

Worksheet III – Qualified Capital Gain Exclusion

If you sold a capital asset before January 1, 1987, and are using the installment sale method to report the capital gain, you may be eligible for a 40% capital gain exclusion. If the amount on line 16 of federal Schedule D is a loss, you are not allowed a capital gains exclusion. If the amount on line 16 of Schedule D is a gain, complete Worksheet III to determine the amount of your capital gain exclusion. Please see the instructions on page 22 for more information.

If your net losses exceed your net gains, do not complete this worksheet. You do not qualify for this exclusion.

| | | Column A (for single, joint, separate, or head of household) | | Column B (for spouse when filing separately using filing status 3a) | |
|---|--|--|--|---|---|
| 1 | Enter the amount from your federal Form 6252, Installment Sale Income, line 26, for the pre-1987 installment sale that you transferred to your federal Schedule D, line 11 or 12. | 1 | | | 1 |
| 2 | Enter your total short-term and long-term capital gains reported on federal Schedule D. (Do not include capital losses.) | 2 | | | 2 |
| 3 | Divide line 1 by line 2 and enter the percentage here as a decimal | 3 | | | 3 |
| 4 | Enter the amount from federal Schedule D, line 16, but not less than zero | 4 | | | 4 |
| 5 | Multiply the amount on line 4 by the percentage (%) on line 3 | 5 | | | 5 |
| 6 | Multiply the amount on line 5 by 40% (0.40). Enter the result here and on Form 2, Schedule II, line 28. This is your Montana capital gain exclusion. | 6 | | | 6 |

Worksheet IV – Partial Pension and Annuity Income Exemption

If your federal adjusted gross income from Form 2, line 38 is \$33,835 (\$35,750 if filing a joint return) or more, stop here. You are not entitled to this exemption. If your federal adjusted gross income is less than this amount, you may be entitled to an exemption on all or part of the first \$3,830 of your reported taxable pension and annuity income (Form 2, line 16b) or IRA distributions not considered premature for federal income tax purposes (Form 2, line 15b). Complete Worksheet IV to determine the exemption amount. Please see the instructions on page 19 for more information.

Early distributions that required payment of the federal 5% or 10% additional tax do not qualify. Also, distributions considered premature according to federal regulations do not qualify. Subtract any nonqualifying distribution(s) from Form 2, line 15b before reporting amounts on this worksheet.

If you receive Tier II Railroad Retirement benefits, see the instructions for Form 2, Schedule II, line 23, on page 21.

| | | Column A (for single, joint, separate, or head of household) | | Column B (for spouse when filing separately using filing status 3a) | |
|--|---|--|----------|---|----|
| 1 | Enter your federal adjusted gross income from Form 2, line 38 here..... | 1 | | | 1 |
| 2 | Federal adjusted gross income limitation amount | 2 | \$31,920 | \$31,920 | 2 |
| If line 1 is smaller than line 2, enter on Form 2, Schedule II, line 11 the smaller of your pension and annuity income, or \$3,830 for each person who has pension and annuity income. Stop here; do not complete the remainder of this worksheet. | | | | | |
| 3 | If line 1 is larger than line 2, subtract line 2 from line 1 and enter the result here | 3 | | | 3 |
| 4 | Fill out only one of the following. If your filing status is: | | | | |
| 4a | <u>Single, head of household or jointly and only one spouse has pension and annuity income.</u> Enter the smaller of that spouse's taxable pension and annuity income or \$3,830..... | 4a | | | |
| 4b | <u>Married filing separately.</u> Enter the smaller of each spouse's taxable pension and annuity income or \$3,830 in columns A and B | 4b | | | 4b |
| 4c | <u>Joint and both spouses have pension and annuity income.</u> Enter the smaller of each spouse's taxable pension and annuity income or \$3,830 in the following space: Spouse 1 ► <input style="width: 80px; height: 20px;" type="text"/> Spouse 2 ► <input style="width: 80px; height: 20px;" type="text"/> Add together Spouse 1 and Spouse 2; enter the total in Column A, line 4c..... | 4c | | | |
| 5 | Multiply the amount on line 3 by 2 and enter the result here..... | 5 | | | 5 |
| 6 | Pension and annuity exemption. Subtract line 5 from line 4a, 4b, or 4c, whichever applies. If the result is zero or negative, you are not eligible for the pension and annuity exemption. If the number is positive, enter the result here and on Form 2, Schedule II, line 11. This is your partial pension and annuity exemption. | 6 | | | 6 |