



## 2014 Montana Net Operating Loss

15-30-2119, MCA and 42.15.318, ARM

Calendar year 2014 or tax year beginning \_\_\_\_\_ 2014 and ending \_\_\_\_\_

### Social Security Numbers

First Name and Initial	Last Name
Spouse's First Name and Initial	Last Name

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### Schedule A

1. Enter the amount from your 2014 Montana Form 2, line 43.....	1.	
2. Nonbusiness capital losses before limitation. Enter as a positive number.....	2.	
3. Nonbusiness capital gains (without regard to any section 1202 exclusion).....	3.	
4. If line 2 is more than line 3, enter the difference; otherwise, enter zero.....	4.	
5. If line 3 is more than line 2, enter the difference; otherwise, enter zero..	5.	
6. Nonbusiness deductions. See instructions.....	6.	
7. Nonbusiness income other than capital gains. See instructions.....	7.	
8. Add lines 5 and 7.....	8.	
9. If line 6 is more than line 8, enter the difference; otherwise, enter zero.....	9.	
10. If line 8 is more than line 6, enter the difference; otherwise, enter zero. Do not enter more than the amount on line 5.....	10.	
11. Business capital losses before limitation. Enter as a positive number.....	11.	
12. Business capital gains (without regard to any section 1202 exclusion) ..	12.	
13. Add lines 10 and 12.....	13.	
14. Subtract line 13 from line 11. If zero or less, enter zero.....	14.	
15. Add lines 4 and 14.....	15.	
16. Enter the loss, if any, from line 16 of your 2014 Schedule D (Form 1040). Enter as a positive number. If there is no loss on that line (and no section 1202 exclusion), skip lines 16 through 21 and enter on line 22 the amount from line 15.....	16.	
17. Section 1202 exclusion. Enter as a positive number.....	17.	
18. Subtract line 17 from line 16. If zero or less, enter zero.....	18.	
19. Enter the loss, if any, from line 21 of your 2014 Schedule D (Form 1040). Enter as a positive number.....	19.	
20. If line 18 is more than line 19, enter the difference; otherwise, enter zero.....	20.	
21. If line 19 is more than line 18, enter the difference; otherwise, enter zero.....	21.	
22. Subtract line 20 from line 15. If zero or less, enter zero.....	22.	
23. Domestic production activities deduction from your 2014 Form 2, line 36.....	23.	
24. NOL deduction for losses from other years. Enter as a positive number.....	24.	
25. <b>NOL.</b> Combine lines 1, 9, 17 and 21 through 24. If the result is less than zero, enter here and on Form NOL, Schedule B, line 1. If the result is zero or more, you do not have an NOL.....	25.	

### Carryback Election

Check here if you elect to forgo the carryback of a 2014 NOL. This election has to be made by the due date (including extension) for filing your 2014 income tax return.

If you are a farmer, indicate here the carryback period you are claiming.

Example: 5 year carryback.

If you file your Montana tax return electronically, you do not need to mail this form to us unless we ask you for a copy. When you file electronically, you represent that you have retained the required documents in your tax records and will provide them upon the department's request.



**Schedule B - NOL Carryback/Carryforward**

Complete one column before going to the next column. See instructions.	2014 NOL applied to tax year _____		2014 NOL applied to tax year _____		2014 NOL applied to tax year _____	
1. <b>NOL deduction</b> (see instructions). Enter as a positive number.						
2. Montana taxable income before 2014 NOL carryback (see instructions).						
3. Net capital loss deduction (see instructions).						
4. Section 1202 exclusion. Enter as a positive number.						
5. Domestic production activities deduction.						
6. Adjustment to Montana adjusted gross income (see instructions).						
7. Adjustment to Montana itemized deductions (see instructions).						
8. Enter deduction for exemptions.						
9. Modified taxable income. Add lines 2 through 8. If zero or less, enter zero.						
10. <b>NOL carryover</b> (see instructions). Subtract line 9 from line 1. If zero or less, enter zero.						
<b>Adjustments to Itemized Deductions</b>						
Complete lines 11 through 38 for the carryback year(s) for which you itemized deductions only if line 3, 4, or 5 above is more than zero.						
11. Montana adjusted gross income before 2014 NOL carryback.						
12. Add lines 3 through 6 above.						
13. Modified adjusted gross income. Add lines 11 and 12.						
14. Medical expenses from Form 2, Schedule III, line 4 (or as previously adjusted).						
15. Medical expenses from Form 2, Schedule III, line 1 (or as previously adjusted).						
16. Multiply line 13 by percentage from Sch. III (Form 2), line 3.						
17. Subtract line 16 from line 15. If the result is zero or less, enter zero.						
18. Subtract line 17 from line 14.						
19. Mortgage insurance premiums from Form 2, Schedule III (or as previously adjusted).						
20. Refigured mortgage insurance premiums (see instructions).						
21. Subtract line 20 from line 19.						
22. Modified adjusted gross income from line 13.						
23. Enter as a positive number any NOL carryback from a year before 2014 that was deducted to figure line 11.						
24. Add lines 22 and 23.						
25. Charitable contributions (including any carryovers) from Form 2, Schedule III (or as previously adjusted).						
26. Refigured charitable contributions (see instructions).						
27. Subtract line 26 from line 25.						



**Schedule B - NOL Carryback/Carryforward (continued)**

Complete one column before going to the next column. See instructions.	2014 NOL applied to tax year _____		2014 NOL applied to tax year _____		2014 NOL applied to tax year _____	
28. Casualty and theft losses from federal Form 4684, line 18 (line 23 for 2008; line 21 for 2009; line 20 for 2005, 2006 and 2010) (or as previously adjusted).						
29. Casualty and theft losses from federal Form 4684, line 16 (line 18 for 2005, 2006 and 2010; line 21 for 2008; line 19 for 2009) (or as previously adjusted).						
30. Multiply line 22 by 10% (0.10).						
31. Subtract line 30 from line 29. If zero or less, enter zero.						
32. Subtract line 31 from line 28.						
33. Miscellaneous itemized deductions from Form 2, Schedule III, line 26.						
34. Miscellaneous itemized deductions from Form 2, Schedule III, line 23.						
35. Multiply line 22 by 2% (0.02).						
36. Subtract line 35 from line 34. If zero or less, enter zero.						
37. Subtract line 36 from line 33.						
38. Complete the worksheet in the instructions if line 22 is more than the applicable amount shown in the instructions.						
Otherwise, combine lines 18, 21, 27, 32 and 37; enter the result here and on line 7 (page 2).						

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# 2014 Montana Form NOL Instructions

Reference: 15-30-2119, MCA and 42.15.318, ARM

## Montana Net Operating Loss (NOL) and Federal NOL

You usually have an NOL for Montana income tax purposes if you have an NOL for federal income tax purposes. Both NOLs are computed similarly. The amount of your Montana NOL can differ from the amount of your federal NOL as a result of items of income and deductions that Montana and the federal government treat differently for income tax purposes. To calculate your Montana NOL, you will use many of the same calculations that you made for your federal NOL.

## Montana Carryback/Carryforward

The period of time available to carryback and carryforward a Montana NOL is the same amount of time that is available for a federal NOL. However, the election to waive the carryback of a federal NOL does not waive the carryback for a Montana NOL. You must make a separate election. You may elect to waive the carryback of a Montana NOL even if you have not made the election to waive the carryback on the federal return. An election to waive the carryback of a Montana NOL is irrevocable. If you elect to waive the carryback, you must do so by the due date (including extensions of time) for filing your return for the tax year of the NOL.

## To Claim a Refund on a Carryback Year

You can claim a refund by filing an amended income tax return. In most cases, a claim for refund of tax based on a Montana NOL carryback must be filed within five (5) years from the due date of the amended return you are filing.

## Change in Filing Status and Change in Marital Status

If your marital or filing status has changed, you must follow the federal rules and instructions for change of filing statuses when computing Montana NOL carrybacks, carryovers and refund limits.

## Nonresidents and Part-year Residents

Nonresidents and part-year residents calculating their Montana NOL must include in the calculation both Montana and non-Montana source income that is reported on Form 2, line 43. An NOL is not created solely from Montana source income or losses that were reported on Form 2, Schedule IV.

## Composite Tax Return Participants

If you are participating in a Montana composite return filed by a partnership or S corporation, you do not have a Montana NOL even if the partnership or S corporation reported a loss on the composite return. If you choose to use losses distributed to you from a partnership or S corporation to calculate a Montana NOL, you must revoke

your election to be included in a Montana composite return and file your personal Montana income tax return.

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## Schedule A

Use Schedule A to calculate an NOL. In order to claim a Montana NOL you must file a completed Schedule A with your Montana Form 2 by the due date of the return. Do not complete Schedule A to calculate a carryback or carryforward amount. If you need to calculate a carryforward or carryback amount, use Schedule B.

**Line 1.** Enter the amount from your 2014 Montana Form 2 line 43. If this is a negative amount, you may have an NOL.

**Line 6 – Nonbusiness deductions.** Enter as a positive number your deductions that are not related to your trade or business or your employment. Examples of nonbusiness deductions include:

- Montana additions and subtractions that are considered nonbusiness
- IRA deduction
- health savings account deduction
- Archer MSA deduction
- deductions for payments on behalf of a self-employed individual to a SEP, SIMPLE or qualified plan
- alimony paid
- most itemized deductions (except for casualty and theft losses and any employee business expenses)
- the standard deduction (if you do not itemize your deductions)

Do not include on line 6 the deduction for personal exemptions for you, your spouse or your dependents.

*Do not enter your business deductions that are related to your trade or business on line 6.* Examples of these deductions include:

- federal income tax paid on business profits
- moving expenses
- the deduction of one-half of your self-employment tax or your deduction for self-employed health insurance
- rental losses
- loss on the sale or exchange of business real estate or depreciable property
- your share of a business loss from a partnership or S corporation
- ordinary loss on the sale or exchange of stock in a small business corporation or a small business investment company
- casualty and theft losses (even if they involve nonbusiness property) and employee business expenses (such as union dues, uniforms, tools, education expenses, and travel and transportation expenses) reported as itemized deductions

- loss on the sale of an accounts receivable (if you use an accrual method of accounting)
- interest and litigation expenses on state and federal income taxes related to your business
- unrecovered investment in a pension or annuity claimed on a decedent's final return

When determining the portion of deductible expenses attributable to income from your trade or business, multiply the expenses by the ratio of your net income from the trade or business to your Montana adjusted gross income.

When determining the portion of federal tax attributable to income from your trade or business, multiply the federal tax by the ratio of your net business income to your Montana adjusted gross income for the year the federal tax was incurred.

**Line 7 – Nonbusiness Income.** Enter only your income that is not related to your trade or business or your employment. Examples of nonbusiness income include:

- Montana additions and subtractions that are considered nonbusiness
- interest and dividend income
- taxable federal and state income tax refunds
- alimony received
- gains from the sale of a personal residence to the extent recognized in the federal adjusted gross income
- gains or losses from the sale of assets not used in a trade or business
- taxable IRA distributions, pensions and annuities
- unemployment compensation
- taxable social security benefits
- income or losses from a trust or estate
- your share of nonbusiness income from partnerships and S corporations

*Do not include on line 7 the income you received from your trade or business or your employment.* Business income includes, but is not limited to, your salaries and wages, self-employment income, rental income, your share of business income from partnerships and S corporations, and ordinary gain(s) from the sale or other disposition of business real estate or depreciable business property.

**Line 17 – Adjustment for Section 1202 Exclusion.** Enter any gain you excluded under section 1202 on the sale or exchange of qualified small business stock.

**Line 19 through Line 22 – Adjustments for Capital Losses.** Your amount deductible for capital losses is limited based on whether these losses are business capital losses or nonbusiness capital losses.

**Nonbusiness capital losses.** You can deduct your nonbusiness capital losses (line 2) up to only the amount of your nonbusiness capital gains without taking into account any section 1202 exclusion (line 3). If your nonbusiness capital losses are more than your nonbusiness capital gains without taking into account any section 1202 exclusion, you cannot deduct the excess.

**Business capital losses.** You can deduct your business capital losses (line 11) up to only the total of:

- your nonbusiness capital gains that are more than the total of your nonbusiness capital losses and excess nonbusiness deductions (line 10), and
- your total business capital gains without regard to any section 1202 exclusion (line 12).

**Line 24 – NOLs from other years.** You cannot deduct any of your NOL carryovers or carrybacks from other years. Enter the total amount of your NOL deduction for losses from other years.

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## Carryback Election

Generally, if you have an NOL for a tax year ending in 2014, you have to carry back the entire amount of the NOL to the two tax years before your NOL year (this is called the carryback period), and then carry forward any of your remaining NOL for up to 20 years after your NOL year (this is called the carryforward period). However, you can choose not to carry back your NOL and only carry it forward. You cannot deduct any part of your NOL that remains after the 20-year carryforward period.

**NOL year.** This is the year in which your NOL occurred.

### Exceptions to Two-Year Carryback Rule

You can qualify for a longer carryback period if you have eligible losses or farming losses.

**Eligible loss.** The carryback period for eligible losses is three years. You have an eligible loss if any part of your NOL is:

- from a casualty or theft, or
- attributable to a presidentially declared disaster for a qualified small business.

### Qualified Small Business

You have a qualified small business if you are a sole proprietorship or a partnership that has average annual gross receipts (reduced by returns and allowances) of \$5 million or less during a three-year period ending with the tax year of your NOL. If your business did not exist for the entire three-year period, use the period your business was in existence.

### Farming Business

When you have a farming loss, your carryback period is five years. Your farming loss is the smaller of:

- the amount that would be the NOL for the tax year if only the income and deductions attributable to your farming businesses were taken into account, or
- the NOL for the tax year.

You have a farming business if your trade or business involves one or more of the following:

- cultivating land
- raising or harvesting any agricultural or horticultural commodity
- operating a nursery or sod farm

- raising or harvesting tree-bearing fruit, nuts or other crops, or ornamental trees
- raising, shearing, feeding, caring for, training and managing animals

You do not have a farming business if:

- you perform contract harvesting,
- someone else grows or raises an agricultural or horticultural commodity for you, or
- you merely buy or sell plants or animals grown or raised by someone else.

You can choose to treat a farming loss as if it were not a farming loss. If you make this choice, your carryback period will be two years. To make this choice, indicate the carryback years in the box provided for you. Once you waive the five-year carryback, you cannot revoke it. If you choose not to carry back any of your farming loss, mark the appropriate box that states that you are electing to forgo the carryback, and carry forward your farming loss.

### **Waiving the Carryback Period**

You can choose not to carryback your NOL. If you make this choice, then you can use your NOL only during the 20-year carryforward period. If you want to make this choice, mark the box on Schedule A, electing to forgo the carryback of your NOL. You have to make this election by the due date (including extension of time) for filing your tax return for the tax year of your NOL. Once you elect to waive the carryback period, you cannot revoke it. If you choose to waive the carryback period for more than one NOL, you have to make a separate election for each of your NOL years.

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## **Schedule B**

Use Schedule B to determine your NOL deduction for each carryback and carryforward year. Each column on Schedule B represents either a carryback or a carryforward year. Begin with the first tax year that you applied the 2014 NOL deduction towards. Identify the applicable tax year at the top of the column. For example, if you carry back a 2014 NOL to tax year 2012, you would identify the tax year as 2012 at the top of the first column.

If your NOL is more than your Montana modified taxable income for the earliest year that it is carried to, you will have to file Schedule B to figure the amount of your NOL that will be carried to the next tax year. The amount of your carryover is the excess, if any, of your NOL carryback over your modified taxable income for that earlier year. Your Montana modified taxable income is the amount figured on line 9 of Form NOL, Schedule B.

If you carry two or more NOLs to a tax year, figure your modified taxable income by deducting the NOLs in the order that they were incurred.

File your completed Schedule B with each tax return that reflects a deduction from your 2014 NOL. For example, if you carry back your 2014 NOL to your 2012 tax year, you would file Schedule B with your amended 2012 return. The Schedule B that you file with the 2012 return would only have one completed column. In addition, if your 2014 NOL

deduction was not fully absorbed in 2012, then you would carry the remaining amount to tax year 2013. You would file an amended 2013 tax return and include a Schedule B with two completed columns. One column was completed for the 2012 tax year and the second column would be completed for the 2013 tax year.

If your marital or filing status has changed, you must follow the federal rules and instructions for change of filing statuses when computing the net operating loss.

**Line 1** – Enter the amount shown on Form NOL, Schedule A, line 25 to the appropriate carryback year. See “When to Use an NOL” discussion above to determine your carryback year. If your NOL is not fully absorbed in a year that it is carried to, complete Schedule B to figure the amount of your NOL carryover to the next year.

**Line 2** – Do not take into account on this line any NOL carryback from 2014 or later.

### **Line 3 – Net Capital Loss Deduction.**

Enter as a positive number the amount, if any, shown (or as previously adjusted) on Schedule D, line 21 (Form 1040). If you are married filing separately for Montana, include any capital loss limitation adjustment in calculating your Montana adjusted gross income.

### **Line 4 – Section 1202 Exclusion.**

Enter as a positive number any gain that you excluded under section 1202 on the sale or exchange of qualified small business stock.

### **Line 6 – Adjustments to Montana Adjusted Gross Income.**

If you entered an amount on lines 3 or 4, you have to refigure certain income and deductions.

These include:

- the special allowance for passive activity losses from rental real estate activities,
- IRA deductions,
- student loan interest deduction,
- tuition and fees deduction,
- Montana taxable social security benefits, and
- excludable savings bond interest.

For purposes of figuring your adjustment to each of these items, your adjusted gross income is increased by the total of the amounts on lines 3 and 4.

### **Line 7 – Adjustment to Itemized Deductions.**

Skip this line if, for the applicable carryback year:

- you did not itemize deductions, or
- the amounts on Schedule B, lines 3, 4 and 5 are zero.

Otherwise, complete lines 11 through 38 and enter on line 7 the amount from line 38 (or, if applicable, line 14 of the itemized deduction worksheet located at the end of these instructions).

### **Line 10 – NOL Carryover.**

After completing all applicable columns, carry forward to 2014 the amount, if any, on line 10 of the column for the first preceding tax year.

**Line 20 – Refigured Mortgage Insurance Premiums**

If line 13 on Schedule B is more than \$100,000, complete the Mortgage Insurance Premiums Deduction Worksheet. If line 13 is \$100,000 or less, you do not need to complete the worksheet. Instead, enter the amount from line 19 on line 20 and enter \$0 on line 21.

**Mortgage Insurance Premiums Deduction Worksheet - Line 20**

1. Enter the total premiums you paid for qualified mortgage insurance for a contract issued after December 31, 2006.....1. \_\_\_\_\_
2. Enter the amount from Form NOL, Schedule B, line 13.....2. \_\_\_\_\_
3. Enter \$100,000.....3. \_\_\_\_\_
4. Is the amount on line 2 more than the amount on line 3?
  - No.** Your deduction is not limited. Enter the amount from line 19 on line 20 of Form NOL, Schedule B, and enter -0- on line 21. **Do not** complete the rest of this worksheet.
  - Yes.** Subtract line 3 from line 2. If the result is not a multiple of \$1,000, increase it to the next multiple of \$1,000. For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000, etc.....4. \_\_\_\_\_
5. Divide line 4 by \$10,000. Enter the result as a decimal. If the result is 1.0 or more, enter 1.....5. \_\_\_\_\_
6. Multiply line 1 by line 5.....6. \_\_\_\_\_
7. **Refigured mortgage insurance premiums deduction.** Subtract line 6 from line 1. Enter the result here and on Form NOL, Schedule B, line 20.....7. \_\_\_\_\_

**Line 26 – Refigured Charitable Contributions.** Refigure your charitable contributions using line 24 as your adjusted gross income unless, for any preceding tax year:

- you entered an amount other than zero on line 23, and
- you had any items of income or deductions based on adjusted gross income that are listed in the instructions for line 6 of Schedule B above.

**Line 38 – Complete the Itemized Deduction Limitation Worksheet on Page 5 of these instructions if line 22, Schedule B is more than:**

- \$132,950 for 2001 (\$66,475 if married filing separately)
- \$137,300 for 2002 (\$68,650 if married filing separately)
- \$139,500 for 2003 (\$69,750 if married filing separately)
- \$142,700 for 2004 (\$71,350 if married filing separately)
- \$145,950 for 2005 (\$72,975 if married filing separately)
- \$150,500 for 2006 (\$75,250 if married filing separately)
- \$156,400 for 2007 (\$78,200 if married filing separately)
- \$159,950 for 2008 (\$79,975 if married filing separately)
- \$166,800 for 2009 (\$83,400 if married filing separately)
- \$300,000 for 2013 (\$150,000 if married filing separately)

**Schedule C**

Use Schedule C, NOL Carryover Summary, to summarize your NOL absorption. Begin with the first row at the top of Schedule C and complete a new row for each year your 2014 NOL is applied towards.

**Column A - NOL Year**

This is the year in which your NOL occurred.

**Column B - NOL Generated**

Enter the amount of your NOL as reported on 2014 Schedule A, line 25.

**Column C - NOL Absorbed**

Enter the amount of your 2014 NOL absorbed as reported on Schedule B, line 9. Also include the year the corresponding amount was absorbed.

**Column D - NOL Balance**

Enter the remaining balance of your NOL to be applied to your next carryover period.

**Questions?** Please call us toll free at (866) 859-2254 (in Helena, 444-6900).



**Itemized Deductions Limitation Worksheet**

Enter applicable carryback year (Example: 2008) →					
1. Add the amounts from Form NOL, Schedule B, lines 17, 20, 26, 31 and 36 and the corresponding amounts from Form 2, Schedule III: <ul style="list-style-type: none"> <li>• medical and long term care insurance premiums</li> <li>• federal, state, sales, income, real estate, motor vehicle and other taxes</li> <li>• home mortgage and investment interest.</li> <li>• Child and Dependent Care Expense, Form 2441-M</li> <li>• other miscellaneous deductions.</li> <li>• gambling losses</li> </ul>					
2. Add the amounts from Form NOL, Schedule B, lines 17 and 31 and the corresponding amounts from Form 2, Schedule III: <ul style="list-style-type: none"> <li>• medical and long term care insurance premiums</li> <li>• federal income taxes</li> <li>• investment interest</li> <li>• Child and Dependent Care Expense, Form 2441-M</li> <li>• gambling losses</li> </ul>					
3. Subtract line 2 from line 1. If zero or less, stop here; combine the amounts from Form NOL, Schedule B, lines 18, 21, 27, 32 and 37, and enter the result on line 38 and on line 7 of Form NOL, Schedule B.					
4. Multiply line 3 by 80% (0.80).					
5. Enter the amount from Form NOL, Schedule B, line 22.					
6. Enter the applicable amount: <ul style="list-style-type: none"> <li>• \$142,700 for 2004 (\$71,350 if married filing separately)</li> <li>• \$145,950 for 2005 (\$72,975 if married filing separately)</li> <li>• \$150,500 for 2006 (\$75,250 if married filing separately)</li> <li>• \$156,400 for 2007 (\$78,200 if married filing separately)</li> <li>• \$159,950 for 2008 (\$79,950 if married filing separately)</li> <li>• \$166,800 for 2009 (\$83,400 if married filing separately)</li> <li>• \$ 300,000 for 2013 (\$150,000 if married filing separately)</li> </ul>					
7. Subtract line 6 from line 5.					
8. Multiply line 7 by 3% (0.03).					
9. Enter the smaller of line 4 or line 8.					
10. Enter the amount for your carryback year as follows: <ul style="list-style-type: none"> <li>• For 2008, divide line 9 by 1.5.</li> <li>• For 2009, 2006 and 2007, divide line 9 by 3.0.</li> <li>• For all other carryback years, enter -0-.</li> </ul>					
11. Subtract line 10 from line 9.					
12. Total itemized deductions from Form 2, Schedule III.					
13. Subtract line 11 from line 12.					
14. Subtract line 13 from line 12. Enter the difference here and on line 7 of Form NOL Schedule B.					