



2010 Recycle Credit/Deduction
15-32-603 and 15-32-610, MCA

Name (as it appears on your tax return) _____

Business name (if different from above) _____

Your Social Security Number [grid]

Your Federal Employer Identification Number [grid]

If this credit is passed through to you from a partnership or S corporation, enter the entity's name and FEIN. If a partnership, enter the percentage used to report the partnership's income or loss for Montana tax purposes; or if an S corporation, enter the pro rata share of the corporation's cost of investing in equipment.

Name _____ FEIN _____ Percentage _____ %

Check one [] C corporation [] S corporation [] Partnership [] Sole proprietorship

Part I - Qualifications

1. Was the qualifying machinery/equipment purchased on or after the first day of the current taxable year and before the last date of the current taxable year? [] Yes [] No

2. Was the machinery/equipment located and operating in Montana on the last day of the taxable year for which the credit is claimed? [] Yes [] No

If you answered "No" to questions 1 or 2, stop here. You do not qualify.

3. Is the machinery/equipment used in Montana to produce energy from reclaimed material? [] Yes [] No
If you answered "Yes" to question 3, stop here. You do not qualify.

4. If you answered "No" to all of the following questions (a, b and c), you do not qualify.

a. Is the machinery/equipment used in Montana primarily for collections or processing reclaimed material? [] Yes [] No

b. Is the machinery/equipment used in Montana primarily for the manufacturing of finished products from reclaimed materials? [] Yes [] No

c. Is the machinery/equipment used to treat soils contaminated by hazardous wastes? [] Yes [] No

If you do not qualify for the credit, go to Part IV.

Part II - For equipment used in Montana

1. Detailed explanation of equipment purchased and how it is used, include a copy of any pamphlets or any other related information or support _____

2. Date of purchase _____ (A copy of sales receipt is required.)

3. Cost of equipment (the total cost of equipment in Part II and Part III may not exceed \$1,000,000) \$ _____

4. Computation of credit (multiply the cost of the equipment by the following percentages):

Multiply the first \$250,000 by 25% (0.25)

Multiply the next \$250,000 by 15% (0.15)

Multiply the next \$500,000 by 5% (0.05)

Total Credit..... \$ _____



Part III - For qualifying specialized mobile equipment used in and out of Montana

1. Detailed explanation of equipment purchased and how it is used, include a copy of any pamphlets or any other related information or support _____

2. Date of purchase _____ (A copy of sales receipt is required.)
3. Cost of equipment (the total cost of equipment in Part II and Part III may not exceed \$1,000,000) \$ _____
4. Number of days used in Montana..... _____
5. Total days used for the year _____
6. Divide amount on line 4 by amount on line 5..... _____
7. Computation of credit:
Multiply the ratio on line 6 by 25% (0.25) then multiply the first \$250,000 of line 3.... _____
Multiply the ratio on line 6 by 15% (0.15) then multiply the next \$250,000 of line 3... _____
Multiply the ratio on line 6 by 5% (0.05) then multiply the next \$500,000 of line 3..... _____
Total Credit..... \$ _____
8. **Total Credit Available** (amount from Part II, line 4 and/or Part III, line 7). Enter this amount on Form 2, Schedule V, for individuals; Form CLT-4, Schedule C, for C corporations; or Schedule II for partnerships and S corporations. \$ _____

Amount of credit may not exceed tax liability.

Part IV - Deduction for purchase of recycled material

1. Type of recycled material purchased _____
2. Cost of recycled material \$ _____
3. Multiply the amount on line 2 by 10% (0.10). **This is the amount of your additional deduction.** \$ _____

Enter the amount from line 3 above on your appropriate tax return.

Form 2, Schedule II

Form CLT4-S, page 1, line 16b

Form CLT-4, page 3, line 3c

Form PR-1, page 1, line 17b



Form RCYL General Instructions

Definitions

“Collect” is the collection and delivery of reclaimed materials to a recycling or reclaimable materials processing facility.

“Machinery or equipment” is property having a depreciable life of more than one year. The machinery or equipment collects or processes reclaimable material or is used in the manufacturing of a product from reclaimed material.

“Reclaimable material” is material that has useful physical or chemical properties after serving a specific purpose and that is normally disposed of as solid waste by a consumer, processor or manufacturer. Material may not be considered reclaimed by the consumer, processor or manufacturer that generated the material.

“Recycled material” is a substance that is produced from reclaimed material. Reclaimed material collected, processed or used to manufacture a product may not be an industrial waste generated by the person claiming the tax credit.

Parts I, II and III - Recycling Credit Instructions

This credit is available to C corporations, S corporations, partnerships and individuals that qualify.

What costs do I use to calculate my recycling credit?

The costs used to calculate your credit is the amount of the investment that you have made in the qualifying equipment that is used to calculate your depreciation deduction for federal income tax purposes.

The tax credit is available only for the procurement of machinery and/or equipment that is depreciable (defined in IRS Code Section 167). The machinery and/or equipment must be used in Montana, primarily for the collection or processing of reclaimable material or in the manufacturing of finished products from reclaimed material or to treat soils contaminated by hazardous wastes.

The basis for the credit is generally the cost of the property before consideration of trade-in equipment. An exception: the basis shall be reduced by any trade-in upon which this credit has previously been taken. This includes the purchase price, transportation cost (if paid by the purchaser) and the installation cost before depreciation or other reductions. This credit does not increase or decrease the basis for tax purposes.

Recycling machinery and/or equipment must be located and operating in Montana on the last day of the taxable year for which the credit is claimed. The machinery or equipment must be used to collect, process, separate, modify, convert or treat solid waste into a product that can be used in place of a raw material for productive use or to treat soils contaminated by hazardous wastes. This does not include transportation equipment unless it is specialized to the point that it can only be used to collect and process reclaimable material.

How do I claim my credit when I am a partner or shareholder in a partnership or an S corporation that invested in the depreciable property used for recycling?

Your partnership or S corporation will report the credit on its informational tax return and provide you with your share of the credit on Montana Schedule K-1.

If you are a partner, your share of the credit is based on the same proportion used by you to report your income or loss from the partnership for Montana tax purposes. If you are a shareholder, your share of the credit is based on the pro rata share of the corporation's cost of investing in the equipment.

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.

Only a taxpayer that owns an interest either directly or through a pass-through entity, such as a partnership or S corporation, and is operating the equipment as the primary user on the last business day of the year, may claim the credit.

If the credit exceeds my tax liability, can I carry any excess credit to another tax year?

The credit is limited to the amount of the taxpayer's individual or corporation tax liability. Any excess credit is not refundable, nor can it be carried back or forward to other tax years.

Are there other limitations concerning the recycle credit?

The Department of Revenue may disallow a credit resulting from a sale or lease when the overriding purpose of the transaction is not to collect or process reclaimable material or manufacture a product from reclaimed material.

The credit may not be claimed for an investment in property used to produce energy from reclaimed material.

What information do I have to include with my tax return when I claim this credit?

Individuals and C corporations filing paper returns must attach a completed Form RCYL. S corporations and partnerships filing paper information returns must, in addition to attaching the completed Form RCYL, include a separate statement identifying each owner and their proportionate share.

In addition, if you are claiming a credit in Part II and/or Part III, you will also need to provide a copy of the sales receipt, any pamphlets on the equipment purchased, and any other information regarding what the equipment is and how the equipment is used in the collection, processing and/or manufacturing of a reclaimed material.

Part IV - Recycling Deduction Instructions

A taxpayer may deduct an additional amount equal to 10% of the taxpayer's expenditures for the purchase of recycled material that was otherwise deductible by the taxpayer as business-related expense in Montana.

Include a statement from the manufacturer or supplier stating the amount of recycled material contained in the material or product purchased.

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

When you file your Montana income tax return electronically, you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.