Getting Started

You can help us save time and money by following these instructions.

- Always put entries on the lines, not to the side, above or below the lines.
- Use black or blue ink.
- Do not staple or tape anything to the tax return, correspondence, documents, voucher or check.
- For negative numbers, use a negative sign. Do not use parentheses ( ) for negative numbers. For example, write -8300, not (8300).
- Do not submit photocopies (supporting documents can be photocopied).
- Sign the return.

Also, please organize the return information in the following order (although some items may not apply to every return):

1. check and voucher
2. correspondence
3. tax return
4. schedules
5. other supporting documents.

General Information

Who has to file a Corporate Income Tax Return?

Every corporation engaged in business in the State of Montana—unless expressly exempted under 15-31-102(1), MCA—has to file an annual Montana Corporate Income Tax Return. The term "corporation" includes associations, joint stock companies, limited liability companies that are taxed as C corporations for federal income tax purposes, and common law trusts and business trusts that do business in an organized capacity, whether or not under and pursuant to state laws, agreements or declarations of trust. Please see 15-31-101, MCA. An S corporation has to file an S Corporation Information and Composite Tax Return, CLT-4S.

Corporations have to pay a tax of 6.75% on their total Montana net income. Corporations with a valid water's edge election have to pay a tax of 7% on their total Montana net income. If the corporation has sustained a net loss, it will need to file a Montana Corporate Income Tax Return. The minimum tax that a corporation has to pay is $50. For a combined tax return, the minimum tax applies to each corporation with Montana activity. Please see 15-31-121, MCA.

When does a corporation need to file?

The due date for calendar-year taxpayers is May 15. The due date for fiscal-year taxpayers is the fifteenth day of the fifth month after the close of the taxable year. Interest of 12% per year, calculated daily, accrues on any tax liability that has not been paid by the original due date of the tax return.

Corporations receive an automatic extension of up to six months following the prescribed filing date. No application is required for this extension. Please see 15-31-111(3)(a), MCA. Please note that the automatic six-month extension to file is not an extension to pay.

Did you know that a tax preparer can electronically file a Montana Form CIT?

Montana participates in the joint federal/state electronic filing program. Please visit our website at *revenue.mt.gov* for more details and a list of approved software vendors. Tax professionals who are Authorized e-file Providers can file federal and state tax returns at the same time or separately.

How should a corporation file?

A corporation may file electronically or by submitting returns to the department. If you file electronically, you do not need to send in the Form CIT unless we request a copy. When you file electronically, you represent that the documents required to substantiate the corporation's tax returns will be retained and will be provided upon the department's request. Montana law requires the corporation's president, vice-president, treasurer, assistant treasurer or chief accounting officer to sign the return. Please see 15-31-111(1), MCA. The act of submitting an electronic return constitutes the officer's signature and is a declaration that he or she is the officer identified in the return as signing the return.

If you choose not to file electronically, please mail the tax return to:

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

Did you know that you can sign up to access your Montana tax account online?

Go to *revenue.mt.gov* and check out the Taxpayer Access Point (TAP) website to register for access to your account. After you register for account access, you will be able to make payments, update your account information, view prior year filed returns and payments made, and grant access to others (such as your tax practitioner).

Tax Year

The same tax year used for federal income tax purposes (as indicated on the federal return) must be used for Montana Corporate Income Tax purposes. Please see 15-31-112, MCA. If the corporation has a fiscal year, enter the beginning and ending dates of the fiscal year. For fiscal filers:

Tax Year Beginning in:	Use tax form:
2013	2013 CLT-4
2014	2014 CIT
2015	2015 CIT

Name and Address

Enter the corporation's name and mailing address in the space provided.

Federal Employer Identification Number (FEIN)

Montana uses the FEIN for identification purposes. Enter the FEIN from page 1 of the federal Form 1120, or applicable form.

Federal Business Code/NAICS

Enter the corporation's Principal Business Activity Code number from page 3 of the federal Form 1120 or applicable form. The Business Activity Code is based on the North American Industry Classification System (NAICS). For more information, please visit *naics.com*.

Date Qualified in Montana

Enter the date the Secretary of State qualified the corporation to do business in Montana. If the corporation was formed in Montana, enter the date of incorporation. To find this date, please visit the Secretary of State's website at *sos.mt.gov* and search for the business' name under the Business Services section. You can also obtain a certificate of authority from the Secretary of State.

MT Secretary of State ID

Enter the corporation's Montana Secretary of State Identification number. This number is referred to as the Certified File Number or Filing Number on all correspondence issued by the Secretary of State's office, and begins with a letter. It was originally provided with the certificate of authority to do business in Montana, or when the corporation was incorporated in Montana. Enter the letter, followed by the next six digits of the number. For example, if your Certified File Number is D-123456, enter D123456 in the spaces provided. A company's Secretary of State Identification number can also be found on the Secretary of State's website at *sos.mt.gov* by searching for the business' name under the Business Search section.

Part I. Filing Method

All corporations must complete Part 1 as directed below. If you mark "Yes" to lines 2 or 3, you have to complete lines 4 and 5 of this part.

Line 1

Mark this box if the corporation is exempt from tax under the provisions of Public Law 86-272. Please refer to Administrative Rules of Montana 42.26.501 for guidance about whether a corporation's activities in Montana are protected under the provisions of Public Law 86-272. If the corporation's activities are protected, you still need to complete and include a Schedule K. If you mark this box, skip to Part II if you are filing an amended return; otherwise, skip to Part III.

Line 2

Mark the "Yes" box if the corporation is a member of a consolidated group for federal purposes, either as a parent or a subsidiary. Mark the "No" box if this does not apply.

Line 3

Mark the "Yes" box if the corporation is filing a combined return for Montana purposes (see explanation below) and enter the number of entities with activity in Montana. Mark the "No" box if this does not apply.

If a corporation engages in a unitary business, it has to file a combined return that apportions all business income from such trade or business. The corporation must include in its combined return all unitary affiliates that the corporation directly or indirectly owns more than 50% of, and/or include a unitary affiliate that owns more than 50% of the corporation. A business is unitary when the operations of that business within the state depend on or contribute to the operations of that business outside the state or if the units of the business within and outside of the state are closely allied and not capable of separate maintenance as independent businesses. Please see 15-31-301 through 15-31-311, MCA. Corporations filing combined Montana returns have to complete and include Schedule K (see instructions in this booklet). In addition, if more than one corporation has Montana activity, you have to complete and include Schedule K-Combined (see instructions in this booklet) in support of the Schedule K.

Line 4

If you answered "Yes" to questions 2 or 3 of this part, mark the box that indicates the applicable filing method, and complete and include a Montana Schedule M. The corporation has to qualify in order to file under methods other than a combined method. The same filing method should be used from year to year.

a. **Separate Company** – Mark this filing method if the corporation is a part of a federal consolidated group but is filing a separate, proforma tax return for Montana purposes (non-unitary with any of the other members of the federal consolidated group). Note: If you include a proforma federal Form 1120 with the corporation's Montana tax return, you also have to include a signed copy of the consolidated federal Form 1120 of the ultimate parent corporation.

b. **Separate Accounting** – Mark this filing method if the corporation's business operations in Montana are not unitary with the corporation's business operations outside of Montana. You must be able to separate the corporation's income and expenses that are attributed to business operations within Montana from the total income and expenses of the corporation. You will also have to include a detailed description of the corporation's Montana activity.

c. **Worldwide Combination** – Mark this filing method if the corporation has a unitary relationship with its domestic and foreign subsidiaries. You will need to include federal Form 5471 for each controlled foreign corporation or a detailed schedule of the corporation's foreign income.

d. **Domestic Combination** – Mark this filing method if the corporation has a unitary relationship with its domestic

subsidiaries and does not have greater than 50% ownership of a foreign subsidiary.

e. **Limited Combination** – Mark this filing method if the corporation has excluded one or more of its subsidiaries from its combined unitary group. List the excluded subsidiaries (foreign and domestic) on Schedule M.

f. **Water's Edge** – Mark this filing method only if the corporation has made a valid water's edge election with the State of Montana. Multinational, unitary corporations that wish to file under the water's edge method will have to make an election by filing Form WE-ELECT within the first 90 days of the tax period for which the election is to become effective. This election has to be approved by the department and is binding for three consecutive taxable periods. Please see 15-31-324, MCA. To extend the election for another three-year period, you have to file a new Form WE-ELECT within the first 90 days of the tax period for which the subsequent election is to become effective.

   A corporation that makes a valid water's edge election has to include in their water's edge group all subsidiaries incorporated in tax havens. Please see 15-31-322(1)(f), MCA, for a list of these countries.

   Corporations filing under a valid water's edge election must submit Schedule WE (see instructions in this booklet) with their Montana Form CIT.

   See ARM 42.26.301-313 for more information on the water's edge filing method.

Line 5

If you answered "Yes" to questions 2 or 3 of this part, enter the name and FEIN of the corporation's ultimate parent corporation and include pages 1 through 5 of the parent's consolidated federal Form 1120.

Part II. Amended Tax Return

Use this form to amend an original tax return. You can also file an amended return electronically. Indicate at the top of the form that it is an amended return and mark the box(es) that indicates the reason(s)for the amendment. Please include the applicable forms and statements that explain all adjustments in detail. Complete the entire form using the amended amounts.

- Interest is not paid on a refund resulting from a net operating loss carry-back or carry-forward. Please see 15-31-119(9), MCA.
- Interest is computed on overpayments of tax or additional tax due at the rate of 12% per year. Please see 15-31-531(2), MCA.
- Statute of Limitations on Refunds. Generally, you have to make a claim for refund or credit for the tax year by filing an amended return within three years of the original due date of the return. Please see 15-31-509(2) and (3), MCA.
- If you file an amended return that reflects an increased tax liability, you may meet the conditions for a waiver of the late payment penalty. We may waive the late payment penalty if you have marked the "Amended Return" box on page 1 of Form CIT and the tax and applicable interest are paid in full. By marking this box, you are requesting a waiver of the late payment penalty. Please see ARM 42.3.115.

Part III. General Questions (a-l)

You will need to answer all of the questions by marking the appropriate boxes. If you answer "Yes" to any of the questions in h-l, you will have to complete and include Schedule M.

Part IV. Reporting of Special Transactions

You will need to answer all of the questions by marking the appropriate box. If you answer "Yes" to any question, you will have to include a copy of the applicable form.

Please Note – If any questions in parts I through IV are not answered or the return is not signed, we may return it to you to be completed.

Montana Taxable Income and Net Amount Due

Line 1 – Taxable Income

Enter on line 1 the taxable income reported on line 28 of your federal Form 1120. Include with the Form CIT a complete copy of the signed Form 1120 filed with the Internal Revenue Service. If the Form 1120 is voluminous, please include pages 1 through 5, the schedules used to compute the income and deductions, and the schedules supporting the following federal line items, if applicable:

- Line 2 – Cost of Goods Sold and/or Operations
- Line 8 – Net Capital Gains (Schedule D)
- Line 9 – Ordinary Gains (Loss) (Form 4797)
- Line 10 – Other Income
- Line 17 – Taxes
- Line 19 – Charitable Contributions
- Line 26 – Other Deductions
- Form 8873 – Extraterritorial Income Exclusion
- Schedule M-3 – Net Income (Loss) Reconciliation for Corporations with Total Assets of $10 Million or More
- Schedule N – Foreign Operations of U.S. Corporations
- Form 5471 – Information Return of U.S. Persons With Respect to Certain Foreign Corporations
- Form 8858 – Information Return of U.S. Persons With Respect to Foreign Disregarded Entities

Line 2 – Montana Additions

a. The Montana corporate income tax and other state, local and foreign income taxes deducted on the federal return have to be added back to the corporation's income on this line. Please include a breakdown of federal Form 1120, line 17 taxes. Please see 15-31-114(1)(e), MCA.

b. Federal tax-exempt interest is taxable for Montana purposes and has to be added to the corporation's income on this line. Please see 15-31-113(1)(a)(i), MCA.

c. If a qualified endowment credit is claimed, the amount of contribution used to compute the corporation's credit has to be added to income on this line. Please see 15-31-161, MCA.

d. Corporations that have a unitary relationship with an international group are required to make a worldwide combined filing. Enter any income or loss from the corporation's foreign parent, if applicable, and from all foreign subsidiaries included in the worldwide combined group on this line. Include supporting schedules or federal Forms 5471 and 8858.

e. Unitary filers need to enter the income or loss from unitary subsidiary corporations that are not included in their federal consolidated group. For example, subsidiary corporations in which members of the collective unitary group own more than 50% of that corporation need to be included on this line. Include a copy of the federal Form 1120, or applicable form, and supporting schedules for each separately filed corporation.

f. If the Insure Montana credit for insurance premiums paid during the year is claimed, the amount of insurance premiums used to compute the credit have to be included in the corporation's income on this line. The amount to include is two times the amount of the allowable credit. Please see 33-22-2006(6), MCA.

g. For water's edge filers only—enter the amount from line 10 of Schedule WE. Schedule WE is on page 10 of Form CIT.

h. For water's edge filers only—enter any income or loss of unitary corporations incorporated in a tax haven country on this line. Include a supporting schedule or federal Forms 5471 and 8858. Please see 15-31-322(1)(f), MCA.

i. The federal capital loss carryover is not allowed as a deduction for Montana corporate income tax purposes. Any amount of federal capital loss carryover that was used on the corporation's federal tax return has to be added back on this line. Please include federal Schedule D. Please see 15-31-114(1), MCA.

j. Include with Form CIT a detailed breakdown of any other additions to income and report it on this line.

Examples of other additions:

- Film Production Credit – If a corporation is claiming a film production credit, the expenditures used to compute the credit have to be included in income.
- Extraterritorial Income Exclusion –The federal extraterritorial income exclusion is not allowed for Montana tax purposes. Consequently, the corporation's federal deduction for extraterritorial income has to be added back on this line. Please include federal Form 8873, Extraterritorial Income Exclusion and federal Schedule N, Foreign Operations of U.S. Corporations.

Line 3 – Montana Reductions

a. Montana allows a deduction for Section 243 dividends at the same percentage as the federal deduction. This deduction should be reported on this line. For water's edge filers only—dividends received from 80/20 companies are allowed at 80%. Please see 15-31-325, MCA.

b. Nonbusiness Income (for multi-state taxpayers only) – Business income means income arising from transactions and activity in the regular course of the corporation's trade or business and includes income from tangible and intangible property if the acquisition, management and disposition of that property constitute integral parts of the corporation's trade or business operations. Please see 15-31-302, MCA. Gains or losses from the sale of capital or business assets, dividends, interest, rents, or royalties are business income unless they can be clearly classified as nonbusiness income. Include a statement or schedule that describes each type of nonbusiness income and that explains in detail why you consider that income to be nonbusiness. Report all nonbusiness income on this line. Please see ARM 42.26.206-208.

c. You may deduct an additional 10% of the corporation's costs for the purchase of recycled material on this line, as computed on Form RCYL. Include a copy of Form RCYL. Please see 15-32-610, MCA.

d. Multi-state corporations need to enter the income or loss of all their non-unitary corporations that are included in the federal consolidated group on this line. Include a statement or schedule of the non-unitary corporations and explain in detail why you consider the corporations to be non-unitary.

e. If the corporation is using the water's edge filing method, enter on this line the total of federal line 28 income or loss of all 80/20 companies and include a supporting schedule.

f. A capital loss has to be deducted in the year incurred. Enter the amount of capital loss incurred during the tax period that has not already been deducted on the corporation's federal tax return. Include federal Schedule D. Please see 15-31-114(1)(b), MCA.

g. Report on this line any other allowable deductions and include a detailed schedule.

Examples of other reductions:

- The amount of contributions made by a small business to its independent liability fund. Please see 33-27-117(1), MCA.
- 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 corporation's business and the result of the investment has to show a substantial reduction in the amount of energy needed to render the building usable. Please see 15-32-103, MCA.

- Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation. Please see 15-32-510, MCA.

Line 4 – Adjusted Taxable Income

Add lines 1 and 2, then subtract line 3; enter the total on this line. See ARM 42.26.301-313 for more information on the water's edge filing method.

Line 5 – Income Apportioned to Montana

Multi-state taxpayers should multiply the amount reported on line 4 by the apportionment percentage from Schedule K, line 5. Enter the result on this line.

Line 6 – Income Allocated Directly to Montana

Multi-state taxpayers should report on this line any income that is allocable to Montana. Include a detailed description and applicable supporting schedule(s). If a partnership passed this amount of Montana income or loss to the corporation, please provide the name and FEIN of each partnership and your Montana Schedule(s) K-1.

Line 7 – Montana Taxable Income Before Net Operating Loss

Add lines 5 and 6; enter the result on this line, or enter the amount shown on line 4. If the corporation incurred a net operating loss, enter a negative amount. Unless an election is made to forego carryback, this loss first has to be carried back to the three preceding taxable periods. Please see 15-31-119, MCA.

If you elect to forego the entire carry-back period, mark the "Yes" box on this line. The election is irrevocable. If a net loss is reported on line 7 and you do not mark either box, or mark both boxes, that loss has to be carried back.

Line 8 – Montana Net Operating Loss Carryover

If line 7 is a positive amount, the loss claimed on line 8 cannot exceed the amount of income reported on line 7. If line 7 is a negative amount, enter $0 on line 8. If the corporation has sustained a Montana net operating loss in a preceding year, the remaining loss can be applied against the income reported on line 7. Please see 15-31-119, MCA. A corporation can carry forward a net operating loss for seven taxable periods. If a corporation claims a Montana net operating loss deduction on line 8, include a detailed schedule of the net operating loss carryover.

If you are filing a combined tax return and more than one corporation was active within Montana, you need to compute the net operating loss on a separate entity basis. Schedule K–Combined on pages 8 and 9 of the Form CIT is the form used to calculate the separate entity net operating loss. Use the instructions in this booklet to complete Schedule K-Combined.

Please see ARM 42.23.801-805.

Line 9 – Montana Taxable Income

Subtract any loss reported on line 8 from line 7 and enter the Montana taxable income on this line.

Tax Due

Line 10 – Montana Tax Liability

Multiply line 9 by 6.75% (7% for corporations filing under a valid water's edge election) and enter the total on this line. The corporation's Montana tax liability cannot be less than $50, with the exception of the alternative tax. Please see 15-31-121(3), MCA. The $50 minimum tax applies to each corporation having activity in Montana, regardless of whether the company has a net operating loss. Therefore, line 10 cannot be less than $50 times the number of companies with Montana activity.

Alternative Tax

A corporation may elect to pay a tax of 0.5% on the gross sales made in Montana in lieu of paying the corporation income tax that is based on net income. You may make this election if the corporation meets all of the following criteria:

- The only activities in Montana consist of sales.
- The Montana activities do not include owning or renting real or tangible personal property.
- The dollar volume of gross sales made during the tax year within Montana did not exceed $100,000.

If you elect to pay the alternative tax, mark the box on line 10 and enter the calculated tax liability, and include a schedule of the calculation. Please see 15-31-122, MCA.

Line 11 – Montana Tax Liability

Enter the amount on line 10 here.

Line 12 – Payments

You can make a tentative payment or estimated payments using these methods:

- scheduling an electronic transfer from your checking or savings account or paying with a credit/debit card using our Taxpayer Access Point (TAP) service at *revenue.mt.gov*;
- scheduling an ACH credit through a bank (visit *revenue.mt.gov* for more information); or
- sending the payment, with the completed Montana Corporate Income Tax Payment Voucher that is inserted in this booklet (and also available online at *revenue.mt.gov*), to: Montana Department of Revenue, PO Box 8021, Helena, MT 59604-8021. Be sure to write the corporation's Federal Employer Identification Number (FEIN) and tax year on the memo line of the check.

a. **2014 Overpayment** – An overpayment of 2014 tax that was not refunded can be claimed as a credit on this line.

b. **Tentative Payment** – Enter the amount of tentative payments made.

c. **Quarterly Estimated Tax Payments** – Enter the total amount of quarterly estimated payments made. Estimated payment history can be viewed on Taxpayer Access Point (TAP). Visit *revenue.mt.gov* for more information.

d. **Montana Mineral Royalty Tax Withheld** – The 6% required to be withheld from net royalty payments made to owners of Montana mineral rights is treated as tax paid. This withholding should not be confused with the amounts deducted from a corporation's royalty payments for production taxes. Enter the total amount of Montana royalty withholding on this line. Please include copies of federal Form(s) 1099 in support of this withholding. For corporations who file with a fiscal year end, instead of the Form(s) 1099, please provide a copy of each check stub showing the amounts of royalties withheld during the corporation's fiscal year. For more information, please visit our website at *revenue.mt.gov* and search for "Mineral Royalty Withholding."

e. **Montana Tax Withheld by Pass-Through Entities** – If a pass-through entity in which the corporation held an interest remitted Montana tax on the corporation's behalf, enter the amount of the remittance on this line. Please include the Montana Schedule(s) K-1.

f. **Other Payments** – Please include any payment not reported above and enter a description of the type of payment(s).

g. **Refunds Previously Issued** – If this is an amended return and you received a refund when you filed the original tax return or a previous amended tax return, include the amount of the refund on this line. Do not include overpayments applied to 2016, which need to be entered on line 15.

Add the payments reported on lines 12a through 12f and then subtract line 12g. Enter the total payments on this line.

Note: Any payments of $500,000 or more must be made by electronic funds transfer. Please see 15-1-802, MCA.

Line 13 – Credits

From Schedule C, column C, enter the total credits on this line. To claim any credit on Form CIT, you need to include a completed copy of Schedule C and the prescribed form(s) and detailed schedule(s) for the credit(s) claimed. Please see the instructions for Schedule C in this booklet.

Line 14 – Tax Due or Overpayment

Add lines 12 and 13, then subtract from line 11 and enter the result on this line. Tax due has to be paid by the fifteenth day of the fifth month following the close of the tax year. If you choose the automatic extension of up to six months, the tax plus any applicable penalty and interest is due when the return is filed. Please note that the automatic six-month extension to file is not an extension to pay.

Line 15 – Overpayment Credited to 2016 Estimated Tax

Indicate the amount, if any, of the overpayment you wish to be applied to 2016 estimated tax. If you are filing an amended return, enter the amount of overpayment applied as requested on the original return or previous amended return on this line.

Line 16 – Net Tax Due or Overpayment

Add lines 14 and 15; enter the result on this line.

Line 17 – Interest

If the tax is not paid by the original date that it is due, interest on the tax due accumulates at the rate of 12% per year, calculated daily, until the tax is paid. Please note that the automatic six-month extension to file is not an extension to pay.

Line 18 – Estimated Tax Underpayment Interest

If a corporation's tax liability is $5,000 or greater, it has to make quarterly estimated payments. Please see 15-31-502, MCA. Interest is charged at 12% per year on any underpayment of the required estimated tax. Please see 15-31-510, MCA.

Compute the estimated tax underpayment interest, if applicable, on Form CIT-UT and include a completed copy. Enter the amount of interest on this line. If you use the annualized/seasonal method to compute the interest, mark the box on this line and include a copy of the federal Form 2220 filed with the federal tax return. Form CIT-UT and its instructions are available on our website at *revenue.mt.gov*.

Line 19 – Penalty

a. **Late Filing Penalty** – If a return is not filed by the due date (including any extension of time), the corporation will be subject to a late filing penalty of $50 or the amount of the tax that was due, whichever is smaller.

b. **Late Payment Penalty** – If the corporation does not pay the tax liability by the original due date, a late payment penalty of 1.2% per month or fraction of a calendar month on any unpaid tax will be charged. This penalty cannot exceed 12% of the tax due. The late payment penalty is calculated from the original due date of the return. Please note that the automatic six-month extension to file is not an extension to pay.

Line 20 – Total Due or Overpayment

Add any applicable interest and or penalties reported on lines 17, 18 or 19 to the liability reported on line 16.

a. If the result is positive, enter the amount due on this line. You can pay the amount due using any of these methods:
   - electronic funds withdrawal when e-filing the corporation's joint federal/state tax return;
   - scheduling an electronic transfer from your checking or savings account or paying with a credit/debit card using our Taxpayer Access Point (TAP) service at *revenue.mt.gov*;
   - scheduling an ACH credit through a bank (visit *revenue.mt.gov* for more information); or
   - sending the payment, along with the completed Montana Corporate Income Tax Payment Voucher that is inserted in this booklet (and is also available online at *revenue.mt.gov*), to: Montana Department of Revenue, PO Box 8021, Helena, MT 59604-8021. Be sure to write the corporation's Federal Employer

Identification Number (FEIN) and tax year on the memo line of the check.

b. If the result is negative, enter the amount of refund on this line. Please mark the "Refund Return" box on page 1 of Form CIT.

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

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

Paid Preparer Information

Complete this section of the return if prepared by a tax preparer.

If "No" is marked on the return, we cannot discuss the return with anyone but you or someone to whom you have given a power of attorney, which allows us to discuss the return with them.

If "Yes" is marked on the return, you are authorizing us to:

- call the tax preparer to answer any questions that arise while we are processing the corporation's 2015 tax return, including requesting that the tax preparer give us any information that is missing from the return.
- respond to the tax preparer's call to us for information about the processing of the return or the status of a refund.

You are not authorizing the tax preparer to receive any refund check, bind you to anything (including any additional tax liability), receive any information about any other tax year or tax matter, or otherwise represent you before the department.

Please be aware that this authorization cannot be revoked. The authorization will, however, automatically end no later than the due date, without regard to extensions, of the corporation's subsequent tax return. For example, a 2015 calendar year end filer's authorization would expire on May 15, 2017.

If you want to expand or change the tax preparer's authorization, use Form POA, Power of Attorney, Authorization to Disclose Tax Information. This form can be submitted electronically on Taxpayer Access Point (TAP). Visit our website at *revenue.mt.gov* for more information. This form is also available on our website to complete and submit on paper. An example of changing a tax preparer's authorization is to allow them to respond to notices from us. Note: The department will only send notices directly to you, not to the tax preparer.

Please Note – If an officer of the reporting entity does not sign the corporation's tax return, or if it is incomplete, you will receive a request to sign or complete the return.

Instructions for Schedule K

Schedule K applies only to multi-state taxpayers. All multi-state taxpayers have to complete and include the Schedule K with their Montana Form CIT. In addition, if there is more than one company with Montana activity, you will need to compute each company's apportionment factor on a separate entity basis. Schedule K-Combined on pages 8 and 9 of Form CIT is the form used to calculate the separate entity apportionment factor. Use the instructions in this booklet to complete the Schedule K-Combined.

In most cases, multi-state taxpayers have to compute their Montana taxable income by means of the apportionment factor calculated on Schedule K. The apportionment factor is the standard UDITPA (Uniform Division of Income for Tax Purposes Act) three-factor formula of property, payroll and sales.

When a corporation is engaged in a unitary business within and outside of Montana, the net income assignable to Montana has to be determined using the apportionment factor. A business 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 K has to be completed by every corporation that carries on a unitary business within and outside of the state or if the units of the business within and outside of the state are closely allied and not capable of separate maintenance as independent businesses. Please see 15-31-301, MCA. If you have calculated income attributable to Montana on some basis other than the apportionment method, you have to include a full and detailed description of the business' operation and an explanation of the method used. Even if the Department of Revenue pre-approves an alternative method of calculating your taxable income, you will still need to complete and submit Schedule K.

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

Property Factor (Line 1, Schedule K)

Please see 15-31-306, MCA. The property factor is a fraction.

The numerator is the average value of the taxpayer'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 K. To the extent that it is utilized in Montana, migratory property has to be included in the numerator.

The denominator is the average value of all the taxpayer'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 K.

Property owned by the taxpayer is valued at its original cost. Real and tangible personal property that is used in the business includes land, buildings, machinery, equipment, stocks of goods, inventories, depletable assets 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, or real property that is held for nonbusiness purposes.

Unless otherwise required, 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 was rented has to be valued at eight times the net annual rental rate. Rental expense cannot be averaged. You have to use the rental expense for the current year in the property factor.

Payroll Factor (Line 2, Schedule K)

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 K.

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.
- 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.

The denominator is the total amount paid for compensation attributable to the production of business income during the tax period. Enter the denominator values in column A of Schedule K.

Sales Factor (Line 3, Schedule K)

Please see 15-31-310, MCA. Sales mean all gross receipts of the taxpayer exclusive of nonbusiness income and inter-company transactions. The sales factor is a fraction.

The numerator is the taxpayer's total sales in Montana during the tax period. Enter the numerator values in column B of Schedule K.

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 taxpayer is not taxable in the state of the purchaser.

Sales of real property are in Montana to the extent the property is located in Montana.

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.

The denominator is the taxpayer's total sales everywhere during the tax period. Enter the denominator values in column A of Schedule K.

Sum of Factors (Line 4, Schedule K)

Add lines 1, 2 and 3 in column C. Enter the result on line 4 in column C.

Apportionment Factor (Line 5, Schedule K)

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 K and also enter it on line 5, page 3 of Form CIT, rounding it out to at least the fourth decimal (example: 25.5555%).

Instructions for Schedule C – Tax Credits

You have to include a completed copy of Schedule C – Tax Credits and the required credit forms or detailed supporting schedules with Form CIT in order to offset any tax liability with these credits.

Calculate the total credit available for each line. Column A is the amount of tax credit earned during the current period. Column B includes the amount from column A plus any tax credits allowed to be carried over from other tax periods. Column C is the amount of tax credit that you can use for the current period.

Please Note: Credits must be applied on a separate entity basis on line 6j of Schedule K-Combined except for the Contractor's Gross Receipts Tax Credit. Refer to line 6h of the Schedule K-Combined for the separate entity tax liability.

Nonrefundable Credits

Line 1 – New/Expanded Industry Credit

In order to qualify, you will have to include a detailed schedule. A manufacturing company that begins or expands Montana operations and increases its total full-time employment by at least 30% is eligible for this credit. The amount of this credit is 1% of the total wages, as defined in 39-51-201, MCA, paid to new employees. This credit is available during each of the first three years after that company initiates or expands its manufacturing operation. This credit cannot be carried over. Please see 15-31-124 through 15-31-127, MCA.

Line 2 – Montana Dependent Care Assistance Credit

Please refer to Form DCAC.

Line 3 – Montana College Contribution Credit

Please refer to Form CC.

Line 4 – Health Insurance for Uninsured Montanans Credit

Please refer to Form HI.

Line 5 – Montana Recycle Credit/Deduction

Please refer to Form RCYL.

Line 6 – Alternative Energy Production Credit

Please refer to Form AEPC.

Line 7 – Contractor's Gross Receipts Tax Credit

A company that has paid public contractor's gross receipts tax under 15-50-207, MCA, is entitled to a nonrefundable credit for a taxable year within which the net income from contracts subject to the gross receipts tax is reported.

After the corporation has deducted its personal property taxes, it can apply the remaining credit, if any, to its corporate income tax liability. Starting in 2006, any excess credit can be carried forward to the next succeeding tax year for up to five years.

To support the credit that you claim, include a schedule or statement including the contract name (and number, if any), location, general description (e.g., building, road, bridge, etc.), name of awarding agency, name of prime contractor and the amount of gross receipts tax paid. If you report income from contracts on a percentage-of-completion basis, this credit has to be allocated proportionately. If you file a combined return in Montana and your contractor's gross receipts tax is paid by an affiliate, include the name and federal employer identification number (FEIN) of the affiliate and the amount of gross receipts tax paid.

Line 8 – Alternative Fuel Credit

Please refer to Form AFCR.

Line 9 – Infrastructure User Fee Credit

Please refer to Form IUFC.

Line 10 – Qualified Endowment Credit

Please refer to Form QEC.

Line 11 – Historical Buildings Preservation Credit

Please see 15-31-151, MCA. Include federal Form 3468 to qualify for this credit. A corporation may claim this credit for expenditures made for the preservation of certain historic buildings located in Montana. Qualifying historic buildings are those structures defined in Section 47(c) of the IRC. The allowable Montana credit is 25% of the federal rehabilitation credit provided for in Section 47(a)(2) of the IRC. Any unused credit can be carried forward for up to seven years succeeding the year in which the credit is generated.

Line 12 – Increase Research and Development Activities Credit

The Increasing Research and Development credit expired on December 31, 2010. Therefore, a current year credit cannot be claimed for periods beginning after December 31, 2010. Any unused credit from prior periods can be carried forward for up to 15 tax years. If you are claiming unused credit carryforward on this line, include a detailed schedule of the credit carryforward.

Line 13 – Mineral Exploration Incentive Credit

Please refer to Form MINE-CRED.

Line 14 – Empowerment Zone Credit

For tax periods beginning on or after October 1, 2003, an employer is allowed a credit for each new employee at a business in an empowerment zone under 15-31-134, MCA. To be eligible for this credit a corporation has to be certified by the Montana Department of Labor and Industry. The credit can be carried forward seven years and carried back three years.

Line 15 – Film Employment Production Credit – Nonrefundable

The Film Employment Production Credit expired on December 31, 2014. Therefore, a current year credit cannot be claimed for periods beginning after December 31, 2014. Any unused credit from prior periods can be carried forward for up to four tax years. If you are claiming an unused credit carryforward on this line, please include a detailed schedule of the credit carryforward.

Line 16 – Biodiesel Blending and Storage Credit

Please refer to Form BBSC.

Line 17 – Oilseed Crushing and Biodiesel/ Biolubricant Production Credit

Qualifying property for the Oilseed Crushing and Biodiesel/ Biolubricant Production Credits must have been placed into service before January 1, 2015. Therefore, current year credits cannot be claimed for any periods beginning after December 31, 2014. Any unused credit from prior periods can be carried forward as allowable under sections 15-32-701 and 15-32-702, MCA. If you are claiming an unused credit carryforward on this line, please include a detailed schedule of the credit carryforward.

Line 18 – Geothermal System Credit

Please refer to Form ENRG-A.

Line 19 – Total Nonrefundable Credits

Add lines 1 through 18 and enter the result on this line.

Refundable Credits

Line 20 – Insure Montana Credit

Employers, as defined in 33-22-2006, MCA, can claim a credit for qualifying insurance premiums paid for coverage of eligible employees, their spouses and dependents under a group health plan. If you claim this credit, please include a copy of the letter from the State Auditor's Office providing the final amount of tax credit the business received. If you are using insurance premiums to calculate the Health Insurance for Uninsured Montanans Credit (line 4), these premium payments cannot be used to calculate the Insure Montana Credit. In addition, if you deducted these premiums to calculate Montana taxable income, you have to add the amount deducted on the federal tax return back on line 2f of Form CIT. The amount to add back is two

times the amount of the allowable credit. This credit can be claimed even if it exceeds the tax liability on line 10 of Form CIT. Any allowable credit in excess of the tax liability must be refunded.

Line 21 – Emergency Lodging Credit

Please refer to Form ELC.

Line 22 - Unlocking State Lands Credit

For tax periods beginning on or after January 1, 2015, a taxpayer is allowed a credit of $500 for each qualified access to state land, as defined in 77-1-101, MCA. The maximum credit allowed is $2,000. This credit can be claimed even if it exceeds the tax liability on line 10 of Form CIT. Any allowable credit in excess of the tax liability must be refunded. Please refer to 15-30-2380, MCA.

Line 23 – Total Refundable Credits

Add lines 20 through 22 and enter the result on this line.

Tax Credits Recapture

Line 24 – Qualified Endowment Credit Recapture

If a charitable gift is recovered in the current year, the amount of tax due has to be increased by the amount of credit originally taken in the year the charitable gift was made. Enter the amount of credit recaptured on this line.

Line 25 – Historical Buildings Preservation Credit Recapture

If a federal credit is recaptured for expenditures associated with a historic building in Montana, the Montana credit has to be recaptured. Enter the amount of the credit recaptured on this line.

Line 26 – Film Production Credit Recapture

If a production company's certification is revoked after taking the credit, you have to recapture the credit on this line.

Line 27 – Biodiesel Blending and Storage Credit Recapture

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 this line.

Line 28 – Oilseed Crushing and Biodiesel/ Biolubricant Production Credit Recapture

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 this line.

Line 29 – Total Recapture of Tax Credits

Add line 24 through 28 and enter the result on this line.

Line 30

Add the total of lines 19 and 23, and then subtract line 29. Enter the amount on this line and on line 13 on page 4 of Form CIT.

Instructions for Schedule K-Combined

Who needs to fill out Schedule K-Combined?

If you are filing a combined return and have more than one company with Montana activity, you will need to compute each company's apportionment factor on a separate entity basis. Only include those companies with activity in Montana. Enter the totals of the Schedule K-Combined on the Schedule K.

Completing the Schedule K-Combined

Please refer to the instructions for Schedule K in this booklet for the calculation of the property, payroll and sales factors.

Everywhere Activity is the totals for the combined Montana filing group. The amount in column A of Schedule K-Combined should be the same amount reported in column A of Schedule K.

In each column under Montana Separate Entity Activity, enter the Corporation Name and FEIN of each entity with Montana activity. Do not include companies that have no Montana activity. The grand total of Montana Column represents the total Montana activity for the combined group. These amounts need to be reported on column B of Schedule K.

All intercompany eliminations must be made before completing the Schedule K-Combined.

Line 5 – Apportionment Factor

The total percentage on line 5b in column C of the Schedule K-Combined should be the same percentage reported on line 5 in column C of the Schedule K.

Line 6 – Montana Taxable Income

6a. For each column, enter the combined group's Montana adjusted taxable income from line 4 on page 3 of Form CIT.

6b. Multiply each column's separate entity apportionment factor by the combined group's Montana adjusted taxable income.

6c. Income directly allocated to Montana should be included under the entity to which this income is related.

6d. Add lines 6b and 6c; enter the result on this line.

6e. Enter the net operating loss carryover for each separate entity. The net operating losses carried over must be calculated in the same manner using the Schedule K-Combined for each prior year. Please include a schedule detailing the computation of the net operating loss carryover. The total in column C of the Schedule K-Combined should equal the same amount reported on line 8 of page 3 of Form CIT.

6f. Subtract line 6e from line 6d and enter the result on this line.

6g. Enter the total of all columns on line 6f. The total amount for column C of the Schedule K-Combined should be the same as line 9, page 3 of Form CIT.

6h. Multiply line 6f by 6.75% (7% for corporations filing under a valid water's edge election) and enter the total on this line. The corporation's Montana tax liability cannot be less than $50 times the number of companies with Montana activity, regardless of whether the company has a net operating loss.

6i. Add all columns on line 6h and enter the result. The total amount for column C of the Schedule K-Combined should be the same as line 10 on page 3 of Form CIT.

6j. Credits must be applied on a separate entity basis, except for the Contractor's Gross Receipts Tax Credit. Enter the Montana credit(s) of each separate entity on this line.

Instructions for Schedule WE

Who needs to fill out Schedule WE?

If a corporation has made a valid water's edge election, Schedule WE has to be filled out. A water's edge election allows a corporation to apportion its worldwide income to this state using only certain affiliated corporations' income, based upon attributes such as the location of the affiliate's payroll and property, and the percentage of ownership in the affiliate. Please see 15-31-322, MCA.

Part I. Water's Edge Election

If you wish to use the water's edge filing method, you have to make an election by filing Form WE-ELECT within the first 90 days of the tax year for which it is to become effective. Each election binds you for a three-year renewable period. Form WE-ELECT has to be filed for each three-year period and must be submitted within the first 90 days of the tax period for which a subsequent election is to become effective. In order to revoke the election, you must make a request and receive written permission from the department. Please see 15-31-324, MCA.

On line 1, enter the tax periods for which a valid water's edge election has been approved by the department.

Part II. How to Calculate the Deemed Dividends Received from Corporations Incorporated Outside of the United States

An 80/20 company is not eligible to be included in a water's edge filing group. A corporation that is incorporated in the United States that has more than 80% of the average of its payroll and property assignable to a location outside the United States is commonly referred to as an 80/20 company.

The water's edge combined return includes only the income and apportionment factors of the members of the unitary group that meet the criteria set forth in 15-31-322, MCA, and summarized below. If the affiliated entity meets any one of these criteria and is unitary, it is included in the combined return. If the affiliated entity does not meet any of these criteria, it is excluded from the combined return.

- An affiliated entity that:
  - is incorporated in the United States,
  - is in a unitary relationship with your corporation,
  - has less than 80% of its average payroll and property assigned to locations outside the United States, and
  - is eligible to be included in a federal consolidated tax return as described in 26 U.S.C. 1501 through 1505, with the exception that the 80% ownership requirement described in 26 U.S.C. 1504 is reduced to ownership of more than 50% of the voting stock directly or indirectly owned or controlled by a member of the water's edge group.
- Domestic international sales corporations, as described in 26 U.S.C. 991 through 994, and foreign sales corporations, as described in 26 U.S.C. 921 through 927.
- Export trade corporations, as described in 26 U.S.C. 970 and 971.
- Foreign corporations deriving gain or loss from disposition of a United States real property interest to the extent recognized under 26 U.S.C. 897.
- A corporation incorporated outside the United States, if more than 50% of its voting stock is owned directly or indirectly by the taxpayer and if less than 80% of the average of its payroll and property is assignable to a location outside the United States.
- An affiliated entity that is in a unitary relationship with your corporation and that is incorporated in a tax haven country. Please refer to Part IV for additional details.
- A portion of the after-tax net income of United States corporations that are excluded as 80/20 companies and the United States possession corporations described in Sections 931 through 934 and Section 936 of the IRC are considered dividends received from corporations that are incorporated outside of the United States. These deemed dividends are included in the apportionable income and are to be calculated in Part II.

Line 1 – Positive Taxable Income of 80/20 Companies

Using a by-company breakdown of your corporation's consolidated federal Form 1120, enter on this line the amount that you reported on line 30 for all 80/20 companies that had positive income. When you compute 80/20 positive taxable income for this line, do not include any 80/20 companies that reported a loss on line 30.

Line 2 – Consolidated 1120 Positive Taxable Income

Enter the total of the amounts reported on your corporation's federal Form 1120 line 30 for all companies that had a positive income. When you compute consolidated 1120 positive taxable income, do not include any companies that reported a loss on line 30.

Line 3 – Ratio of 80/20 Positive Income to Consolidated 1120 Income

Divide the amount on line 1 by the amount on line 2; enter the result on this line. Round out to at least the fourth decimal (example: 0.5555).

Line 4 – Tax Liability as Reported on Consolidated 1120

Enter the federal tax liability reported on your corporation's consolidated federal Form 1120, net of any federal tax credits.

Line 5 – Federal Tax Liability Associated with 80/20 Companies

Multiply line 3 by line 4; enter the result on this line.

Line 6 – Section 78 Gross-Up Received by 80/20 Companies

Enter the amount reported on your corporation's federal Schedule C for Section 78 gross-up that your 80/20 companies received during the tax period.

Line 7 – After-Tax Net Income of 80/20 Companies

Subtract line 5 and line 6 from line 1; enter the result on this line. If the result is less than zero, enter zero.

Line 8 – After-Tax Net Income of Unconsolidated 80/20 Companies

For all companies owned greater than 50% that are not included in your consolidated federal Form 1120, calculate the after-tax net income for your U.S. corporations that qualify as 80/20 companies, by subtracting the tax liability from the taxable income on the corporation's federal return. Enter the total on this line.

Line 9 – Total After-Tax Net Income

Add lines 7 and 8; enter the total on this line.

Line 10 – 20% Deemed Dividend from 80/20 Companies

Multiply line 9 by 20% (0.20); enter the result on this line, and also on Form CIT, line 2g.

Part III. List of 80/20 Companies

Column 1 – Name

Enter the name of each company that qualified as an 80/20 company for the filing period.

Column 2 – FEIN

For each company listed in column 1, enter the 80/20 company's federal employer identification number (FEIN).

Column 3 – Income/Loss

For each company listed in column 1, enter the income or loss reported on your corporation's consolidated federal Form 1120, line 30.

Column 4 – Dividends Received

For each company listed in column 1, enter the total dividends received.

Part IV. List of Controlled Foreign Corporations

Column 1 – Name

Enter the name of each company incorporated outside the United States that the ultimate parent and its subsidiaries directly or indirectly owned greater than 50%. Also enter the name of each foreign partnership or foreign disregarded entity in which a corporation within the water's edge group held a direct or indirect interest.

Column 2 – Country of Incorporation/Organization

For each company listed in column 1, enter the country of incorporation or organization.

Column 3 – Income/Loss

For each company listed in column 1, enter the income or loss reported on line 18 of its federal Form 5471.

You are required to submit a copy of the federal Forms 5471 and 8858 of each company that is incorporated in a tax haven country during this filing period.

A water's edge return must include the income of each corporation that is in a unitary relationship with your corporation and is incorporated in a tax haven country. Please see 15-31-322, MCA. Tax haven countries currently include Andorra, Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Bahrain, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Cook Islands, Cyprus, Dominica, Gibraltar, Grenada, Guernsey-Sark-Alderney, Isle of Man, Jersey, Liberia, Liechtenstein, Luxembourg, Malta, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Netherlands Antilles, Niue, Panama, Samoa, San Marino, Seychelles, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Turks and Caicos Islands, U.S. Virgin Islands and Vanuatu. This list has been updated and is effective for periods beginning after December 31, 2008.

See ARM 42.26.301-313 for more information on the water's edge filing method.