract these interest or mutual fund dividends because they are not exempt under federal law.

United States obligations that are exempt include:

- Series E, EE, F, G and H savings bonds

- U.S. treasury bills
- U.S. government notes
- U.S. government certificates

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

- 16b.** Deduct an additional amount equal to 10% of the expenditures for the purchase of recycled material that was otherwise deductible as business-related expenses in Montana as computed on Montana Form RCYL, Part IV. Form RCYL has to be attached to your tax return.
- 16c.** Report other deductions on this line and attach a detailed schedule reconciling the amount of other deductions including the following:
- A deduction equal to fair market value, not to exceed 30% of the net income, of a computer or other sophisticated technological equipment or apparatus intended for use with the computer donated to an elementary, secondary, or accredited postsecondary school located in Montana.
 - The amount of contributions made by a small business to its independent liability fund.
 - A portion of an investment made in a building for the purpose of conserving energy. To qualify, the building has to be used in the entity's business and the result of the investment has to be a substantial reduction in the amount of energy needed to render the building usable.
 - Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation.
 - Multistate S corporations should deduct any nonbusiness income that is allocated to a specific state. This income is not included in your income apportioned to Montana. If you have nonbusiness income that has to be allocated to Montana, enter that amount on line 19. In addition to completing line 19, the S corporation must attach the following to Form CLT-4S:
 - A statement showing each item of nonbusiness income, along with its related expenses.
 - A statement explaining the basis for treating the item of income as nonbusiness income subject to allocation.
 - If an item of nonbusiness income is allocated to a state other than Montana, a copy of that other state's income tax return must be attached. If the S corporation is not required to file an income tax return with the other state, the S corporation must indicate this in the attached statement.

Line 17 – Net Taxable Income (Loss). For S corporations operating wholly in Montana, you can skip lines 18 through 20. This is your net taxable income (loss). For multistate S corporations, this is your total income to be apportioned.

Line 18 – Income Apportioned to Montana. For a multistate 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, Apportionment Factors for Multistate S Corporations. See instructions for Schedule I on page 8.

Line 19 – Income Allocated to Montana. For a multistate S corporation, any income that is determined to be Montana allocable income should be reported on this line. According to the Multistate Tax Compact adopted by Montana, income should be allocated to Montana only to the extent that it constitutes nonbusiness income. Otherwise, all business income should be apportioned to Montana using the standard three-factor apportionment formula of property, payroll and sales. See the instructions for "allocation of income" on page 2.

Line 20 – Total Montana Source Income for Multistate Taxpayers. Add the amounts on lines 18 and 19.

Line 21 – Total Montana Composite Return Tax. Enter the total amount of composite tax reported on Schedule III, column F. See instructions on page 12.

Line 22 – Shareholder Backup Withholding. Enter the total from Schedule III, column G. This is the total amount withheld on behalf of your nonresident shareholders. Your shareholders will claim this amount on their own Montana income tax returns.

Line 23 – S Corporation Montana Mineral Royalty Tax Withheld. Royalty payments made to owners of Montana mineral rights are subject to state income tax withholding if certain thresholds are met. This withholding should not be confused with the amounts deducted from your royalty payments for production taxes. For more information, please visit the "Mineral Royalty Withholding" link at revenue.mt.gov.

23a. Total Montana mineral royalty tax withheld – Enter the total amount of mineral royalty tax withheld as reported on your federal Form(s) 1099.

23b. Mineral royalty tax withheld attributable to Montana residents – Enter the total amount attributable to Montana residents.

23c. Mineral royalty tax withheld attributable to nonresidents not reporting on Schedule IV – Enter the total amount attributable to nonresidents who are not reporting on Schedule IV.

23d. Add lines 23b and 23c. This is the total mineral royalty tax withheld reported by shareholders on their income tax returns.

23e. Subtract line 23d from 23a. This is the mineral royalty tax withheld attributable to nonresidents reporting on Schedule IV.

Line 24 – Return Payments.

24a. 2008 overpayment applied to 2009 – Enter any overpayments from 2008 that were credited to 2009.

24b. 2009 estimated tax payments – Enter the total Montana estimated tax payments that you made for 2009.

24c. 2009 extension payment – If you made an extension payment for 2009 on or before March 15, 2010, enter that amount on this line.

24d. Montana income tax withheld – Enter the Montana income tax withheld and reported to you on Montana Form PT-WH or Montana Schedule K-1. You will only fill out this line if you are a second tier pass-through entity.

24e. For amended tax returns only – Include any payments that you made when you filed your original return and any subsequent payments that were applied to your 2009 tax liability.

24f. For amended tax returns only – If you received a refund when you filed your original tax return or a previously amended tax return, include the amount of the refund.

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

Line 25 – Amount Due or (Overpaid). Add lines 21 and 22; from this total, subtract the sum of lines 23e and 24g.

Line 26 – Penalties and Interest.

26a. S Corporation Information Tax 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 S corporation information tax return. This penalty is calculated for up to five months.

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

26b. Interest on Underpayment of Estimated Composite Tax. Please see 15-30-3312, MCA. The S corporation is required to make estimated tax payments throughout the year if it expects to owe a composite income tax liability of at least \$500. If the S corporation was required to make estimated composite tax payments and it did not remit the

required amounts, it will have to pay interest on any underpayment. Calculate the amount of the underpayment interest using Worksheet I below.

Worksheet I – Calculation of Underpayment Interest

In 2009, the S corporation was required to pay through estimated installments, the smaller of:

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

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

Payments made with extensions are not considered estimated payments.

| Worksheet I - Short Method | |
|---|--|
| 1. Enter your total 2009 composite tax reported on Form CLT-4S, line 21. | |
| 2. Enter 90% of line 1 above. | |
| 3. Enter the total of lines 23e, 24a and 24d reported on Form CLT-4S. | |
| 4. Subtract line 3 from line 1. If the result is \$500 or less, you do not need to complete the rest of the form. You do not owe interest on your underpayment. | |
| 5. Enter your 2008 composite tax from your 2008 Form CLT-4S, line 22. | |
| 6. Enter the smaller of line 2 or line 5. | |
| 7. Enter the amount from line 3 plus any estimated payments made and reported on Form CLT-4S, line 24b. | |
| 8. Subtract line 7 from line 6. This is your total underpayment for the year. If zero or less, stop here. You do not owe interest on your underpayment. | |
| 9. Multiply line 8 by 0.05320 and enter the result. | |

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

Line 28 – Amount You Owe. If the amount on line 27 is greater than zero, enter it on this line. This is the amount due with your tax return. Whether you file on a paper form or electronically, you need to send the amount due and the completed Montana Pass-Through Entity Tax Payment Voucher that is inserted in this booklet with your tax return to:



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

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

26c. Composite Income Tax Return Late Filing Penalty. If you are late in filing your S Corporation Information and Composite Tax Return (Form CLT-4S), a late filing penalty of \$50 or the amount of composite tax owing, whichever is smaller, will be charged. There is no late filing penalty for the composite tax return if there was an overpayment of composite tax and you are receiving a refund.

Line 29 – Overpayment. If the amount on line 27 is less than zero, enter it on this line. This is the amount you have overpaid.

26d. Late Payment Penalty. If you haven't paid your tax liability (line 25) by the due date of your S corporation tax return, you will have to pay a late payment penalty. This penalty is 1.2% per month or fraction of a month on the tax liability that was not paid by the original due date of this tax return. This penalty cannot exceed 12% of your tax liability on line 25.

Line 30 – 2010 Estimated Tax Payments. All or part of the refund that you reported on line 29 can be refunded, or carried over as a 2010 estimated tax payment. Enter the amount of the refund reported on line 29 that you want to be applied to your 2010 estimated tax.

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

Line 31 – Refund. Subtract line 30 from line 29 and enter the result here. This is the amount of the refund that will be issued.

26e. Interest. Compute interest on any tax liability (line 25) that you have not paid by the due date of your tax return and enter the total here.

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

If 100% of your tax liability is not paid by March 15, 2010 (for a calendar year tax return), interest is due at a rate of 8% per year, computed daily on your unpaid balance.

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

To calculate your interest, multiply line 25 by 0.02192% (0.0002192) times the number of days after March 15, 2010 your tax is paid.

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

Please Note: A valid extension of time to file your tax return does not extend the due date to pay your income tax liability after March 15, 2010.

The image shows a sample check form with the following details:

- Payee: John Taxpayer, Jane Taxpayer, 23 Main Street, Anyplace, MT 59000
- Amount: 1234 Dollars
- Bank: Anyplace Bank, Anyplace, MT 59000
- Routing Number: 123456789
- Account Number: 9876543210
- Check Number: 1234

 Annotations include circles around the routing and account numbers, and a note: "Do not include the check number in the account number".

26f. Total Penalties and Interest. Add lines 26a through 26e and enter the total.

Line 27. Add lines 25 and 26f; enter the result here.

Schedule I Instructions

Schedule I applies only to multistate S corporations.

In most cases, multistate 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 both inside and outside 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 both inside and outside the state.

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

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

Property Factor (Line 1, Schedule I). Please see 15-31-306, 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 of the S corporation's real and tangible personal property owned, leased or rented and used in the production of business income during the tax period. Enter the denominator values in column A of Schedule I.

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

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

Unless we otherwise require it, the average value of owned

property has to be determined by averaging the values at the beginning and ending of the tax period.

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

Payroll Factor (Line 2, Schedule I). Please see 15-31-308, 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.

Payroll is considered to be paid in Montana if:

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

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

Sales of tangible personal property are in Montana if:

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

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

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

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

Apportionment Factor (Line 5, Schedule I). Divide line 4 by the number of factors present. A factor is present if you have a value in column A for property, payroll or sales. Enter the apportionment factor on line 5 of Schedule I and

also insert it on line 18, page 1 of Form CLT-4S, rounding it out to the fourth decimal (example: 25.5555%).

Schedule II Instructions

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

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

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

For detailed tax credit instructions and forms, please visit our website at revenue.mt.gov. If you are eligible to claim a credit, please attach the appropriate form, if applicable, to the tax return. If you file electronically, you do not have to send the form but should keep a copy for your records.

Line 1 – Dependent Care Assistance Credit (Form DCAC). Please see 15-30-2373 and 15-31-131, MCA. An employer can claim a credit for amounts paid or incurred for dependent care assistance provided to or on behalf of 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 USC 129(d)(2) through (d)(6);
- providing information and referral services to assist employees within the state in obtaining dependent care.

Line 2 – College Contribution Credit (Form CC). Please see 15-30-2326, MCA. An S corporation that makes charitable contributions during the year to the general endowment funds of the Montana University System, or to the general endowment funds of a Montana private college or its foundation, is allowed a credit. This credit is allowed in the amount of 10% of the aggregate of these contributions. The maximum amount of credit that can be claimed is \$500 per year with no provision for carryback or carryforward.

Line 3 – Health Insurance for Uninsured Montanans Credit (Form HI). Please see 15-30-2368, MCA. An employer can claim a credit for the health insurance premiums that are paid by that employer for its employees. If you are using insurance premiums to calculate the Insure Montana credit (line 17 of Schedule II), these premium payments cannot be used to calculate the Health Insurance for Uninsured Montanans credit.

Line 4 – Recycle Credit/Deduction (Form RCYL). Please see 15-32-602 and 15-32-603, MCA. A business is entitled to a credit for investments in equipment or machinery used to collect, process or manufacture a product from reclaimed material or depreciable property that treats soil contaminated by hazardous wastes. The credit is a percentage (5% to 25%) of the cost of the property, before consideration of trade-in equipment.

Exception: The basis will be reduced by any trade-in for which this credit has been previously taken. This credit cannot be carried back or carried forward to other tax years.

Line 5 – Alternative Energy Production Credit (Form AEPC). Please see 15-32-402, MCA. A credit is available for a qualified investment of \$5,000 or more in depreciable property for the use of a commercial system or a net metering system that is located in Montana and that generates energy by means of an alternative renewable energy source. The credit is 35% of the eligible costs associated with the purchase, installation, or upgrading of generating equipment, safety devices and storage equipment, transmission lines necessary to connect with existing transmission facilities, and transmission lines necessary to connect directly to the purchaser of the electricity when no other transmission facilities are available. The credit is further limited, in that it can only be applied against the tax liability due as a consequence of the alternative energy system generating taxable or net income. The credit can be carried forward for seven succeeding years. An exception to the seven year carry forward period may apply when the investment is located within the exterior boundaries of a Montana Indian reservation.

Line 6 – Contractor's Gross Receipts Tax Credit. Please see 15-50-207, MCA. A business is entitled to a credit for the public contractor's gross receipts tax paid. The credit is the gross receipts tax paid throughout the year after the personal property taxes are deducted. If the business reports its income on a percentage-of-completion basis, the credit has to be prorated proportionately. To support the credit that you claim, attach a schedule or statement including the contract name (and number, if any); location; general description (for example: building, road, bridge, etc.); name of awarding agency; name of prime contractor and the amount of gross receipts tax paid, as well as the amount that has been applied to personal property taxes. The shareholder can carry this nonrefundable credit forward to the next five succeeding tax years.

Line 7 – Alternative Fuel Credit (Form AF CR). Please see 15-30-2320, MCA. There is a credit for equipment and labor costs that you incur in order to convert a motor vehicle licensed in Montana to operate on alternative fuel. The maximum credit is equal to 50% of the equipment and labor costs incurred but cannot exceed \$500 for conversion of a motor vehicle with a gross weight of 10,000 pounds or less, or \$1,000 for conversion of a motor vehicle with a gross vehicle weight over 10,000 pounds. You have to apply this credit in the year in which the conversion was made. It cannot be carried back or carried forward.

Line 8 – Infrastructure Users Fee Credit (Form IUFC). Please see 17-6-316, MCA. A credit is available to a business for the infrastructure users fee paid to a local government. To claim this credit, you have to meet the criteria described in 17-6-309(2), MCA, and pay the infrastructure users fee. This form has to be certified by the county, verifying the amount of the infrastructure users fee paid and the timeliness of your payment. This credit can be carried forward for seven years or carried back for three years.

Line 9 – Qualified Endowment Credit (Form QEC). Please see 15-31-162, MCA. S corporations are 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. The credit is claimed on the shareholder's Montana tax return. The maximum amount of the credit that a shareholder may claim is \$10,000 with no provision for carryback or carryforward. The value of the gift that you used when you calculated the credit cannot be claimed as a charitable contribution. To learn more about the endowments statewide, visit the Governor's Task Force on Endowments and Philanthropy website endowmontana.org.

If a charitable gift is recovered in the current year by the S corporation, the shareholders may have to recapture in the current year the amount of the credit that was previously claimed on a Montana tax return. The recapture is reported on line 19 of Schedule II.

Line 10 – Historic Property Preservation Credit (Federal Form 3468). Please see 15-30-2342, MCA. A business is entitled to a credit equal to 25% of the federal rehabilitation credit provided for in IRC section 47(a)(2) for the preservation of certain historic buildings located in Montana. If this credit is claimed, attach a copy of the federal Form 3468 to the tax return.

As an alternative to the percentage of the federal rehabilitation credit, a credit equal to 20% of the cost of creating a conservation easement and for the diminishing value of the historic property, including its building and structure, that resulted from placing a conservation easement on the property may be claimed.

The shareholder can carry this nonrefundable credit forward to the next six succeeding tax years.

If you have to recapture this credit on your federal return, you will have to recapture the Montana credit on line 20 of Schedule II.

Line 11 – Increasing Research Activities Credit (Form RSCH). Please see 15-30-2358 and 15-31-150, MCA. A credit is available for increases in qualified research expenses and basic research payments for research conducted in Montana. The credit is determined in accordance with IRC Section 41, with the exception that the applicable rate is 5% for Montana purposes. This credit can be carried back two years and carried forward for 15 succeeding years.

Line 12 – Mineral Exploration Incentive Credit (Form MINE-CRED). Please see 15-32-503, MCA. A credit is available for certified expenditures of mining exploration activities. Certified expenditures are the costs that are incurred for activities that directly support the exploration activity conducted at a specific exploration site. This credit applies to activities associated with both new mines and mines that are being reopened. 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 Montana Form MINE-CERT. We have until September 30 to certify whether expenses qualify for the credit.

Line 13 – Empowerment Zone Credit. Please see 15-30-2356, MCA. An employer who has a business in an empowerment zone 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 the credit. The credit can be carried back three years and carried forward for seven years.

Line 14 – Film Production Credit (Form FPC). Please see 15-31-907 and 15-31-908, MCA. A production company is allowed a credit for employing residents of Montana in a state-certified production. The credit is equal to the sum of 14% of the first \$50,000 or less that was compensated to each Montana resident who was employed in a state-certified production. Your shareholders can elect to have this credit refunded or they can carry the credit forward for four years.

You are also allowed a refundable credit for qualified expenditures made in Montana in connection with a state-certified film production. The credit is equal to 9% of the total qualified expenses incurred in connection with the production. The qualified expenditures credit is refunded if your shareholder's tax liability is less than the shareholder's portion of the credit.

The qualified compensation and expenditures used to calculate the credit cannot be taken as deductions that are used to calculate Montana taxable income on your return. Please see instructions for Form CLT-4S, page 1, line 15c (Other Additions) on page 4.

If your production company's certification is revoked after you take the credit, you will need to recapture the credit on line 21 of Schedule II.

Line 15 – Biodiesel Blending and Storage Credit (Form BBSC). Please see 15-32-703, MCA. A credit is available for the cost of investments in depreciable property used for storing or blending biodiesel made from Montana products with petroleum diesel for sale. Your shareholders can carry this credit forward for seven years if the facility is blending or storing biodiesel for blending during those years.

If the facility ceases blending biodiesel for sale for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. If the facility's biodiesel sales are not at least 2% of all diesel sales by the end of the third year after the credit is initially claimed, the credit is subject to recapture. The recapture is reported on line 22 of Schedule II.

Line 16 – Oilseed Crushing and Biodiesel/Biolubricant Production Credit (Form OSC). Please see 15-32-701 and 15-32-702, MCA. You can receive a credit for the cost of investments in qualifying depreciable property used to crush oilseed crops for the purpose of making biodiesel fuel or biolubricant, or used to construct or equip a facility in Montana to be used for producing biodiesel or biolubricant. This credit can be carried forward for seven years if the facility is crushing oilseed during that tax period.

If the facility for which the credit is claimed ceases operations for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. The recapture is reported on line 23 of Schedule II.

Line 17 – Insure Montana Small Business Health Insurance Credit. If you were the owner of a business that received a tax credit from the Insure Montana Small Business Health Insurance program, enter the amount of credit to which you are entitled. The amount of credit you may claim is the total credit amount issued to the business multiplied by your ownership percentage. For example, if you were a 50% owner and the business received \$6,000 in tax credit, you are entitled to claim \$3,000 ($\$6,000 \times 50\%$ (0.50)).

If you are using insurance premiums to calculate the Health Insurance for Uninsured Montanans Credit (line 3 of Schedule II) you are not allowed this credit.

Enter the federal employer identification number (FEIN) of the business which received the credit in the space provided. If you were the owner of more than one business receiving the credit, enter the FEIN of the company that received the highest amount of credit. Attach a copy of the most recent certificate from the State Auditor's Office providing the amount of tax credit the business received.

Please note that the premiums paid for these policies are not allowed as a deduction. Please see instructions for Form CLT-4S, page 1, line 15c (Other Additions), on page 4.

Line 18 – Temporary Emergency Lodging Credit (Form TELC). Please see 15-30-2381, MCA. A refundable tax credit is available for licensed establishments that provide

short-term emergency lodging under the Temporary Emergency Lodging Program. The program helps provide lodging for individuals or families who have been displaced from their residence and have been referred to the establishment by a charitable organization approved by the Montana Department of Public Health and Human Services. Please visit their website dphhs.mt.gov/PHSD/Food-consumer/emergency-lodging.shtml for additional information regarding participation in this program.

The credit is \$30 for each day of lodging provided in Montana by the establishment and is limited to five nights' lodging per individual.

Lines 19 through 23. Complete these lines if the following occurs:

19. Your charitable gift is recovered in the current year.
20. Your federal credit has to be recaptured.
21. Your production company's certification is revoked after you take the credit.
22. Your facility's biodiesel sales are not at least 2% of all diesel sales by the end of the third year after the credit is initially claimed, or the facility ceases blending biodiesel for sale. See instructions for line 15.
23. Your facility ceases operations for a period of 12 consecutive months within five years of claiming the credit.

Schedule III Instructions

Montana S Corporation Information

Include all shareholders on this form. If you need additional space, you may make copies of Schedule III, or you may use a document formatted similarly to Schedule III as a substitute for Schedule III. We cannot accept copies of federal Schedule K-1 in place of a completed Schedule III. If Schedule III is not completed, the processing of your return will be delayed until we receive this schedule.

Shareholder Information. Complete Section A, columns A through D, for all resident shareholders of the S corporation.

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

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

Shareholder Withholding. Check the "yes" box if backup withholding applies. Otherwise, check the "no" box.

Composite Income Tax. Check the "yes" box if one or more nonresident shareholders have elected to be included in a composite tax return. Otherwise, check the "no" box.

Number of Shareholders. Enter amounts for the number of resident shareholders, the number of nonresident shareholders and the total number of shareholders accordingly. You should include shareholders that had any interest in the S corporation during the year.

Section A. Resident Shareholders

Column A – Name and Address of Shareholder.

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

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

Column C – Percentage of Ownership Used to Calculate Profit or (Loss). Enter each shareholder's percentage of ownership in the S corporation that is used to calculate the shareholder's share of income.

Column D – Montana Source Income (Loss). Enter each shareholder's share of the S corporation's income (loss). Multiply the percentage in column C by the income (loss) on the following lines of the CLT-4S, as applicable:

- Line 17 for an S corporation operating only in Montana, or
- Line 20 for a multistate S corporation.

Section B. Nonresident Shareholders

Columns A through D. See the instructions for Resident Shareholders in Section A above.

Column E – Federal Income from Entity. Fill in the shareholder's percentage of stock ownership. This is the same as the percentage reported on the federal Schedule K-1.

Columns F through H for Nonresident Shareholders.

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

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

Column G – Shareholder Withholding. Enter the amount of backup withholding for each shareholder. For a nonresident individual and a second tier pass-through entity, the amount withheld is 6.9% of the Montana source income. For a shareholder filing as a foreign C corporation in Montana, the amount withheld is 6.75% of the Montana

source income. Transfer the total of this column to page 2, line 22 of Form CLT-4S.

If the S corporation has a nonresident individual or second tier pass-through entity owner at any time during the year, the S corporation may be required to remit amounts to the Montana Department of Revenue on behalf of the shareholder as provided in 15-30-3313, MCA. The S corporation will have to remit amounts for those nonresident shareholders who did not:

- file a consent agreement (PT-AGR) or statement (PT-STM), and
- did not elect to have the S corporation pay composite income tax for the shareholder.

Payments made by the S corporation on the shareholder's behalf are reported to the shareholder on the Montana Schedule K-1 or Form PT-WH. This payment will be included as Montana income tax withheld on the shareholder's Montana individual tax return (Form 2), corporation income tax return (Form CLT-4), partnership return (Form PR-1) or S corporation return (Form CLT-4S) as follows:

Montana Form 2 – line 56

Montana Form CLT-4 – line 11e

Montana Form PR-1 – line 25d

Montana Form CLT-4S – line 24d

Column H – Consent Agreement or Statement. Enter the year that the statement was provided to us. If you are providing the statement to us this year, enter "2009." There are two types of statements that are reported here, depending on the shareholder:

1. Form PT-AGR is for nonresident shareholders who will be filing a Montana tax return. A shareholder is considered a nonresident if the individual shareholder did not consider Montana as home at any time during the tax year or if the entity that files as a C corporation in Montana did not engage in business in Montana at any time during the year. 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 shareholder; or
2. Form PT-STM is for a second tier pass-through entity that has a nonresident owner. If the shareholder is a second tier pass-through entity, you have to send us a new Form PT-STM each year.

Schedule IV Instructions

Montana S Corporation Composite Income Tax Schedule

If you need additional space, you may make copies of Schedule IV, or you may use a document formatted similarly to Schedule IV.

An S corporation can elect to file a composite tax return and pay a composite tax on behalf of a participating eligible shareholder. Nonresident shareholders properly electing to participate in the composite return will be relieved of the obligation to file a Montana individual income tax return.

The tax credits from Schedule II 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 income tax return.

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

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

An S corporation can include a shareholder in filing a composite tax return only upon receipt of a power of attorney completed 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 tax 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 tax return, the S corporation is responsible for:

- remitting the composite tax to us;
- paying any additional tax, penalty and interest associated with the composite tax 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 shareholder as it 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 it 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 (loss) 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 \$1,750 or more than \$3,950.

Column E – Exemption. Each participating shareholder is allowed one exemption of \$2,110. Only one exemption is allowed, regardless of whether the shareholder was allowed additional exemptions on a federal tax return.

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

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 this column. 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.

Schedule VI Instructions

Check the appropriate boxes indicating which forms were required to be filed with the Internal Revenue Service. If any statements are answered "Yes," you will have to attach a copy of the applicable form.

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

Montana Schedule K-1 Instructions

The Montana Schedule K-1 reports the shareholder's Montana share of income, deductions, credits, composite income tax, shareholder withholding and other items. Please provide this schedule to each shareholder and include a copy when you file your Montana S corporation return. Although nonresident shareholders may have elected to be included in a composite return, you should still report all of their applicable information on the Montana Schedule K-1.

Exception: You will *not* need to provide a Montana Schedule K-1 to Montana residents if you did not report:

- additions or deductions on lines 15 or 16 of your S corporation return,
- tax credits or tax credit recaptures on Schedule II of your S corporation return, or
- mineral royalty withholding on line 23b of your S corporation return.

Heading Information

Check boxes:

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

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

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

Part 1 – Information about the Pass-through Entity

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

Part 2 – Information about the Shareholder

- A. Identify the shareholder's tax identification number. This is the shareholder's social security number (SSN) if the shareholder is an individual. This is the shareholder's federal employer identification number (FEIN) if the shareholder is any other type of entity.
- B. Fill in the name and address of the shareholder at the end of the tax year.
- C. Enter the type of entity that identifies how the shareholder files for federal income tax purposes. For example, if the shareholder is an LLC that files a federal partnership return, you would enter, "partnership."
- D. If the shareholder is an individual, check this box if the shareholder is a nonresident. A nonresident individual is a person who did not consider Montana as home at any time during the tax year even though they may have lived and worked in Montana temporarily during the tax year. If you received a Form PT-AGR from the shareholder, check the box.

- E. Fill in the shareholder's percentage of stock ownership.

Part 3 – All Shareholders

- A. **Federal Schedule K-1 income (loss) minus deductions.** Fill in the total amount of the shareholder's federal distributive share of income or loss from the S corporation. This is the shareholder's share of the items on lines 1 through 14 on page 1 of the Montana S corporation return. This is not an apportioned amount.
- B-C. **Montana additions to and subtractions from income.** Fill in the shareholder's distributive share of Montana additions and subtractions. Include items that relate to lines 15a through 16c on page 1 of the S corporation return. This is not an apportioned amount.
- D. **Multistate pass-through entities.**
 1. **Apportioned income.** Only multistate S corporations will fill out this line. Enter the shareholder's distributive share of income that is apportioned to Montana on page 1, line 18, of the Form CLT-4S.
 2. **Allocable income.** Only multistate S corporations will fill out this line. Enter the shareholder's distributive share of income that is allocated to Montana on page 1, line 19, of the S corporation return.
- E. **Total income taxable to the shareholder.** The total on this line should be the same as the shareholder's Montana source income that you reported on Schedule III, Montana S corporation information, Column D.

For S corporations that operate only in Montana, add lines A, B1, B2 and B3. Subtract lines C1, C2 and C3 from this total. This is the shareholder's portion of total Montana taxable income.

For multistate S corporations, add lines D1 and D2. This is the shareholder's portion of total Montana taxable income.

Part 4 – Montana Source Income (Loss)

Line 1 – Montana apportionment percentage. Fill in the amount from Schedule I, line 5 of Form CLT-4S.

Lines 2-12. Shareholders who are nonresident individuals, estates or trusts will need this information to calculate their Montana tax liability when they file their Montana income tax returns. Pass-through entities may need this information to report their Montana source income, depending upon whether the relationship between the S corporation and the shareholder is unitary.

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

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

Lines 13-14. Provide each shareholder the amount of composite income tax paid or Montana income tax withheld on the shareholder's behalf. These amounts are the same as the amounts reported for each shareholder on Schedule III, Montana S Corporation Information, on your S corporation return.

Part 5 – Supplemental Information

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

Also use this section to specify the Montana additions, subtractions and allocations reported in Part 3. For example, if you are entitled to the Insure Montana Small Business Health Insurance Credit, you had to add back the insurance premiums used to calculate the credit. You will enter the shareholder's distributive share of these insurance premiums.

Part 6 – Tax Credits and Recapture

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

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

Additional Information

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

2009 Montana S Corporation Information and Composite Tax Return

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

For calendar year 2009 or tax year beginning (MM-DD) ___ - ___ - **09** and ending (MM-DD-YY) ___ - ___ - ___

| | | | | | |
|---|--|-------|-------------------------------------|--|--|
| Name | | | FEIN: _____ | | |
| Mailing Address | | | Federal Business Code: _____ | | |
| City | | | Incorporated in the State of: _____ | | |
| State | | Zip+4 | Date: _____ | | |
| | | | Date Qualified in Montana: _____ | | |
| <input type="checkbox"/> I do not need the Montana S Corporation Information Return and Instructions sent to me next year. | | | | | |
| <input type="checkbox"/> I am requesting a refund with this tax return. | | | | | |

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

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

| | | |
|---|-----|--|
| 1. Ordinary business income (loss) | 1. | |
| 2. Net rental real estate income (loss) (attach federal Form 8825) | 2. | |
| 3. a. Other gross rental income (loss)..... | 3a. | |
| b. 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. Interest income | 4. | |
| 5. Ordinary dividends..... | 5. | |
| 6. Royalties..... | 6. | |
| 7. Net short-term capital gain (loss) (attach federal Schedule D, Form 1120S) | 7. | |
| 8. Net long-term capital gain (loss) (attach federal Schedule D, Form 1120S) | 8. | |
| 9. Net section 1231 gain (loss) (attach federal Form 4797) | 9. | |
| 10. 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. Section 179 deduction (attach federal Form 4562) | 12. | |
| 13. a. Contributions..... | 13a. | |
| b. Investment interest expense..... | 13b. | |
| c. Section 59(e)(2) expenditures (attach detailed schedule) | 13c. | |
| d. Other deductions (attach detailed 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 Deductions to Income

| | | |
|--|------|--|
| 15. a. Interest and dividends not taxable under the Internal Revenue Code (see instructions) | 15a. | |
| b. Taxes based on income or profits | 15b. | |
| c. Other additions (attach a detailed breakdown)..... | 15c. | |
| Add lines 15a, 15b, and 15c; enter result. This is your total Montana additions to income. | 15. | |
| 16. a. Interest on U.S. government obligations (attach schedule)..... | 16a. | |
| b. Deduction for purchasing recycled material (attach Form RCYL) | 16b. | |
| c. Other deductions (attach detailed breakdown)..... | 16c. | |
| Add lines 16a, 16b, and 16c; 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. This is your net taxable income (loss). | 17. | |

Shareholders' Distributive Shares of Multistate Apportionment and Allocation

| | | |
|---|-----|--|
| 18. Income apportioned to Montana. Multiply line 17 X _____ % from Schedule I, line 5; enter the result. | 18. | |
| 19. Income allocated to Montana. Enter the income or loss allocated directly to Montana (see instructions) | 19. | |
| 20. Add lines 18 and 19; enter result. This is the total Montana source income for multistate taxpayers. | 20. | |

Entity name _____ Tax period ending _____ FEIN _____

Calculation of Amount Owed or Refund

S Corporation Composite Return Tax

21. Enter your Montana total composite tax from Schedule III, column F 21.

Shareholder Backup Withholding

22. Enter the amount of total shareholder withholding from Schedule III, column G 22.

S Corporation Montana Mineral Royalty Tax Withheld

23. a. Total Montana mineral royalty tax withheld as reported on federal Form(s) 1099... 23a.
 b. Mineral royalty tax withheld attributable to Montana residents 23b.
 c. Mineral royalty tax withheld attributable to nonresidents not reporting on
 Schedule IV 23c.
 d. Add lines 23b and 23c. This is the total mineral royalty tax withheld reported
 by shareholders on their income tax returns..... 23d.
 e. Subtract line 23d from 23a. This is the mineral royalty tax withheld attributable to nonresidents reporting on
 Schedule IV 23e.

Return Payments

24. a. 2008 overpayment applied to 2009 24a.
 b. 2009 estimated payments..... 24b.
 c. 2009 extension payment..... 24c.
 d. Montana income tax withheld. Attach Form PT-WH 24d.
 e. For amended returns only—payments made with original return (see instructions) 24e.
 f. For amended returns only—previously issued refunds (see instructions) 24f.
 g. Add lines 24a through 24e then subtract line 24f and enter the result here. **This is your total return
 payments.** 24g.
 25. Add lines 21 and 22, then subtract lines 23e and 24g. **This is your amount due or (overpaid).** 25.

Penalties and Interest (see instructions)

26. a. S corporation information return late filing penalty 26a.
 b. Interest on underpayment of estimated composite tax 26b.
 c. Composite income tax return late filing penalty 26c.
 d. Late payment penalty 26d.
 e. Interest..... 26e.
 f. Add lines 26a through 26e. **This is your total penalties and interest.** 26f.

Amount Owed or Refund

27. Add lines 25 and 26f; enter the result here..... 27.
 28. If line 27 results in an amount due, enter it here. **This is the amount you owe.** 28.
 29. If line 27 results in an overpayment, enter it here. **This is your overpayment.** 29.
 30. Enter the amount from line 29 that you want applied to your 2010 composite estimated
 tax..... 30.
 31. Subtract line 30 from line 29 and enter the amount here. **This is your refund.** 31.

| | | | |
|--|---|---|--|
| For Direct Deposit of your refund, complete 1, 2, 3, and 4. Please see instructions on page 7. | 1. RTN# <input style="width:100%;" type="text"/> | 2. ACCT# <input style="width:100%;" type="text"/> | |
| | 3. If using direct deposit, you are required to mark one box. <input type="checkbox"/> Checking <input type="checkbox"/> Savings | | |
| | 4. Is this refund going to an account that is located outside of the United States or its territories? <input type="checkbox"/> Yes <input type="checkbox"/> No | | |

| | | |
|--|---|--|
|  | Name, address and telephone number of paid preparer SSN, FEIN or PTIN: _____ | <input type="checkbox"/> Check this box and attach a copy of your federal Form 7004 to receive your Montana extension. |
|--|---|--|

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

| | | | |
|--|------|------------------------|------------------|
| This return has to be signed by one of the following: president, vice president, treasurer, assistant treasurer, or chief accounting officer. | | | |
| Declaration | | | |
| 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 X | Date | Printed name and title | Telephone number |

Schedule I – Form CLT-4S, page 3

Entity name _____ Tax period ending _____ FEIN _____

Apportionment Factors for Multistate S Corporations

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

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

Schedule II – Form CLT-4S, page 4

Entity name _____ Tax period ending _____ FEIN _____

| Montana S Corporation Tax Credits | |
|--|-----------------------------------|
| Type of Credit | Amount of Credit |
| 1. Montana Dependent Care Assistance Creditattach Form DCAC | |
| 2. Montana College Contribution Creditattach Form CC | |
| 3. Health Insurance for Uninsured Montanans Creditattach Form HI | |
| 4. Montana Recycle Creditattach Form RCYL | |
| 5. Alternative Energy Production Creditattach Form AEPC | |
| 6. Contractor's Gross Receipts Tax Credit attach supporting schedule | |
| 7. Alternative Fuel Creditattach Form AFRCR | |
| 8. Infrastructure Users Fee Creditattach Form IUFC | |
| 9. Qualified Endowment Credit..... attach Form QEC | |
| 10. Historical Buildings Preservation Credit attach federal Form 3468 | |
| 11. Increase Research and Development Activities Credit.....attach Form RSCH | |
| 12. Mineral Exploration Incentive Credit..... attach Forms MINE-CERT and MINE-CRED | |
| 13. Empowerment Zone Credit | |
| 14. Film Production Creditattach Form FPC | |
| 15. Biodiesel Blending and Storage Credit..... attach Form BBSC | |
| 16. Oilseed Crushing and Biodiesel/Biolubricant Production Credit..... attach Form OSC | |
| 17. Insure Montana Small Business Health Insurance Credit. Business FEIN: _____ | |
| 18. Temporary Emergency Lodging Credit.attach Form TELC | |
| Type of Credit Recapture | Amount of Credit Recapture |
| 19. Qualified Endowment Credit Recapture | |
| 20. Historical Buildings Preservation Credit Recapture | |
| 21. Film Production Credit Recapture | |
| 22. Biodiesel Blending and Storage Credit Recapture | |
| 23. Oilseed Crushing and Biodiesel/Biolubricant Production Credit Recapture | |

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

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 – Form CLT-4S, page 5

Entity name _____ Tax period ending _____ FEIN _____

Montana S Corporation Information
Summary Schedule of Income and Supplemental Information

Section A: Resident Shareholders

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

Shareholder Withholding: yes no
Composite Income Tax: yes no

Number of Resident Shareholders
Number of Nonresident Shareholders
Total Number of Shareholders

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

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

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

Transfer the total from Column F to Form CLT-4S, page 2, line 21.

Transfer the total from Column G to Form CLT-4S, page 2, line 22.

Use additional sheets if necessary or you may use a document formatted similarly to Schedule III as a substitute.

Schedule IV – Form CLT-4S, page 6

Entity name _____ Tax period ending _____ FEIN _____

Montana S Corporation Composite Income Tax Schedule

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

| Enter below in columns A through J the required information and amounts for each eligible participating shareholder. | | | | | | | | | |
|--|--|----------------------------|--------------------|-------------------|---|---|-----------------------|--|--|
| A | B | C | D | E | F | G | H | I | J |
| Name | Social security number or federal employer identification number | Federal income from entity | Standard deduction | Exemption \$2,110 | Calculate Montana taxable income. Subtract column D from column C then subtract column E from the result. | Enter the appropriate tax from the tax table below. | Montana source income | Ratio. Divide column H by column C and enter result. | Montana composite income tax. Multiply column G times column I and enter result. |
| 1. | | | | | | | | | |
| 2. | | | | | | | | | |
| 3. | | | | | | | | | |
| 4. | | | | | | | | | |
| 5. | | | | | | | | | |
| 6. | | | | | | | | | |
| 7. | | | | | | | | | |
| 8. | | | | | | | | | |
| 9. | | | | | | | | | |
| 10. | | | | | | | | | |
| 11. | | | | | | | | | |
| 12. | | | | | | | | | |
| 13. | | | | | | | | | |
| Column J Total | | | | | | | | | |

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

| 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 | \$4,500 | 2% (0.020) | \$26 | |
| \$4,500 | \$6,900 | 3% (0.030) | \$71 | |
| \$6,900 | \$9,300 | 4% (0.040) | \$140 | |
| \$9,300 | \$12,000 | 5% (0.050) | \$233 | |
| \$12,000 | \$15,400 | 6% (0.060) | \$353 | |
| More Than \$15,400 | 6.9% (0.069) | \$492 | | |

| 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 | \$4,500 | 2% (0.020) | \$26 | |
| \$4,500 | \$6,900 | 3% (0.030) | \$71 | |
| \$6,900 | \$9,300 | 4% (0.040) | \$140 | |

Use additional sheets if necessary or you may use a document formatted similarly to Schedule IV as a substitute.

Schedule VI – Form CLT-4S, page 7

Entity name _____ Tax period ending _____ FEIN _____

Reporting of Special Transactions

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

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

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

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

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

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

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

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

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

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

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

- 5. During this tax year I have made payments to related parties (excluding salary compensation) that exceed \$100,000 per recipient.** Yes

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

| Name | FEIN | Amount of Payment |
|-------|-------|-------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

Montana Schedule K-1

(CLT-4S and PR-1)

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

For the year January 1 - December 31, 2009, or tax year beginning _____ and ending _____.

Part 1 - Pass-Through Entity Information

| | |
|--|--|
| A Entity's federal employer identification number (FEIN) _____ | Check applicable boxes: <input type="checkbox"/> Form CLT-4S <input type="checkbox"/> Amended K-1 <input type="checkbox"/> Form PR-1 <input type="checkbox"/> Final K-1 |
| B Entity's name and mailing address _____ | |
| C <input type="checkbox"/> Check this box if this is a publicly traded partnership. | |

Part 2 - Partner/Shareholder Information

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

Part 3 - All Partners/Shareholders—Montana Adjustments

- A Federal Schedule K-1 income (loss) minus deductions** A. _____ Information only; see instructions.
- B Montana additions to income**
- 1. Federally tax-exempt interest B1. _____
 - 2. Taxes based on income or profits B2. _____
 - 3. Other additions. List type _____ and amount B3. _____
- C Montana subtractions from income**
- 1. Interest from U.S. Treasury obligations C1. _____
 - 2. Deduction for purchasing recycled material C2. _____
 - 3. Other subtractions. List type _____ and amount C3. _____
- D Multistate pass-through entities**
- 1. **Apportioned income.** Income apportioned to Montana D1. _____ Information only; see instructions
 - 2. **Allocable income.** Income allocated to Montana. List type _____ and amount... D2. _____ Information only; see instructions
- E Total income taxable to partner/shareholder** E. _____ Information only; see instructions

Part 4 - Nonresident Individual, Estate or Trust Beneficiary Only—Montana Source Income (Loss)

- 1. Montana apportionment percentage 1. _____ % Information only; see instructions
- 2. Ordinary business income (loss) 2. _____
- 3. Net rental real estate income (loss) 3. _____
- 4. Other net rental income (loss) 4. _____
- 5. Guaranteed payments 5. _____
- 6. Interest income 6. _____
- 7. Ordinary dividends 7. _____
- 8. Royalties 8. _____
- 9. Net short-term capital gain (loss) 9. _____
- 10. Net long-term capital gain (loss) 10. _____
- 11. Net section 1231 gain (loss) 11. _____
- 12. Other income (loss). List type _____ and amount 12. _____
- 13. Montana composite income tax paid on behalf of partner/shareholder 13. _____
- 14. Montana income tax withheld on behalf of partner/shareholder 14. _____

Part 5 - Supplemental Information

- 1. Premiums for Insure Montana Small Business Health Insurance credit expenses 1. _____
- 2. Film Production Credit expenses 2. _____
- 3. Mineral royalties tax withholding 3. _____
- 4. Other information. List type _____ and amount 4. _____

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

- 1. Insure Montana Small Business Health Insurance credit. Business FEIN _____ 1. _____
- 2. Health insurance for uninsured Montanans credit (Form HI) 2. _____
- 3. Contractor's gross receipts tax credit 3. _____
- 4. Other credit/recapture information. List type _____ and amount... 4. _____

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

General Instructions

The Montana Schedule K-1 is similar to the federal Schedule K-1 in that it is used to report the pass-through entity owners' share of income, deductions, credits and other items. However, the format of the Montana Schedule K-1 differs from that of the federal Schedule K-1—therefore the federal Schedule K-1 cannot serve as a substitute for the Montana Schedule K-1.

Purpose of Montana Schedule K-1

Montana Schedule K-1 is provided to you by the S corporation or partnership to show your share of the income, gains, losses, deductions, and other items from the entity that you need to complete your Montana income tax return. These instructions will assist you in transferring the amounts from the schedule to your Montana income tax return.

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

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

If you have no Montana statutory adjustments, tax credits or withholding, the S corporation or partnership did not need to prepare the Montana Schedule K-1 for you. The federal Schedule K-1 reports the information you need to complete your Montana income tax return.

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

Composite return election. If you are a nonresident individual who elected to include your share of the entity's Montana income, gains, losses, and deductions in a composite return filed by the entity, you are not required to

file a Montana individual income tax return. If this applies to you, you received the Montana Schedule K-1 to show your share of these items and the composite tax paid on them.

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

Montana Schedule K-1, Parts 3-6

Part 3 – All Partners/Shareholders – Montana Adjustments.

A. Federal Schedule K-1 income (loss) minus deductions. This is your share of the partnership/S corporation's federal income or (loss) from the entity. This is the amount on lines 1-15, page 1, Form PR-1 or lines 1-14, page 1, Form CLT-4S, multiplied by your share of profit or loss. This is for your information only.

B-C. Montana Additions or Subtractions

To compute Montana income taxable to pass-through entity owners, certain items have to be added to income or subtracted from income. A detailed schedule is required to be attached. We have shown a partial list. Transfer the amount(s) shown to the individual income or corporate license tax return.

D. Multistate Pass-Through Entities

If the pass-through entity files a multistate tax return, the income taxable to the partner/shareholder has been apportioned or allocated to Montana. *The following is for your information only.*

- 1. Apportioned income.** If applicable, the amount shown on this line is the amount of income apportioned to Montana.
- 2. Allocable income.** If applicable, the amount shown on this line is the amount of income allocated to Montana only to the extent that it constitutes nonbusiness income.

E. Total income taxable to partner/shareholder. The total on this line should be the same as the partner's/shareholder's Montana income reported on Schedule III of the entity's return. This is for your information only.

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

If you are a nonresident individual, estate, trust, corporation or pass-through entity, your share of the entity's Montana income, gains, losses and other additions to income that you need to report on your Montana income tax return are shown. Transfer these amounts to your Montana income tax return based on the type of return you are filing.

1. Montana apportionment percentage. If you sell an interest in a publicly traded partnership, multiply this

apportionment percentage by the gain described in section 751 of the Internal Revenue Code in order to determine your Montana source income.

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

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

Part 5 – Supplemental Information

Supplemental information which could result in adjustments to the individual income or corporation license tax return is listed. Include the amount from this schedule on the individual income or corporation license tax return.

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

2. Film Production Credit compensation and expenditures. If the entity received a tax credit for a certified film production, the amount entered is the portion

of compensation and expenditures used to compute the film production credit which is required to be included in taxable income in the year that the compensation and expenditures were incurred.

3. Mineral royalties tax withheld. If the mineral rights are held by a partnership or S corporation for which you have an ownership interest, the royalty payments made to the owners are subject to state income tax withholding.

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

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

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

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

PRSRT STD
U.S. POSTAGE
PAID
MONTANA DEPARTMENT
OF REVENUE

No Return

Did you know that you can e-file your Montana tax return?
Montana participates in the joint federal/state electronic filing program.
Please visit our website at revenue.mt.gov for information about
electronic filing options.



Important Numbers

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