What's New for 2012?

Automatic Extension to File and Pay if Tax Liability is $200 or Less

If the estate or trust's tax liability is $200 or less, the fiduciary will receive an automatic six-month extension to file the estate or trust's return and pay the tax as long as the payment is received and the return is filed by the extended due date. Please note that if the return is not filed and the tax is not paid on or before the extended due date, penalty and interest will be calculated from the original due date of the tax return.

Form PT-WH Discontinued

The Form PT-WH (Montana Income Tax Withheld for a Nonresident Individual, Foreign C Corporation, or Second Tier Pass-Through Entity) has been discontinued beginning with tax year 2012 to eliminate duplicated reporting of pass-through entity withholding amounts. In prior years, a pass-through entity reported the amount of pass-through withholding attributable to each owner on a Form PT-WH and the owner's Montana Schedule K-1. Now, pass-through entities will only report each owner's distributive amount of pass-through withholding on a Montana Schedule K-1.

New! Form ESA-FID

We developed Form ESA-FID (Fiduciary Estimated Tax Annualization Worksheet) so that fiduciaries can more easily use the annualized income installment method for estimated payments. If the income of an estate or trust fluctuates or is seasonal, the fiduciary may be able to lower the amount of one or more required estimated tax installments by annualizing the income. To see if the estate or trust can pay less for any period, first complete a Form ESW-FID (Fiduciary Estimated Income Tax Worksheet), then complete Form ESA-FID. The Form ESA-FID is available on our website at *revenue.mt.gov* or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

Improved Forms and Schedules

As a result of feedback we have received from taxpayers and tax practitioners, we updated the following forms and schedules for 2012.

- **Form FID-3 – Heading**

  An additional entity type (Qualified funeral trust) and residency status (Resident part-year) were added to the heading section. If a fiduciary files a federal Form 1041-QFT for a trust, then the fiduciary is required to mark the entity type, Qualified funeral trust. If the residency of a trust changes during the year, the fiduciary can now identify this change in residency status. These changes will help us more accurately process returns.

- **Form FID-3 – Payments and Refundable Credits**

  Lines 37a and 37b were added so that fiduciaries could allocate to beneficiaries or to the estate or trust the appropriate amount of Montana income tax withheld. In addition, lines 38a and 38b were also added so that fiduciaries could allocate to beneficiaries or to the estate or trust the appropriate amount of Montana pass-through entity withholding. The new lines allow fiduciaries to accurately allocate tax payments and help us more efficiently direct payments to the correct taxpayer.

- **Form FID-3 – Montana Filing Extension**

  The extension to file a Form FID-3 was shortened from six to five months in 2008 when the federal extension became five months. As we were implementing the changes from the 2011 legislative session, it was determined that 15-30-2604, MCA uniformly applies to fiduciary tax as well as individual income tax. Consequently, the Form FID-3 qualifies for an automatic six-month extension of time to file even though the extension for the federal return is still five months. We removed the extension indicator box by the fiduciary signature on page 3 of the Form FID-3. The 2012 Form FID-3 will receive an automatic six-month extension if:

  - The estate or trust's 2012 tax liability as reported on Form FID-3, line 50 is $200 or less.
  - The estate or trust paid 100% of its 2011 tax liability as reported on the 2011 Form FID-3, line 50.
  - The estate or trust paid at least 90% of its 2012 tax liability as reported on the 2012 Form FID-3, line 50.
  - The estate or trust is a first-time filer.
  - The estate or trust had zero or negative taxable income for 2011.

- **New Schedule G – Electing Small Business Trust (ESBT) Tax Calculation**

  ESBT activity previously reported on Schedules A, B, E and F is now reported on a new ESBT schedule, Schedule G (Electing Small Business Trust Tax Calculation). The new ESBT schedule replaced the previous Schedule G (Credit for an Income Tax Liability Paid to Another State or Country). The credit will now be calculated on a worksheet on page 21. The new ESBT schedule increases the consistency between federal and Montana reporting requirements. Please refer to the instructions for Schedule G on page 13 for more information.

- **Montana Schedule K-1 (FID-3) – Part 4**

  The 2012 Montana Schedule K-1 now includes Montana source income allocated to resident beneficiaries in Part 4. Prior years' Montana Schedule(s) K-1 required fiduciaries to only report amounts allocated to nonresident beneficiaries in Part 4. Montana source income for resident beneficiaries is all income allocated to the beneficiary from the estate or trust.

Form FID-3 Instructions

Heading

Tax Year

The same tax year used for federal income tax purposes (as indicated on the federal tax return) must be used for Montana income tax purposes. If the estate or trust has a fiscal year, enter the beginning and ending dates of the fiscal year. Use the 2011 Form FID-3 if the estate or trust's tax year began in the 2011 calendar year.

Name and Address

Enter the legal name of the estate or trust on the first line. Enter the name and title, if any, of the fiduciary on the second line and include the fiduciary's mailing address on the third and fourth lines.

Federal Employer Identification Number (FEIN)

Enter the FEIN from page 1 of federal Form 1041. Montana uses the FEIN for identification purposes.

Date Entity Created

Enter the date the estate or trust was created from page 1 of federal Form 1041.

Schedule K-1 and Beneficiary Information

Enter the number of Montana Schedule(s) K-1 included and the number of each type of beneficiary: resident, nonresident or other.

Checkbox Items:

- Mark the "Initial return" box if this is the first return filed in Montana for this estate or trust.
- Mark the "Final return" box if this is the last return to be filed in Montana for this estate or trust.
- Mark the "Amended return" box if this return is being filed to correct a previously filed Form FID-3. See FAQ ⓭ on page 17 for more information.
- Mark the "Refund return" box if this return is being filed to receive a refund.
- Mark the "NOL carryback" box if this return is being filed to carry back a Net Operating Loss (NOL).
- Mark the "Estate or filing trust made a 645 election" box if the estate and filing trust made a 645 election for the trust to be treated as part of the estate for federal purposes.

Entity Type

Mark the applicable box for the same entity type checked on page 1 of federal Form 1041. If the fiduciary files a federal Form 1041-QFT for a trust, the fiduciary will file a Montana Form FID-3 and mark the "Qualified funeral trust" box.

Residency Status

Mark the applicable box to indicate the residency status of the estate or trust. For more information about the residency status of estates and trusts, see FAQ ❷ on page 15.

Specific Line Instructions

Income

Lines 1 through 8

Enter the amount of income reported on federal Form 1041, lines 1 through 8.

Line 2 – Dividends

Enter the total amount reported on line 2a of federal Form 1041. Montana taxes dividends as ordinary income and does not apply the federally qualified dividend tax rate.

Line 9 – Total Federal Income

Add lines 1 through 8. This is total federal income and must match the total federal income reported on federal Form 1041. If the trust is an electing small business trust (ESBT), see FAQ ⓱ on page 18.

Deductions and Exemption

Allocation of Deductions for Tax Exempt Income

All deductions entered on lines 10 through 15b include the total deductions related to taxable income reported on federal Form 1041. See federal Form 1041 instructions, "Allocation of Deductions for Tax-Exempt Income," for information on how to determine the allocable amount to enter on lines 10 through 15b.

The tax exempt income included on lines 10 through 15b must be reduced by any deductions attributed to the tax exempt income.

Lines 10 through 15b

Enter the amounts from federal Form 1041, lines 10 through 15b, on the corresponding lines.

Line 11 – Taxes

Enter the taxes deducted on federal Form 1041, line 11, such as state and local income taxes, real or personal property taxes, foreign or U.S. possession income taxes, and state and local general sales taxes. Montana income taxes paid or accrued and reported here are added back on Schedule A, Schedule of Additions, line 5. Federal income taxes paid or accrued are reported on Schedule B, Schedule of Deductions/Subtractions, line 1.

Line 15a – Other Deductions Not Subject to the 2% Floor

Examples of deductions include casualty and theft losses, net operating loss deduction or domestic production activities deduction.

Line 16

Add lines 10 through 15b.

Line 17 – Federal adjusted total income or (loss)

Subtract line 16 from line 9. The amount entered must match the amount entered on federal Form 1041, line 17.

Line 18 – Montana additions from Schedule A

Enter the Montana additions from Schedule A, line 10.

Line 19 – Montana deductions/subtractions from Schedule B

Enter the Montana deductions/subtractions from Schedule B, line 9.

Line 20

Add lines 17 and 18, then subtract line 19. This is the Montana adjusted total income (loss).

Line 21 – Montana Income Distribution Deduction

Enter the Montana income distribution deduction from Schedule C, line 13. Do not enter an amount less than zero.

Line 22 – Exemption

Each estate or trust is allowed one exemption of $2,240.

Line 23

Add lines 21 and 22. This is the total Montana income distribution deduction and exemption.

Line 24 – Montana Taxable Income

Subtract line 23 from line 20. This is the estate or trust's Montana taxable income.

Taxes and Credits

Line 26 – Tax from Tax Table

Compute the tax using the following tax table:

If the Taxable Income is More Than	But Not More Than	Multiply the Taxable Income By	And Subtract	This is Your Tax
$0	$2,700	1% (0.010)	$0	
$2,700	$4,800	2% (0.020)	$27	
$4,800	$7,300	3% (0.030)	$75	
$7,300	$9,900	4% (0.040)	$148	
$9,900	$12,700	5% (0.050)	$247	
$12,700	$16,400	6% (0.060)	$374	
More Than $16,400		6.9% (0.069)	$522	
For Example: Taxable Income $6,800 X 3% (0.030) = $204 $204 Minus $75 = $129 Tax				

Line 27 – Capital Gains Tax Credit

Enter the capital gains tax credit from Schedule E, line 4.

Line 28 – Resident Tax After Capital Gains Tax Credit

If the estate or trust is a resident, this is the resident tax after capital gains tax credit. Skip line 28a and go to line 29.

If the estate or trust is a nonresident or part-year resident, complete this line and go to line 28a.

Line 28a – Nonresident, Part-Year Resident Tax after Capital Gains Tax Credit

Enter the nonresident, part-year resident tax after capital gains tax credit from Schedule F, line 17. See the instructions for Schedule F on page 12.

Line 29 – Tax on Lump-Sum Distributions

If the estate or trust qualifies on its federal tax return for special averaging of a lump-sum distribution and the distribution is not included as ordinary pension income in federal adjusted gross income, the estate or trust will need to pay Montana income tax on this distribution. The Montana tax liability on the lump-sum distribution is 10% of the federal tax calculated on federal Form 4972.

Line 30 – Total Tax

If the estate or trust is a resident, add lines 28 and 29. If it is a nonresident or part-year resident, add lines 28a and 29.

Line 31 – Credit for an Income Tax Liability Paid to Another State or Country (residents and part-year residents only)

Enter the amount from Worksheet I, line 10 if the estate or trust is a resident or the amount from Worksheet II, line 10 if the trust is a part-year resident.

Resident estates and trusts are allowed a credit for income taxes paid to another state or country on net income that is also taxable to Montana. Part-year resident estates and trusts are allowed a credit for income taxes paid to another state or country on net income that is also taxable to Montana and if the income is included on Schedule F, line 14, column B. A credit is allowed against Montana income tax only if the tax paid to a state or foreign country was based on net income of the same taxable year and only if the income taxed by the state or foreign country was derived from sources outside of Montana. A copy of the other state or country's income tax return, or a copy of federal Form 1116 (if applicable) for claiming a foreign tax credit, must be included with Form FID-3.

If the estate or trust had income from a state that has no state income tax, make no entry on line 31 and go to line 32.

Nonresident estates and trusts may not claim this tax credit against their Montana tax liability.

Foreign Tax Credit: The estate or trust is not entitled to a Montana tax credit for taxes paid to a foreign country unless it has unused federal foreign tax credit that is not eligible to be carried back or carried forward to another tax year.

If the estate or trust is a shareholder of an S corporation or a partner in a partnership, and the S corporation or partnership pays an income tax, excise tax or franchise tax that was measured by and imposed on net income to another state or country, the estate or trust can claim a credit for its share of these taxes paid by the entity.

Other taxes paid by the S corporation or partnership, such as, but not limited to, franchise or license taxes, fees that are not imposed on or measured by net income, gross receipt taxes or gross sales taxes, are not allowed.

When the estate or trust claims this credit for the taxes paid by a pass-through entity, it will have to add back to Montana income its share of the S corporation or partnership's federal tax deduction that is included in total income. This is required whether or not the S corporation or partnership separately or non-separately stated the income tax deduction on the federal Schedule K-1.

If the estate or trust is required to file an income tax return in more than one state or country and it is entitled to the credit, complete a separate Worksheet I for residents or Worksheet II for part-year residents for each state or country in which an income tax return was filed and tax was paid on the income that is also taxed to Montana.

When calculating the credit do not include penalties and interest paid to the other state or country in the calculation.

Line 32 – Other Nonrefundable Credits

If the estate or trust is claiming one or more of the nonrefundable credits listed below, identify each credit being claimed and its amount on line 32, and include the amount(s) of the nonrefundable credit(s) in the total for line 32. If more than one credit is claimed, include a list of credits claimed and enter the total. Include all applicable credit forms.

Important In order to claim any credit, the appropriate form(s) must be included with the estate or trust's tax return. The forms do not specifically address estates and trusts, but estates and trusts are allowed to claim the credits listed below. The forms and instructions are available on our website at *revenue.mt.gov*.

Nonrefundable/noncarryover credits:

- Alternative Fuel Credit (Form AFCR)
- College Contribution Credit (Form CC)
- Energy Conservation Installment Credit (Form ENRG-C)
- Health Insurance for Uninsured Montanans Credit (Form HI)
- Qualified Endowment Credit (Form QEC)
- Recycle Credit (Form RCYL)

Nonrefundable/carryover credits:

- Alternative Energy System Credit (Form ENRG-B)
- Alternative Energy Production Credit (Form AEPC)
- Biodiesel Blending and Storage Credit (Form BBSC)
- Contractor's Gross Receipts Tax Credit
- Empowerment Zone Credit
- Geothermal System Credit (Form ENRG-A)
- Film Production Credit (Form FPC)
- Historic Property Preservation Credit (federal Form 3468)
- Infrastructure User Fee Credit (Form IUFC)
- Mineral and Coal Exploration Incentive Credit (Forms MINE-CERT and MINE-CRED)
- Oilseed Crushing and Biodiesel/Biolubricant Production Credit (Form OSC)
- Increase Research and Development Activities Credit (credit expired December 31, 2010; include a detailed schedule of the credit carryforward)

Line 33 – Total Nonrefundable Credits

Add lines 31 and 32.

Line 34 – Tax Less Nonrefundable Credits

Subtract line 33 from line 30. If zero or less, enter zero.

Line 35 – Endowment Credit Recapture Tax

If the estate or trust previously claimed an endowment credit and has also taken a charitable deduction for a gift that it contributed to a qualified endowment and the estate or trust has now received the gift back, the estate or trust is required to recapture the previous credit to the extent the credit reduced an income tax liability in a previous year.

Enter the amount of the endowment credit recapture tax. If, in addition to the recapture tax, part of the amount that is recaptured was claimed as a charitable contribution in a prior year, the estate or trust will have to include in income on Form FID-3, Schedule A, line 4, any recoveries of this prior year deduction that reduced the tax liability in the year of that deduction.

Line 36 – Tax Liability

Add lines 34 and 35 and the amount reported on Schedule G, line 12.

Payments and Refundable Credits

Line 37a – Total Montana Income Tax Withheld

Enter the amount of Montana income tax withheld. This amount is usually reported in Box 17 of the federal Form W-2, or in Box 12 of federal Form 1099-R. When the estate or trust claims Montana income tax withheld, it is required to include a copy of the withholding statement(s), such as federal Form(s) W-2 or 1099-R.

Important Do not report income tax withheld as a result of an ownership interest in a pass-through entity or Montana mineral royalty tax withheld on this line.

Line 37b – Montana Income Tax Withheld Allocable to Beneficiaries

Enter the amount of Montana income tax withheld reported on line 37a and allocable to beneficiaries.

Line 37 – Montana Income Tax Withheld Allocable to the Estate or Trust

Subtract line 37b from 37a. This is the amount of Montana income tax withheld that is allocable to the estate or trust.

Line 38a – Total Montana Pass-Through Entity Withholding

If the estate or trust has an ownership interest in a pass-through entity that had Montana source income and the pass-through entity paid Montana income tax on behalf of the estate or trust, enter the amount here. This amount is reported to the estate or trust on a Montana Schedule K-1 issued by a pass-through entity and should not be confused with any Montana mineral royalty tax withheld that passed through to the estate or trust from a pass-through entity.

Line 38b – Montana Pass-Through Entity Withholding Allocable to Beneficiaries

Enter the amount of Montana pass-through entity withholding reported on line 38a and allocable to beneficiaries.

Line 38 – Montana Pass-Through Entity Withholding Allocable to the Estate or Trust

Subtract line 38b from 38a. This is the amount of Montana pass-through entity withholding that is allocable to the estate or trust.

Line 39a – Total Montana Mineral Royalty Tax Withheld

If the estate or trust paid Montana mineral royalty tax withholding, enter the withholding on this line. If the estate or trust receives a distributive share of Montana mineral royalty tax withholding from a pass-through entity, enter the withholding on this line. This is generally reported on federal Form 1099. Royalty payments made to owners of Montana mineral rights are subject to state tax withholding if certain thresholds are met. This amount should not be confused with the production taxes that are also subtracted from royalty payments.

If the mineral rights are held by a pass-through entity that the estate or trust has an ownership interest in or from which the estate or trust receives a distribution, enter the amount reported to the estate or trust as its share of the withholding. Include a schedule detailing the calculation of the estate or trust's portion of the withholding and any supporting documents, such as the Montana Schedule K-1 issued to the estate or trust or a copy of the Form 1099 issued to the pass-through entity. For more information, please visit "Mineral Royalty Withholding" at *revenue.mt.gov*.

Line 39b – Montana Mineral Royalty Tax Withheld Allocable to Beneficiaries

Enter the amount of Montana mineral royalty tax withheld reported on line 39a and allocable to beneficiaries.

Line 39 – Montana Mineral Royalty Tax Withheld Allocable to the Estate or Trust

Subtract line 39b from 39a. This is the amount of Montana mineral royalty tax withheld that is allocable to the estate or trust.

Line 40 – Estimated Tax Payments

If the fiduciary has made estimated income tax payments for tax year 2012, enter the amount of these estimated tax payments. Include in this amount the 2011 refund that was requested to be applied to the 2012 estimated income tax payments. Do not include in this total any income taxes paid for a previous year because these are not estimated taxes paid for tax year 2012.

Line 41 – Extension Payments

If the fiduciary made an extension payment on or before April 15, 2013, in order to qualify for an automatic six-month extension to file the income tax return, enter that amount on this line. To determine whether the fiduciary needs to make an extension payment, complete Form EXT-FID-12 (Extension Payment Worksheet). The worksheet is available on our website at *revenue.mt.gov* or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

Line 42 – Refundable Credits

If the fiduciary is claiming a refund of one or more of the refundable credits listed below, identify each credit being claimed and its amount on line 42, and include the amount(s) of the refundable credit(s) in the total for line 42. If more space is needed, make a list showing each credit and its amount and include the list with the tax return. Include all applicable credit forms:

- Film Production Credit (Form FPC)
- Insure Montana Small Business Health Insurance Credit
- Temporary Emergency Lodging Credit (Form TELC)

Line 43 – Total Payments and Refundable Credits

Add lines 37 through 42. This is the total payments and refundable credits.

Tax

Line 44 – Tax Due

If line 36 is greater than line 43, subtract line 43 from line 36. This is the tax due.

Line 45 – Tax Overpaid

If line 43 is greater than line 36, subtract line 36 from line 43. This is the tax overpaid.

Penalties and Interest

Line 46 – Interest on Underpayment of Estimated Taxes

The fiduciary is required to pay the estate or trust's income tax liability throughout the year if the estate or trust expects to owe an income tax liability of at least $500 after subtracting tax credits and withholding payments. Payments can be made through withholding, installment payments of estimated taxes, or a combination of both.

If the fiduciary did not pay in advance at least 90% of the 2012 income tax liability (after applying credits) or 100% of the 2011 income tax liability (after applying credits), the fiduciary may have to pay interest on the underpayment of the estimated tax.

To calculate the interest, please complete Form EST-I (2012 Underpayment of Estimated Tax by Individuals and Fiduciaries). The form is available on our website at *revenue.mt.gov* or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

Line 47 – Late File Penalty, Late Payment Penalty and Interest

- **Late File Penalty**

  If a fiduciary files the estate and trust tax return after April 15, 2013—or October 15, 2013, with a valid extension (for calendar year filers)—the fiduciary will need to pay a late file penalty if there is tax due on line 44. The penalty is equal to the lesser of $50 or the amount of tax due. The fiduciary does not have to pay a late file penalty if the tax return is filed late and shows a refund. To calculate the late file penalty, compare the amount on line 44 to $50. The late file penalty is the lesser of these amounts.

  New! Exception: Beginning with tax year 2012, a late file penalty will not be assessed if the tax liability is $200 or less, and on or before the extended due date the return is filed and the tax liability is paid.

- **Late Payment Penalty**

  If the fiduciary has not paid all of the estate or trust's tax liability by the original due date of the return, a late payment penalty will be assessed. The late payment penalty is equal to 1.2% per month or part of a calendar month on the unpaid amount from the original due date until it is paid. For example, if the fiduciary does not pay the tax due until May 10, 2013, the late payment penalty will be 2.4% (two parts of a month x 1.2%) of the unpaid tax. To calculate the late payment penalty, multiply the amount on line 44 by 1.2% per month or part of a calendar month that the payment is late.

  This penalty cannot exceed 12% (10 months x 1.2%) of the tax liability.

  New! Exception: Beginning with tax year 2012, a late payment penalty will not be assessed if the tax liability is $200 or less, and on or before the extended due date the return is filed and the tax liability is paid. However, if the return is not filed and the tax liability is not paid by that date, a late payment penalty will be assessed from the original due date.

  Please remember that unless the tax liability is $200 or less, an extension to file the return is not an extension to pay the tax.

- **Interest**

  If 100% of the tax liability is not paid by April 15, 2013 (for calendar year filers), interest is due at a rate of 8% per year, computed daily on the unpaid balance.

  To calculate the interest, multiply line 44 by 0.02192% (0.0002192) times the number of days after the original due date that the tax is paid. Interest accrues from the original due date.

  New! Exception: Beginning with tax year 2012, interest will not be assessed if the tax liability is $200 or less, and on or before the extended due date the return is filed and the tax liability is paid. However, if the return is not filed and the tax liability is not paid by that date, interest will accrue from the original due date.

  Please remember that unless the tax liability is $200 or less, an extension to file the return is not an extension to pay the tax.

If the estate or trust owes more than one of the items listed above, enter each amount on the following worksheet:

Type	Amount
Late file penalty	
Late payment penalty	
Interest	
Total	

Enter the total on line 47. (The fiduciary may wish to keep this worksheet as part of estate or trust's records for future reference.)

Line 48 – Other Penalties

Include on this line the following penalty if it applies to the estate or trust:

- **Farm and Ranch Risk Management Account 10% Penalty**

  If the estate or trust has not distributed deposits and income from its farm and ranch risk management account within five years, the deposits and income are now considered distributed. The estate or trust is required to pay a 10% penalty on the amount of tax due on the amount that is considered distributed. On this line, enter the farm and ranch risk management account 10% penalty. For more information refer to Form FRM which is available on our website at *revenue.mt.gov* or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

Line 49 – Total Penalties and Interest

Add the amounts on lines 46 through 48. This is total penalties and interest.

Amount the Entity Owes or Its Refund

Line 50 – Amount the Estate or Trust Owes

If the estate or trust has a tax due (amount on line 44), add lines 44 and 49 OR, if the estate or trust has a tax overpayment (amount on line 45) and it is less than line 49, subtract line 45 from line 49. This is the amount the estate or trust owes.

The fiduciary can pay the amount the estate or trust owes by:

- e-check or credit/debit card – please visit our website at *revenue.mt.gov* for more information and instructions, or
- money order, personal check or cashier's check payable to the MONTANA DEPARTMENT OF REVENUE. Remember to use the included voucher, sign the check and write the estate or trust's FEIN and "Tax Year 2012" on the memo line.

A fiduciary can schedule an electronic payment by e-check to be withdrawn at a later date by visiting our website. Interest and late payment penalties will be assessed on any amount not paid when due.

If the fiduciary cannot pay the entire amount that the estate or trust owes with the tax return, we encourage the fiduciary to file the estate and trust tax return timely and pay as much as possible. By filing and paying as much as possible by April 15, 2013, the fiduciary may not have to pay a late file penalty and the amount of late payment penalty and interest can be reduced. If the fiduciary needs to establish a payment plan, please call us toll free at (866) 859-2254 (in Helena, 444-6900) as soon as possible to discuss the options and make payment arrangements.

Line 51 – Overpayment

If the estate or trust has a tax overpayment (amount on line 45) and it is greater than line 49, subtract line 49 from line 45 and enter the result. This is the estate or trust's overpayment.

Line 52

Enter the amount of the overpayment from line 51 that the estate or trust wants applied to its 2013 estimated taxes.

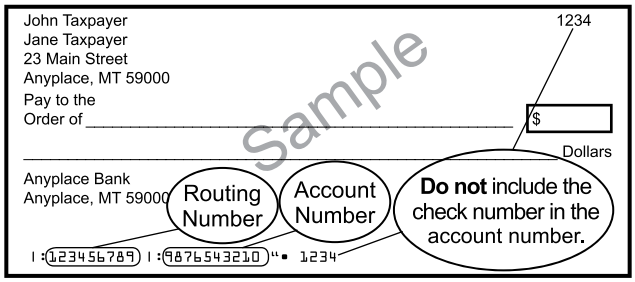
Line 53 – Refund

Subtract line 52 from line 51. This is the amount of the estate or trust's refund. Only refunds more than $1 will be issued.

If the fiduciary would like to use direct deposit, enter the estate or trust's financial institution's routing number (RTN#) and the estate or trust's 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 estate or trust's refund will go to a bank outside of the United States and its territories (Midway Islands, Puerto Rico, American Samoa, US Virgin Islands, Federated States of Micronesia and Guam).

If the estate or trust's financial institution does not accept direct deposit, we will mail a refund check.

A sample of a personal check is provided for convenience:



Sign the Return

If the fiduciary is filing the estate and trust tax return electronically on Taxpayer Access Point (TAP), a signature is not required. The act of filing electronically signifies the fiduciary's declaration, under the penalty of false swearing, that:

- The fiduciary is authorized to file the return, and
- The information in the return is true, correct and complete.

The act of filing electronically is the fiduciary's signature.

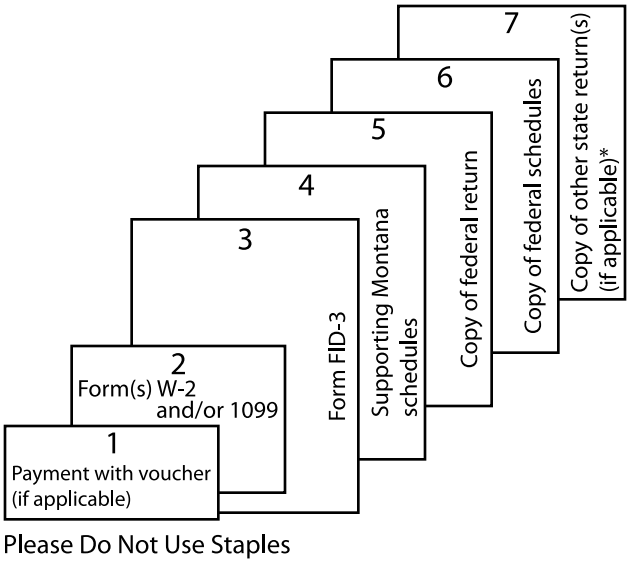
If the fiduciary is filing the estate and trust tax return on paper, the tax return is not considered valid unless the fiduciary or an officer representing the fiduciary signs the tax return. Unsigned returns cannot be processed and require us to contact the fiduciary for a signature.

Paid Preparer

A paid preparer must sign the tax return and include his or her address and Preparer Tax Identification Number (PTIN) in the space provided. Preparers should have a PTIN, but the preparer's social security number (SSN) may be used when the paid preparer does not have a PTIN.

Assemble the Return

If the fiduciary is filing the estate and trust tax return on paper, the fiduciary is required to include any applicable federal forms and schedules we requested. The fiduciary is not required to provide us with the entire federal return unless the estate or trust is a nonresident or a part-year resident. However, the fiduciary should be able to provide a copy of the federal return to us upon request. Please assemble the return, without using staples, in the following order. Please include all Form(s) W-2 and 1099.



* Only include a copy of the return(s) from another state if the estate or trust is a resident of Montana and claims the credit for taxes paid to another state.

File the Return

We encourage the fiduciary to efile the tax return for estates and trusts through Taxpayer Access Point (TAP). Please see FAQ 9 on page 17. If the fiduciary files the return on paper, please mail the return to the following address:

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

Schedule A – Schedule of Additions

Line 1 – Interest and Mutual Fund Dividends from State, County or Municipal Bonds from Other States

Enter the interest and mutual fund dividend income that the estate or trust received from bonds and obligations of another state, territory, or political subdivision of another state (county, municipality, district, etc.).

Line 2 – Dividends not included in federal total income

Enter the amount of any dividends that the estate or trust received that are not already included in total federal income. Do not include qualified dividends because these dividends are already in the total ordinary dividends reported on Form FID-3, line 2.

Line 3 – Taxable federal refund

If the estate or trust claimed a federal tax deduction, either by withholding or by payment of an estimated tax in a prior year, any refund of that tax is income in the year it is received. Enter the taxable refund.

Line 4 – Other recoveries

If the estate or trust claimed a deduction in a prior year that reduced the Montana taxable income and it was subsequently reimbursed, enter that reimbursement.

Line 5 – Montana income taxes paid or accrued

Enter Montana income taxes paid or accrued. These amounts have to be added back to income.

Line 6 – Compensation and expenditures used to compute the film production credit

Enter compensation and expenditures used to compute the film production credit. These amounts have to be included in the income of the year that the expenditures were incurred.

Line 7 – Insure Montana Small Business Health Insurance Program premiums

If the estate or trust was the owner of a business that received a tax credit from the Insure Montana Small Business Health Insurance program, the estate or trust is not allowed a deduction for the premiums used to calculate the credit. Because the credit cannot exceed 50% of the premiums, multiply the amount of credit the estate or trust is claiming by two and enter the result on this line.

Line 8 – Expenses allocated to U.S. obligations

If the estate or trust has tax exempt interest income, report the adjustment for deductions related to the tax exempt interest income. Enter only the amount deducted for federal purposes that is not allowed as a deduction for Montana purposes.

Deductions allocable to tax exempt interest income must be used only against tax exempt interest income.

Although subject to federal tax, interest in federal bonds, notes and other U.S. obligations is exempt from Montana income tax. Therefore, if interest in federal bonds, notes and other U.S. obligations is excluded on the Montana fiduciary return, expenses related to such tax exempt interest income must be included in taxable income for Montana purposes.

To compute the expenses allocable to tax exempt interest income, divide tax exempt interest income by total gross income (including tax exempt interest income). Multiply the resulting percentage by total expenses not directly allocable to any item of income. Report the portion of expenses allocated to tax exempt interest income on the appropriate line.

Example:	
1. Gross income from U. S. obligations	$6,190 (reported on Form FID-3, Schedule B, line 2)
2. Total gross income	$73,496 (total federal income on Form FID-3, line 9 plus any capital losses plus the gross tax exempt income from federal Form 1041, Schedule B, line 1)
3. Line 1 divided by line 2	0.084222
4. Total indirect expenses	$21,987
5. Indirect expenses allocated to U.S. obligations income (line 3 x line 4)	$1,852 (reported on Form FID-3, Schedule A, line 9)

Line 9 – Other Income

Include a detailed schedule listing types and amounts.

Line 10 – Total Additions

Add lines 1 through 9 and enter the result on this line and on Form FID-3, line 18.

Schedule B – Schedule of Deductions/Subtractions

Line 1 – Federal income tax deduction

Enter 100% of the federal income tax paid or accrued within the tax year.

Line 2 – Exempt interest and mutual fund dividends from federal bonds, notes and other obligations

Enter the interest on United States government obligations and mutual fund dividends attributable to that interest that the estate or trust received if these amounts are included in total federal income on Form FID-3, line 9. In addition, enter the interest on obligations from U.S. territory or government agency obligations that are specifically exempt by federal law or any mutual fund dividends attributable to this interest that the estate or trust received if these amounts are included in total federal income on Form FID-3, line 9.

Interest on obligations that are only guaranteed by the United States government is not tax exempt. If the estate or trust received interest or mutual fund dividends attributable to Government National Mortgage Association (Ginnie Mae) bonds, Federal National Mortgage Association (Fannie Mae) bonds, or Federal Home Loan Mortgage Corporation (FHLMAC) securities, the fiduciary cannot subtract these interest amounts or mutual fund dividends.

United States Obligations that are exempt include:

- Series E, EE, F, G and H savings bonds
- U.S. treasury bills
- U.S. government notes
- U.S. government certificates

Please refer to the Form 1099-DIV to determine what percentage of the dividends received qualify for this exemption.

Line 3 – State tax refunds

If a state tax refund is included as other income on Form FID-3, line 8, subtract it on this line.

Line 4 – Other recoveries

If a recovery was shown as income on Form FID-3, line 8, but the original deduction did not reduce Montana taxable income, deduct it on this line.

Line 5 – Partial pension and annuity income exemption

If the estate or trust reported taxable retirement income on FID-3, line 8, the estate or trust may be entitled to a partial exemption of this income. Qualifying pension and annuity income is reported on federal Form 1099-R with distribution code 7.

Premature distributions and early withdrawals of retirement income do not qualify for the retirement income exemption. Early distributions, which required payment of the federal 5% or 10% additional tax, do not qualify for this exemption. Also, if the estate or trust received a disability pension, which is identified as distribution code 3 on the federal Form 1099-R, the estate or trust should use Montana Form DS-1 (2012 Disability Income Exemption) to determine its deduction instead of the retirement income exemption.

Tier I and Tier II Railroad Retirement benefits received from the Railroad Retirement Board are exempt from Montana tax. Enter the full amount of Tier I and Tier II annuity or pension benefits reported on Form FID-3, line 8 as a reduction to income on Schedule B, line 6.

The retirement exemption is limited to the lesser of the taxable retirement income that the estate or trust received or $3,830, as long as total federal total income is $31,920 or less. When total federal income exceeds $31,920, the retirement exemption is reduced $2 for every $1 that total federal income is over $31,920. For example, if total federal income is $32,920, the retirement exemption is $1,830 ($3,830 – ($1,000 x 2) = $1,830). The estate or trust is not entitled to this retirement income exemption if total federal income is greater than $35,750 ($3,830 – ($1,915 x $2) = $0).

To calculate the pension and annuity income exemption, use the worksheet that follows:

Partial Pension and Annuity Income Exemption Worksheet	
1. Enter total federal income from Form FID-3, line 9.	
2. Phase-out limitation.	$31,920
If line 1 is smaller than line 2, enter the smaller of the pension and annuity income or $3,830 on Schedule B, line 5. Stop here; do not complete the remainder of this worksheet.	

Partial Pension and Annuity Income Exemption Worksheet	
3. If line 1 is larger than line 2, subtract line 2 from line 1 and enter the result.	
4. Enter the smaller of the pension and annuity income or $3,830.	
5. Double the amount on line 3 and enter the result.	
6. Pension and annuity exclusion. Subtract line 5 from line 4. If the result is zero or negative, there is no exclusion. If the number is positive, enter the result and exclude this amount on Schedule B, line 5. This is the partial pension and annuity exemption.	

Line 6 – Subtractions for federal taxable U.S. Railroad Retirement Board benefits

Tier I and Tier II Railroad Retirement benefits received from the Railroad Retirement Board are exempt from Montana tax. Enter the full amount of Tier I or Tier II annuity or pension benefits reported on Form FID-3, line 8.

Line 7 – Expenses allocated to other states' interest and mutual fund dividends

If the estate or trust has tax exempt income, report the adjustment for additional expenses allocated to the tax exempt income. Enter only the additional deductible expenses for Montana on this line.

Although exempt from federal tax, interest on non-Montana state and municipal securities is taxable to Montana. Therefore, if interest in non-Montana municipal securities is included on the Montana fiduciary return, expenses related to such tax exempt income must be subtracted from taxable income for Montana purposes.

To compute the expenses allocable to tax exempt income, divide tax exempt income by total gross income (including tax exempt income). Multiply the resulting percentage by total expenses not directly allocable to any item of income. Report the portion of expenses allocated to tax exempt income on the appropriate line.

Example:	
1. Gross taxable municipal interest	$4,575 (reported on Form FID-3, Schedule A, line 1)
2. Total gross income	$73,496 (total federal income on Form FID-3, line 9 plus any capital losses plus the gross tax exempt income from federal Form 1041, page 2, Other Information, line 1)
3. Line 1 divided by line 2	0.062248
4. Total indirect expenses	$21,987
5. Indirect expenses allocated to out-of-state municipal income (line 3 x line 4)	$1,369 (reported on Form FID-3, Schedule B, line 7)

Line 8 – Other subtractions

Please specify. Include additional information if necessary.

Line 9 – Total Deductions/Subtractions

Add lines 1 through 8. Enter the result on Form FID-3, line 19.

Schedule C – Montana Distributable Net Income (MDNI) and Montana Income Distribution Deduction (MIDD)

Lines 1 through 5 compute the Montana distributable net income (MDNI). MDNI serves the same purpose as the federal DNI. MDNI, adjusted for items not included in the gross income of the estate or trust in accordance with 26 U.S.C. §§651 and 661, limits the deduction an estate or trust may claim for distributions to beneficiaries. MDNI may also limit the amount of Montana income a beneficiary or trust owner must report on his or her Montana tax return.

Line 1 – Montana adjusted total income (loss)

Enter the amount from Form FID-3, line 20. If line 20 is a loss, and line 4 is a loss, enter the smaller loss.

Line 2a

Enter the gross amount of tax exempt interest income from federal Form 1041, Other Information, line 1. Do not use the amount reported on federal Form 1041, Schedule B, line 2 which normally has been adjusted for allocation of expenses.

Line 2b

Enter the expenses allocated to federal tax exempt income.

Line 2c

Enter the gross exempt interest and mutual fund dividends from federal bonds, notes and other U.S. government obligations reported on Form FID-3, Schedule B, line 2.

Line 2d

Enter the expenses allocated to U.S. government tax exempt income reported on Form FID-3, Schedule A, line 8.

Line 2e

Enter the expenses allocated to out-of-state municipal tax exempt income. These expenses are reported on Form FID-3, Schedule B, line 7.

Line 2f

Enter the gross taxable out-of-state municipal tax exempt income. This income is reported on Form FID-3, Schedule A, line 1.

Line 2 – Montana tax exempt interest income

Enter the sum of lines 2a through 2f. This is the Montana adjusted tax exempt interest income.

Line 3a

Enter the amount from federal Form 1041, Schedule B, line 3. This is the total net gain from federal Form 1041, Schedule D, line 15, column (1) Beneficiaries.

Line 3b

Enter the amount from federal Form 1041, Schedule B, line 4. This is the amount from federal Form 1041, Schedule A, line 4 (capital gains allocated to corpus and paid or permanently set aside for charitable purposes).

Line 3c

Enter the amount from federal Form 1041, Schedule B, line 5. This is the amount from federal Form 1041, Schedule A, line 1 (amount paid or permanently set aside for charitable purposes from gross income).

Line 3 – Total net capital gains

Enter the sum of lines 3a through 3c. This is the sum of total net capital gains reported on federal Form 1041, Schedule B, lines 3 through 5.

Line 4

If the amount on Form FID-3, line 4 is a net gain, enter the gain as a negative. If the amount on Form FID-3, line 4 is a net loss, enter the loss as a positive number.

Line 5 – Montana distributable net income

Enter the sum of lines 1 through 4.

The computations on lines 6 through 13 of Schedule C adjust MDNI and compute certain limits for the Montana Income Distribution Deduction (MIDD). The MIDD is generally computed in accordance with 26 U.S.C. §§651 and 661.

Line 6

This line applies to complex trusts only. Enter the accounting income of the trust for the tax year determined under the terms of the governing instrument and Montana income tax law.

Line 7

Enter the amount of income required to be distributed currently, whether distributed or not. This amount is also reported on federal Form 1041, Schedule B, line 7.

Line 8

This line only applies to a decedent's estate or complex trust. These distributions consist of any other amounts paid, credited or required to be distributed and are referred to as second-tier distributions.

Line 9 – Actual total distributions for the year

Enter the sum of lines 7 and 8. This is the actual total distributions to beneficiaries for the tax year.

Line 10

Enter the amount of Montana tax exempt interest income included in actual distributions on line 9 above.

Line 11

Subtract line 10 from line 9. This is the tentative income distribution deduction based on total actual distributions.

Line 12

Subtract line 2 from line 5. Enter zero if equal to zero or less. This is the tentative income distribution deduction based on MDNI less Montana adjusted tax exempt interest income.

Line 13 – Montana income distribution deduction

Enter the smallest of the amounts entered on lines 11 or 12, but not less than zero, and also on Form FID-3, line 21.

Schedule D – Beneficiaries and Montana Income Distributions

Complete Schedule D for all beneficiaries who received an income distribution if the estate or trust was required to distribute income currently or if it paid, credited or was required to distribute any other amounts to beneficiaries during the tax year.

List the name, address, SSN or FEIN, residency status and the Montana income distribution amount for each beneficiary who received a distribution during the tax year.

Enter the distributions reported to each beneficiary on his or her Montana Schedule K-1. The total of column D should equal the income distribution deduction reported on Form FID-3, line 21.

Please use the dollar amount and not the percentage.

If there are more than 10 beneficiaries, make copies of Schedule D. If Schedule D is incomplete, the processing of the return will be delayed until we receive this information.

Schedule E – Capital Gains Tax Credit Calculation

The estate or trust can claim a capital gains tax credit against the Montana income tax liability of up to 2% of net capital gains. The net capital gains eligible for the capital gains tax credit is the amount reported on Form FID-3, line 4, less the amount of net capital gains distributed to a beneficiary.

Example: A capital gain of $46,675 is reported on Form FID-3, line 4. The income distribution deduction to the beneficiary included $12,482 of the capital gain. The 2% capital gains tax credit is computed on the undistributed income of $34,193.

This credit is nonrefundable. It is applied directly against the income tax liability and it cannot reduce the liability below zero. This credit is applied before any other credits and cannot be carried back or carried forward.

If the estate or trust is a nonresident or a part-year resident, apply this credit to the Montana income tax computed on Form FID-3, line 26 as if it were a resident entity.

Schedule F – Nonresident/ Resident Part-Year Estate and Trust Tax

Schedule F applies only to nonresident and part-year resident estates and trusts that have Montana source income. The fiduciary will use this schedule to compute the ratio of Montana source income to total income. This ratio is then multiplied by the resident tax from Form FID-3, line 28 to determine the nonresident or part-year resident tax to be reported on Form FID-3, line 28a. Enter in column A, the total income from Form FID-3, lines 1 through 8 and Schedule A. Enter in column B, the Montana source income from Form FID-3, lines 1 through 8 and Schedule A.

Line 1 – Interest income

Enter the interest income received from an installment sale of real property in Montana. Include any interest received from a business or commercial property located in Montana and included in the total federal income on Form FID-3, line 1. Also include taxable Montana source interest income that the estate or trust received from a pass-through entity.

Line 2 – Ordinary dividends

Enter the amount of dividends received while a resident. Generally, dividends that nonresident estates or trusts receive are not considered Montana source income.

Line 3 – Business income or (loss)

Enter the net income or loss reported on Form FID-3, line 3, received from any trade, business, profession or occupation carried on in Montana. If the estate or trust has more than one business, complete a separate federal Schedule C for each business activity.

Line 4 – Capital gain or (loss)

Enter the gains or losses included in the total on Form FID-3, line 4, which were received on the sale or transfer of tangible property used or held in connection with the trade, business or occupation located in Montana.

Line 5 – Rental real estate, royalties, partnerships, S corporations, other estates or trusts, etc.

Enter the following income or losses that are included in the total income on Form FID-3, line 5:

- Net rental income or loss from real property and tangible personal property located in Montana.
- Net royalties to the extent that the income received is for production, fabrication, manufacturing, or other processing in Montana, or the patented product is produced in Montana.
- Net copyright royalties to the extent that the printing and other publication originated in Montana.
- Partnership income derived from a trade, business, occupation or profession carried on in Montana.
- S corporation income derived from a trade, business, occupation or profession carried on in Montana.
- Estate and trust income derived from a trade, business, occupation or profession carried on in Montana.

Line 6 – Farm income or (loss)

Enter the farm income or (loss) received from the farming activity carried on in Montana. Include a separate federal Schedule F if necessary, showing only the Montana farm activity.

Line 7 – Ordinary gain or (loss)

Report any ordinary gain or (loss) received from the sale or exchange of business property located in Montana and reported on the federal Form 4797.

Line 8 – Other income

Enter any other income attributed to Montana that is not identified on lines 1 through 7. This includes, but is not limited to:

- Montana lottery winnings
- Non-employee compensation

Line 9 – Interest and mutual fund dividends from other states' state, county or municipal bonds

Enter the interest and dividend income from bonds and obligations of other states or their political subdivisions attributed to Montana.

Line 10 – Dividends not included in total federal income

Enter the amount of the dividends that the estate or trust received as Montana source income that is not already included in total federal income.

Line 11 – Taxable federal refund

If the estate or trust claimed a federal tax deduction in a prior year, any refund of that tax is income in the year it is received.

Line 12 – Other recoveries

If a deduction in a prior year was claimed and reduced Montana taxable income, and the estate or trust was subsequently reimbursed, enter that reimbursement here.

Line 13 – Other additions

Enter any other source of Montana income that has not been included or identified in the lines above.

Line 14 – Total Montana source income

Add lines 1 through 13. Column B is the estate or trust's Montana source income.

Line 15

Divide the amount in column B, line 14, by the amount in column A, line 14. Round to four decimal places and do not enter more than 100%.

Line 16

Enter the resident tax after capital gains tax credit reported on Form FID-3, line 28.

Line 17 – Nonresident/Resident Part-Year estate and trust tax after capital gains tax credit

Multiply the amount on line 16 by the percentage on line 15. This is the nonresident/resident part-year tax after the capital gains tax credit. Enter the result on Form FID-3, line 28a.

Schedule G – Electing Small Business Trust Tax Calculation

Complete Schedule G if the trust or a portion of the trust is an electing small business trust (ESBT). Only report on Schedule G the activity of the ESBT. Activity of the non-ESBT portion of the trust is reported on the other schedules and Form FID-3.

Line 1 – Total federal adjusted ESBT income

Enter total federal adjusted ESBT income as determined on the separate schedule prepared for the federal tax return. Include the federal schedule with the Montana tax return.

Line 2a – Montana additions to ESBT income

Enter total Montana additions to ESBT income. Montana additions to ESBT income include dividends not included in total federal income, taxable federal refund, Montana income taxes paid or accrued, and expenses allocated to U.S. obligations. Include a statement that separately lists the additions.

Line 2b – Montana deductions to ESBT income

Enter total Montana deductions to ESBT income. Montana deductions to ESBT income include federal income tax deduction, exempt interest and mutual fund dividends from federal obligations, state tax refunds if included in total federal income, and expenses allocated to other states' interest and mutual fund dividends. Include a statement that separately lists the deductions.

Line 2

Subtract line 2b from line 2a.

Line 3 – Montana adjusted ESBT income

Enter the sum of lines 1 and 2. This is Montana adjusted ESBT income.

Line 4 – Tax from tax table

If line 3 is zero or less, enter zero.

Compute the tax using the following tax table:

If the Taxable Income is More Than	But Not More Than	Multiply the Taxable Income By	And Subtract	This is Your Tax
$0	$2,700	1% (0.010)	$0	
$2,700	$4,800	2% (0.020)	$27	
$4,800	$7,300	3% (0.030)	$75	
$7,300	$9,900	4% (0.040)	$148	
$9,900	$12,700	5% (0.050)	$247	
$12,700	$16,400	6% (0.060)	$374	
More Than $16,400		6.9% (0.069)	$522	

Line 5a – Net capital gains reported on line 3

Enter the net capital gains included as part of the calculation on line 3, Montana adjusted ESBT income.

Line 5 – Capital gains tax credit

Multiply line 5a by 2%. This is the ESBT's capital gains tax credit.

Line 6 – Resident tax after capital gains tax credit

Complete this line if the ESBT is a resident, a part-year resident or a nonresident.

Subtract line 5 from line 4. If zero or less, enter zero. This is the resident tax after capital gains tax credit.

Line 7a – Credit for income taxes paid to another state or country

Complete this line if the ESBT is a resident or part-year resident. If the ESBT is a nonresident, skip this line. If the ESBT is a resident, complete Worksheet I on page 21 and enter the amount from line 10. If the ESBT is a part-year resident, complete Worksheet II on page 21 and enter the amount from line 10.

Line 7

Complete this line only if the ESBT is a resident or part-year resident. If the ESBT is a nonresident, skip this line. Subtract line 7a from line 6.

Line 8a

Complete this line if the ESBT is a nonresident or part-year resident. If the ESBT is a resident, skip this line. Enter the sum of lines 1 and 2a.

Line 8b – Montana source income

Complete this line if the ESBT is a nonresident or part-year resident. If the ESBT is a resident, skip this line. Enter the Montana source income included in Montana adjusted ESBT income reported on line 3. Include with the return all Montana Schedule(s) K-1 that the trust received.

Line 8c

Divide the amount on line 8b by the amount on line 8a. Round to 4 decimal places and do not enter more than 1.0000.

Line 8 – Nonresident or resident part-year tax after capital gains tax credit

If a nonresident, multiply the amount on line 8c by the amount on line 6. If a part-year resident, multiply the amount on line 8c by the amount on line 7. This is the ESBT's nonresident or part-year resident tax after capital gains tax credit.

Line 9 – Tax on lump sum distributions

The Montana tax liability on lump sum distributions is 10% of the federal tax calculated on federal Form 4972.

Line 10 – Endowment credit recapture tax

Enter the amount of the endowment credit recapture tax.

Line 11 – Other nonrefundable credits

Enter the total of all refundable credits claimed. In order to claim any credit, the appropriate form(s) must be included with the tax return. Visit our website at *revenue.mt.gov* to obtain forms and instructions. See page 4 for a list of nonrefundable credits.

Line 12 – ESBT tax liability

If a resident, add the amounts on lines 7, 9 and 10, then subtract the amount on line 11 from the result. If a part-year resident or nonresident, add lines 8 through 10, then subtract the amount on line 11 from the result. If zero or less, enter zero. Enter the result here and on Form FID-3, line 36. This is the ESBT tax liability.

Schedule H – Reporting of Special Transactions

Mark the appropriate boxes indicating which forms were filed with the Internal Revenue Service. If any statements are answered *Yes*, the fiduciary will have to include a copy of the applicable form.

Montana Schedule K-1 Instructions

A fiduciary is required to provide information on a Montana Schedule K-1 (Form FID-3), Beneficiary's Share of Income (Loss), Deductions, Credits, etc., that a beneficiary will need to complete their Montana income tax return. The fiduciary has to prepare a Montana Schedule K-1 for each beneficiary during the estate or trust's taxable year. Include a copy of each beneficiary's Montana Schedule K-1 with the Form FID-3. The fiduciary should keep a copy for the estate or trust's records and give a separate copy to each beneficiary (with a copy of the Beneficiary's Instructions).

Character of Income

The character of all income is determined at the estate or trust level and does not change when it is allocated to a beneficiary of an estate or trust.

Part 1 – Information About the Estate or Trust

Mark applicable boxes:

- Final Schedule K-1 – mark this box if this is the last Montana Schedule K-1 that the fiduciary will issue to the beneficiary.
- Amended Schedule K-1 – mark this box if the fiduciary is amending the beneficiary's Montana Schedule K-1.

Enter the name of the estate or trust (as it appears on the federal tax return), its federal employer identification number (FEIN) as reported for federal income tax purposes and the fiduciary's name (as it appears on the federal tax return) and mailing address.

Part 2 – Information About the Beneficiary

Enter the beneficiary's name, mailing address and tax identification number (SSN or FEIN) as reported for federal income tax purposes.

If the beneficiary is an individual, estate or trust, mark the appropriate box for residency status.

Part 3 – Montana Adjustments

A. Montana Additions to Income

Enter the beneficiary's share of Montana additions to income from the corresponding lines on Form FID-3, Schedule A.

B. Montana Deductions from Income

Enter the beneficiary's share of Montana deductions from the corresponding lines on Form FID-3, Schedule B.

Part 4 – Beneficiary's Share of Montana Source Income (Loss)

Complete Part 4 for all beneficiaries. If a beneficiary is a Montana resident, all income allocated to the beneficiary is Montana source income.

Lines 1 – 9

Beneficiaries will need this information to calculate their Montana tax liability when they file their Montana income tax returns.

On each line, enter the Montana source income that was allocated to the beneficiary.

Part 5 – Supplemental Information

Enter any other pertinent information concerning the beneficiary's share of income, deductions or withholding.

Enter each beneficiary's share of items that could be adjustments to the beneficiary's Montana income tax return.

Line 1

If the estate or trust received a federal Form 1099 because it had Montana mineral royalty tax withheld from its mineral royalty income in Montana, report the amount of any mineral royalty tax withheld that was distributed to the beneficiary. These amounts are the same as the amount reported on Form FID-3, line 39b.

FAQs—Frequently Asked Questions

Please find the answers to these questions identified by number on pages 15-20.

Filing Requirements

1. Who has to file the Montana income tax return for estates and trusts?
2. Is the estate or trust a resident of Montana?
3. Which tax year and accounting method should the fiduciary use to file the tax return?
4. What forms and schedules have to be included with the tax return?
5. Who has to sign the tax return?
6. When is the estate and trust tax return due?
7. Can the fiduciary get an extension of time to file the tax return?
8. What does the box that asks "May the DOR discuss this return with the tax preparer?" mean?

Filing and Payment Options

9. What options does a fiduciary have to file the estate and trust tax return electronically?
10. What options does a fiduciary have to pay the estate or trust's Montana taxes electronically?
11. If the fiduciary files the tax return electronically, what information must be sent in and what documents must be retained?
12. If the fiduciary files the tax return by mail, what address does the fiduciary use?

Amended Returns

13. How does a fiduciary amend the tax return?
14. What are some helpful hints for preparing an amended tax return?

Estimated Payments and Interest

15. Is a fiduciary required to make estimated tax payments?
16. What is the interest rate on unpaid taxes?

Specific Situations

17. Are there special filing instructions for a specific entity type?
18. How should a fiduciary report excess distributions or a net operating loss?
19. How does a fiduciary determine if income is sourced to Montana?
20. Where can a fiduciary find definitions applicable to estates and trusts?
21. When does the estate or trust need a new Federal Employer Identification Number (FEIN)?

Tax Records

22. How long does the estate or trust need to maintain tax records after the fiduciary has filed the state tax return?

1 Who has to file the Montana income tax return for estates and trusts?

The fiduciary of an estate or trust (both resident and nonresident) has to file a Form FID-3 (Montana Income Tax Return for Estates and Trusts) if the Montana total income is $2,240 or more. A fiduciary includes a guardian, trustee, executor, administrator, receiver, conservator or any person acting in a position of trust or fiduciary capacity for any other person or group of persons.

If an estate or trust is not required to file a federal tax return, it is not required to file a Montana tax return.

2 Is the estate or trust a resident of Montana?

Resident estate

An estate is a resident estate if the decedent was a Montana resident on the date of his or her death. If the estate is a bankruptcy estate, it is treated as a resident estate if the person for whom the estate was created is a Montana resident.

Resident trust

A trust is a resident trust if the fiduciary is a resident of Montana and/or the trust is administered in Montana.

Nonresident estate or trust

If the estate or trust is not a resident, it is treated as a nonresident estate or trust.

For nonresident estates or trusts, Montana tax liability is computed as if the entity was a resident estate or trust. The computed tax liability is then multiplied by the ratio of the estate or trust's undistributed Montana source income to the undistributed total income.

A nonresident estate reports income earned from Montana sources in the same manner as though the taxpayer was a nonresident individual.

Please refer to the instructions on page 12, for Schedule F (Nonresident Estate and Trust Tax).

3 Which tax year and accounting method should the fiduciary use to file the tax return?

The 2012 Form FID-3 has to be filed for the calendar year 2012 or the fiscal year beginning in 2012. If the tax return is for a fiscal year, or a short tax year (less than 12 months), enter the taxable year in the space at the top of Form FID-3.

The taxable year and accounting method for Montana have to be the same as the taxable year and accounting

method used for federal income tax purposes. If the estate or trust changes its federal taxable year or accounting method, it is required to change its Montana taxable year and accounting method accordingly. A copy of the approval letter from the Internal Revenue Service (IRS) to change accounting period or method must accompany the first tax return that reflects the change.

Mark the "Final return" box on Form FID-3 if the estate or trust ceased to exist during the 2012 tax year.

Important Fiscal year filers use the 2011 Form FID-3 if the estate or trust's taxable year began in the 2011 calendar year.

4 What forms and schedules have to be included with the tax return?

The fiduciary is required to include any applicable federal forms and schedules we requested. The fiduciary is not required to provide us with the entire federal return unless the estate or trust is a nonresident or a part-year resident. However, the fiduciary should be able to provide a copy of the federal return to us upon request. If the fiduciary is claiming a credit for taxes paid to another state, the fiduciary is required to include a copy of the return(s) from the other state.

5 Who has to sign the tax return?

Form FID-3 has to be signed and dated by the fiduciary or an officer representing the fiduciary. Form FID-3 is not considered to be complete unless it is signed. Unsigned tax forms will delay processing of the return. If the fiduciary has an accounting firm or an individual prepare Form FID-3, the name, address and telephone number of the tax preparer has to be included on the tax return.

If the fiduciary is filing the tax return electronically, the fiduciary or an officer representing the fiduciary is not required to sign the tax return. The act of electronically filing signifies that the fiduciary is authorized to file the return and declares that the information is true, correct and complete. In addition, the act of completing and filing the tax return electronically is considered an authorized signature.

6 When is the estate and trust tax return due?

The estate or trust's Montana filing period is the same as its federal filing period. Form FID-3 is due following the close of the tax year for:

- calendar year estate or trust – on or before April 15
- fiscal year estate or trust – on or before the 15th day of the 4th month following the end of the tax year

If the due date falls on a weekend or a holiday, the tax return is due on the next business day.

7 Can the fiduciary get an extension of time to file the tax return?

Yes. The fiduciary is granted an automatic extension of time to file of up to six months for filing a Montana income tax return if:

- **New!** The estate or trust's 2012 tax liability is $200 or less.
- The fiduciary paid 100% of the estate or trust's 2011 Montana income tax liability through estimated tax payments, withholding, or a combination of both by April 15, 2013.
- The fiduciary paid 90% of the estate or trust's 2012 Montana income tax liability through estimated tax payments, withholding, or a combination of both by April 15, 2013.
- The estate or trust is a first time filer.
- The estate or trust had zero or negative taxable income for 2011.

The fiduciary does not need to apply for a federal extension in order to receive a Montana extension.

Complete the Form EXT-FID-12 (Montana Extension Payment Worksheet) to determine whether the estate or trust has a Montana extension payment requirement. This form is available on our website at *revenue.mt.gov* or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

If the fiduciary is required to make an extension payment, please use the tax payment voucher found on this worksheet or sign up to make a payment online by visiting our website at. *revenue.mt.gov*.

Important Unless the tax return qualifies for an extension because the estate or trust's tax liability is $200 or less, an extension of time to file is not an extension to pay the taxes due. If the tax liability is more than $200 and the tax return has a valid Montana extension but has not paid the estate or trust's entire 2012 income tax liability by the original due date, the estate or trust will not be assessed a late file penalty, but interest and late pay penalties will be assessed on the outstanding balance.

8 What does the box that asks "May the DOR discuss this tax return with the tax preparer?" mean?

If the fiduciary marks the box, we can discuss any concerns that we might have with the 2012 estate and trust tax return—a missing schedule, for example—with the tax preparer. If the fiduciary does not mark the box, we cannot discuss the tax return with anyone but the fiduciary unless a power of attorney allows us to discuss the return with someone else.

If *yes* is marked, the fiduciary is authorizing us to call the tax preparer to answer any questions that arise while we are processing the 2012 tax return.

By marking the box the fiduciary is also authorizing us to:

- Request 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 refund(s) or payment(s).
- Discuss certain notices from us about math errors, offsets, and return preparation. *Note: The department*

will only send notices directly to the fiduciary, not to the tax preparer.

The fiduciary is not authorizing the tax preparer to receive any refund check, bind the estate or trust to anything (including any additional tax liability), receive any information about any other tax year or tax matter, or otherwise represent the estate or trust 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, for filing next year's (2013) tax return. This is April 15, 2014, for most estates and trusts.

If the fiduciary wants to expand or change the tax preparer's authorization (for example, to verify any estimated payments it will be making in the future), the fiduciary can use Form POA (Power of Attorney, Authorization to Disclose Tax Information). Form POA is available on our website at *revenue.mt.gov*.

9 What options does a fiduciary have to file the estate and trust tax return electronically?

Electronic filing is available at *revenue.mt.gov.* Check out Taxpayer Access Point (TAP).

On Taxpayer Access Point (TAP), fiduciaries can file the estate and trust tax return, make an electronic payment or direct-deposit a tax refund, as well as view previously filed tax returns, update account information and more.

10 What options does a fiduciary have to pay the estate or trust's Montana taxes electronically?

An electronic payment option is available at *revenue.mt.gov* On Taxpayer Access Point (TAP), fiduciaries can pay the estate or trust's Montana taxes electronically by:

- e-checks – there is no fee for an e-check payment, or
- credit/debit cards – a small fee is applied for a credit card payment.

A fiduciary can schedule an electronic payment by e-check to be withdrawn at a later date by visiting our website. Interest and late payment penalties will be assessed on any amount not paid when due.

11 If the fiduciary files the tax return electronically, what information must be sent in and what documents must be retained?

If the fiduciary files electronically, the fiduciary does not have to mail in a paper copy of the tax return, or any accompanying federal Form(s) W-2 or 1099, or any other Montana supplemental forms. When the fiduciary files electronically, the fiduciary represents that he/she has kept all the documents required as part of the estate or trust's tax record and that it will provide copies if we ask for them. The act of completing and filing the tax return electronically is considered the fiduciary's authorized signature.

12 If the fiduciary files the tax return by mail, what address does the fiduciary use?

Please mail the Income Tax Return for Estates and Trusts to:

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

13 How does a fiduciary amend the tax return?

If the fiduciary needs to correct an error on a previously filed Form FID-3, the fiduciary must file an amended return. There is no special form for this purpose. See "What are some helpful hints for preparing an amended return?" in FAQ 14.

The fiduciary has five years from the due date of the original tax return to file an amended return and correct any error.

If the IRS changes or makes corrections to the federal Form 1041 or if the fiduciary amends the estate or trust's federal tax return, the fiduciary will need to amend the Form FID-3 within 90 days of receiving the Internal Revenue Service's notification of the corrections made to the federal Form 1041 or within 90 days of filing the amended federal tax return.

If the fiduciary files an amended tax return that reflects an increased tax liability, the late payment penalty may be waived. Simply mark the "Amended return" box on the tax form and pay the tax and applicable interest in full. By marking this box and paying all the tax and interest in full, the fiduciary is requesting a waiver of the late payment penalty.

14 What are some helpful hints for preparing an amended tax return?

Use the correct Form FID-3 for the year being amended. The forms are available at *revenue.mt.gov*.

Enter the name of the estate or trust, and the fiduciary's name, current address, FEIN and other requested information in the top portion of Form FID-3.

Mark the "Amended return" box at the top of Form FID-3.

If the fiduciary is amending to carry back a net operating loss, check the "NOL carryback" box at the top of Form FID-3.

Complete the entire Form FID-3 and its applicable schedules using the corrected amounts. Include a copy of the original Form FID-3.

Include the applicable forms and statements explaining all of the adjustments in detail. If the reason for filing the amended return is because of changes the fiduciary or the IRS made to the federal Form 1041, include a copy of the amended federal return or IRS notice.

Complete and provide a corrected Montana Schedule K-1 along with a copy of the amended Form FID-3 to the beneficiaries.

⓯ Is the fiduciary required to make estimated tax payments?

A fiduciary for an estate or trust is required to make estimated tax payments in 2013 if one of the following conditions applies:

- The net income tax liability on the estate or trust's taxable income for the 2012 tax year (as shown on the 2012 Form FID-3, line 36) was $500 or more.
- The fiduciary expects to owe (after subtracting any Montana income tax withheld, mineral royalty tax withheld and tax credits) $500 or more for the 2013 tax year.

Complete Form ESW-FID (2013 Montana Fiduciary Estimated Income Tax Worksheet), to determine if there is a requirement to pay estimated tax for 2013. This form is available at *revenue.mt.gov* or by calling us toll free at (866) 859-2254 (in Helena, 444-6900). The fiduciary can also pay electronically. For payment options visit *revenue.mt.gov*.

⓰ What is the interest rate on unpaid taxes?

The current interest rate is 8%, and it will continue to be in effect through December 31, 2013. Under Montana law, the interest rate for all unpaid income taxes depends on the rate set by the Internal Revenue Service and may fluctuate each year, but will not be less than 8%.

⓱ Are there special filing instructions for a specific entity type?

Decedent's estate

Do not use a decedent's social security number for an estate. If the federal employer identification number (FEIN) is not available at the time of filing, enter "applied for" and the application date in the box provided.

Section 645 election

The election allows a qualified revocable trust to be treated and taxed as part of the related estate during the election period. If the election is made for federal income tax purposes, it also applies for Montana. Enclose a copy of the federal Form 8855 or the letter making the election.

Electing Small Business Trust (ESBT)

If the trustee makes the election under IRC Section 1361 for the trust to be an ESBT for federal purposes, the trust will be treated as an ESBT for Montana income tax purposes. No separate election for Montana purposes is required.

Special rules apply when computing the ESBT's tax liability. The activity from an ESBT, which is treated as a separate trust, is reported on Schedule G (Electing Small Business Trust Tax Calculation). The tax liability of an ESBT is determined on Schedule G and combined with the tax liability of the remainder (non-ESBT portion) of the trust on Form FID-3, line 36. The ESBT's Montana tax liability is calculated in the usual manner, using the regular tax table.

If the trust is only an ESBT, complete the heading portion of Form FID-3, Schedule G, and Form FID-3, lines 36 through 53.

Grantor type trusts

The fiduciaries of grantor trusts are required to file informational tax returns and send copies to the grantors/owners that are required to report the income, deductions and credits on their Montana income tax return.

If the entire trust is a grantor trust, complete only the heading portion of Form FID-3 and mark the "Grantor Type Trust" box. Do not show any dollar amounts on the form itself; show dollar amounts only on a supporting statement. Include the supporting statement with the return, along with a complete copy of the federal Form 1041.

Example: The John Doe Trust is a grantor type trust. During the year, the trust sold 100 shares of ABC stock for $1,010 (it had a basis of $10) and 200 shares of XYZ stock for $10 (it had a $1,020 basis). The trust does not report these transactions on federal Form 1041 or Form FID-3. Instead, a schedule is included with Form 1041 and Form FID-3 showing each stock transaction separately and in the same detail as John Doe (grantor and owner) needs to report on his Schedule D (Form 1040). The trust may not net the capital gains and losses, nor may it issue John Doe a Schedule K-1 showing a $10 long-term capital loss.

If only part of the trust is treated as a grantor type trust, report on Form FID-3 only the part of the income, deductions, etc. that is not attributable to the grantor type trust on Form FID-3.

Qualified funeral trusts

The purchasers of pre-need funeral services are the grantors and the owners of pre-need funeral trusts as established under state laws. However, the trustees of pre-need funeral trusts can elect to file the return and pay the tax for qualified funeral trusts (QFTs). The IRS allows the trustee to file federal Form 1041-QFT (U.S. Income Tax Return for Qualified Funeral Trusts) which is a single, composite tax return for some or all QFTs for which he or she is the trustee.

A trustee of more than one qualified funeral trust may file the Form FID-3 reporting all the QFTs included on the composite federal return, rather than a separate return for each trust. However, the applicable tax due is computed on the combined taxable income of all the included QFTs, less one exemption of $2,240.

Qualified subchapter S trust (QSST)

A QSST (as defined in IRC section 1361(d)(3)) follows the reporting rules for grantor type trusts. Income allocated to S corporation stock held by the trust is treated as owned by the income beneficiary of the portion of the trust that owns the stock.

Pooled income funds

The trustee files federal Form 5227 (Split-Interest Trust Information Return) along with a statement to support the following:

- the calculation of the yearly rate of return,
- the computation of the deduction for distributions to the beneficiaries, and
- the computation of any charitable deduction.

If filing for a pooled income fund, complete only the heading portion of Form FID-3 and check the "Pooled Income Fund" box. Do not show any dollar amounts on the form itself; show dollar amounts only on the supporting statement. Include the supporting statements and a complete copy of federal Form 5227 with the Form FID-3.

Other

Certain types of trusts file federal forms for which Montana does not have an equivalent form. The following are examples of these entities and the Montana income tax returns that they need to complete.

Split-interest trusts

Split-interest trusts described in IRC section 4947(a)(2), including charitable lead trusts and charitable remainder trusts described in IRC section 664 that meet the definition of a split-interest trust, file federal Form 5227.

If filing for a split-interest trust, complete only the heading portion of Form FID-3 and mark the "Other" box. Do not show any dollar amounts on the form itself, show dollar amounts only on the supporting statement. Include the supporting statements to the form, along with a complete copy of the federal Form 5227.

Qualified Settlement Fund or Designated Settlement Fund

Except as otherwise provided in Regulations section 1.468B-5(b), for purposes of subtitle F of the Internal Revenue Code, a qualified settlement fund is treated as a corporation and any tax imposed under Regulations section 1.468B-2(a) is treated as a tax imposed by section 11. See Regulations section 1.468B-2(k) for more information. A designated settlement fund is taxed in the same manner as a qualified settlement fund.

These funds file federal Form 1120-SF (U.S. Income Tax Return for Settlement Funds) to report transfers received, income earned, deductions claimed, distributions made, and to figure the income tax liability of a qualified or designated settlement fund. For Montana purposes, these funds would file Montana Form CLT-4 (Montana Corporation License Tax Return).

Common Trust Funds

A common trust fund maintained by a bank files federal Form 1065, U.S. Return of Partnership Income. See IRC section 584 and Regulations section 1.6032-1 for more information. For Montana purposes, the fund would file Montana Form PR-1 (Montana Partnership Information and Composite Tax Return).

Exempt Trusts

A trust, which by reason of its purpose and activities is exempt from federal income tax, is also exempt from Montana income tax. However, exempt trusts filing federal Form 990-T (Exempt Organization Business Income Tax Return) to report unrelated business income must file a Montana return and pay any applicable tax to Montana. The fiduciary must file a Montana Form CLT-4 (Montana Corporation License Tax Return).

18 How should a fiduciary report excess distributions or a net operating loss?

Montana law follows federal law in the areas of:

- **Excess distributions**

  A deduction is allowed to the beneficiaries succeeding to the property of the estate or trust if, upon termination, the estate or trust has one of the following:
  - a capital loss carryover,
  - for its final year, deductions (other than the charitable deductions) in excess of gross income, or
  - a net operating loss.
- **Net operating loss deduction**

  Montana does not have specific net operating loss provisions for estates and trusts. Montana conforms to the federal net operating loss provisions. The amount that is reported on federal Form 1041, line 15a is the same for Montana reporting purposes.

19 How does a fiduciary determine if income is sourced to Montana?

If the estate or trust is a resident, all of its income is Montana source income. Montana source income includes the separately and non-separately stated income, gain, loss, deduction or credit, or items of income, gain, loss, deduction or credit that was derived from a trade, business, occupation or profession carried on in Montana or that was derived from the sale or other transfer, or the rental, lease, or other commercial exploitation of property located in Montana.

If the trust is a part-year resident, all of the income it received while a resident is Montana source income. In addition, a part-year resident may have Montana source income during the part of the year that it was a nonresident.

If the estate or trust is a nonresident, items of income are sourced to Montana as follows:

- Interest and dividend income received by a nonresident trust or estate is generally not Montana source income.

  Exception: Interest income from the sale, exchange or other disposition of property located in Montana at the time of the sale is Montana source income.
- Rents and royalties from real property are Montana source income if the property is located in Montana.

- Rents and royalties from tangible personal property are sourced to Montana to the extent the property is used in Montana. The extent of use of tangible personal property in Montana is determined by multiplying the rents and royalties derived from the property by a fraction, in which the numerator is the number of days of physical location of the property in Montana during the rental and royalty period in the tax year and the denominator is the number of days of physical location of the property everywhere during all rental or royalty periods in the tax year.
- Patent and copyright royalties are sourced to Montana to the extent the patent or copyright is used in Montana. A patent is used in Montana to the extent that it is employed in production, fabrication, manufacturing, or other processing in Montana, or to the extent that a patented product is produced in Montana. A copyright is used in Montana to the extent that printing or other publication originates in Montana.
- Gains and losses from the sale, exchange or other disposition of real or tangible personal property are Montana source income if the property is located in Montana at the time of the sale, exchange or other disposition. Gains or losses from the sale, exchange or other disposition of intangible personal property are not sourced to Montana.
- Income from S corporations, partnerships and other fiduciaries paid to the estate or trust may be sourced to Montana. See the information provided by the S corporation, partnership or other fiduciary to determine what income is sourced to Montana.
- Other income not included above that is derived from Montana sources is sourced to Montana. This includes compensation for services performed in Montana (for example, wages received by an estate for services performed in Montana by the decedent).

20 Where can a fiduciary find definitions applicable to estates and trusts?

For information, including definitions, about any of the following estates or trusts, please read federal Form 1041 (U.S. Income Tax Return for Estates and Trusts):

- Bankruptcy estates
- Beneficiaries
- Complex trusts
- Decedent's estate
- Distributable net income (DNI)
- Fiduciaries
- Grantor type trusts
- Income required to be distributed currently
- Income, deductions and credits in respect of a decedent
- Pooled income funds
- Qualified disability trusts
- Simple trusts

21 When does the estate or trust need a new Federal Employer Identification Number (FEIN)?

Estates

The fiduciary is required to obtain a new FEIN if either of the following statements is true:

- A trust is created with funds from the estate (not simply a continuation of the estate).
- The estate operates a business after the owner's death.

The fiduciary is not required to obtain a new FEIN if the administrator, personal representative or executor changes his or her name or address.

Trusts

The fiduciary is required to obtain a new FEIN if any of the following statements are true:

- One person is the grantor/maker of many trusts.
- A trust changes to an estate.
- A living or inter vivos trust changes to a testamentary trust.
- A living trust terminates by distributing its property to a residual trust.

The fiduciary is not required to obtain a new FEIN if either of the following statements is true:

- The trustee changes.
- The grantor or beneficiary changes his/her name or address.

22 How long does the estate or trust need to maintain tax records after the fiduciary has filed the state tax return?

Estates and trusts should keep all tax records for at least five years from the date that the fiduciary filed the Montana tax return. The Montana statute of limitations for estates and trusts is five years, and the federal statute of limitations for estates and trusts is three years. Estates and trusts should keep property records and carryover information longer.