



## Form OSC General Instructions

### What is “biodiesel”?

Biodiesel is a fuel produced from monoalkyl esters of long-chain fatty acids derived from vegetable oils, renewable lipids, animal fats, or any combination of these ingredients. This fuel must meet the requirements of ASTM D6751, also known as the Standard Specification for Biodiesel Fuel (B-100) Blend Stock for Distillate Fuels, as adopted by the American Society for Testing and Materials.

### What is “biolubricant”?

Biolubricant is a product, other than food or feed, substantially composed of certain biological products, agricultural materials or forestry materials. The product is used in place of a petroleum-based lubricant.

### Am I able to carry forward my oilseed crushing facility credit or my biodiesel/biolubricant production facility credit if I cannot apply the full amount against my tax liability in the first year of production?

Yes, the credits can be carried forward for up to seven years. However, if you are not crushing oilseed or producing biodiesel or biolubricant, you cannot claim any tax credit for that year.

### Am I subject to recapturing the credit that I previously received if I cease operating my business?

Yes, you are. If you cease operating your business for a period of 12 continuous months, within five years from the year you claimed the credit, you are required to recapture this credit in the year you ceased operations.

### If my business is a partnership or an S corporation, are my partners or shareholders entitled to the oilseed crushing and biodiesel/biolubricant production facilities credit?

As a partnership, your partners are entitled to apply these credits against their income tax or corporation license tax liability. The amount of each partner's credit is based on the percentage used to report the partnership's income or loss for Montana income tax purposes.

As an S corporation, the shareholders are entitled to apply these credits against their income tax or corporation license tax liability. The amount of each shareholder's credit is based on their pro rata share of the corporation's cost of investing in equipment or the facility.

For example, if your business is an S corporation with four shareholders with equal ownership interest, each shareholder would be entitled to 25% of the total credit.

When filing your Montana partnership return, Form PR-1, or your Montana S corporation return, Montana Form CLT-4S, report your Oilseed Crushing and Biodiesel/Biolubricant Production Facilities Credit on Schedule II. Include with your tax return a completed Form OSC and a supplemental schedule identifying each partner or shareholder and their share of the credit.

### Part I: Oilseed Crushing Facility Credit

#### I purchased equipment to begin crushing oilseed but have not completed installation or began crushing the oilseed. Am I eligible for the oilseed crushing facility credit in the year I purchase the equipment?

No, you are not. The investment you have made in the equipment does not allow you to apply for the oilseed crushing facility credit until the first year your facility begins processing oilseed or your facility manufactures a product from oilseed.

The costs incurred in the two years before you began crushing oilseed are eligible for the credit.

### What cost do I use to calculate my oilseed crushing facility credit?

The cost used to calculate your oilseed crushing facility credit is the amount of the investment that you have made in the specific property used to calculate your depreciation deduction for federal income tax purposes. It does not include the installation cost of the equipment.

### If I am claiming the oilseed crushing facility credit, can I also deduct the annual depreciation on my investment?

Yes, you can. This credit is not in lieu of any depreciation or amortization deduction that you are allowed for your investment.

### What requirements do I have to meet in order to qualify for the oilseed crushing facility credit?

In order for your investment to qualify for this credit the following requirements must be met:

- The property is used primarily to crush oilseed or to manufacture a product from oilseed and is operational before January 1, 2015.
- You are an individual or entity who as the owner, including a contract purchaser, has a beneficial interest in the business that crushes oilseed or manufacturers a product from oilseed.
- Your business has been processing oilseed or manufacturing a product from oilseed during your tax year.

### Part II: Biodiesel/Biolubricant Production Facility Credit

#### I am constructing a facility to produce biodiesel/biolubricant. What costs are available to me to be eligible for the biodiesel/biolubricant production facility tax credit?

The costs used to calculate your biodiesel/biolubricant production facilities credit are the costs of investing in depreciated property for constructing or equipping your facility.

The costs incurred in the two years before you began production are eligible for the credit.

### If I am claiming the biodiesel/biolubricant production facility credit, can I also deduct the annual depreciation on my investment?

Yes, you can. This credit is not in lieu of any depreciation or amortization deduction that you are allowed for your investment.

### When am I eligible for the biodiesel/biolubricant production facility credit?

You are eligible to claim the biodiesel/biolubricant production facility credit in a tax year that your facility produces this product. If you are in the process of constructing a facility in one tax year but have not begun processing in the same tax year you are not eligible for this credit until the year your production begins.

### What requirements do I have to meet in order to qualify for the biodiesel/biolubricant production facility credit?

In order for your investment to qualify for this credit, the following requirements must be met:

- The property is used primarily to manufacture biodiesel or biolubricant and is operational before January 1, 2015.
- You are an individual or entity who as the owner, including a contract purchaser, has a beneficial interest in the business that manufactures biodiesel or biolubricant.
- Your business has been manufacturing biodiesel or biolubricant during your tax year.

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