



MONTANA

2010

Corporation License Tax Booklet

Form CLT- 4

Dear Montana Business Taxpayer:

Your Montana Department of Revenue provides the best possible tax services to the citizens and businesses of our great state. We promise to do the best that we can to provide you with the most accurate and timely assistance to help your business file its tax returns, and to ensure that all citizens and businesses pay their fair share of Montana taxes—no more and no less.

We strongly encourage you to file electronically. You can e-file your Montana corporate license tax return as part of the joint federal/state electronic filing program. Please visit our website at revenue.mt.gov for more details and a listing of approved software vendors. Tax professionals who are *Authorized E-file Providers* can submit your federal and state tax returns electronically. Please ask your tax professional to use this easy and convenient service.

We thank you for filing and paying Montana taxes. By paying taxes, your business supports public services that help make Montana a great place to live, work and conduct commerce. Inside this booklet you'll find charts that show how your tax dollars contribute to Montana's quality of life through education at all levels, modern infrastructure, public order, community health and safety, and other important public services. We also recognize that businesses like yours help make Montana a great state through your support of many community projects and services, both public and private.

Please let us know how we are doing—so that we can do an even better job for you—by completing the improvement survey attached to the instruction booklet. For your convenience, we've addressed it with postage paid. In addition, you may contact us with any questions or requests by sending an e-mail message to DORFormsDesignTeam@mt.gov or by calling us toll free at (866) 859-2254 (in Helena 444-6900).

Thank you for helping make our tax system work for all Montanans and for all the businesses that participate in our economy!

Best regards,

Dan Bucks, Director
Montana Department of Revenue

Fiscal Year Filers - Please Note:

These are your corporation license tax forms and instructions for your fiscal year beginning in 2010. Retain this booklet for your 2010 filing purposes.

Business Tax Express

Pay your corporation's current year taxes, estimated taxes amended and tentative payments online.



Fast, Safe and Secure

Available 24 hours a day at <http://app.mt.gov/bustax>



Electronic Payments for Corporation License Tax (C corporation)

Business Tax Express is an online application that allows C corporations to make estimated, current year, amended or tentative payments electronically. Business Tax Express is user friendly, secure and free. The application is available 24 hours a day, 7 days a week for your convenience.

If you are currently using Business Tax Express to pay withholding tax, we can expand your account so you can submit corporation license tax payments electronically. If you are new to Business Tax Express, please go to our website at revenue.mt.gov and look under Online Services for electronic payment options.

Business Tax Express services include:

- Two years of online payment history
- Payment warehousing
- Capability to add additional accounts under one transmitter number
- Timely customer support

If you have any questions or would like help with Business Tax Express, call us toll free at (866) 859-2254 (in Helena, 444-6900).

Watch our website at revenue.mt.gov for additional electronic payment options.

Your Tax Dollars at Work

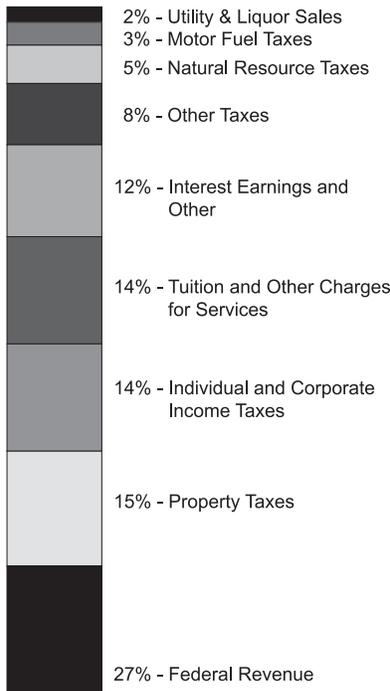
The table to the right shows where your individual and corporate income tax dollars (about 14% of total state and local revenues) were spent in 2009. For the charts below, the left chart shows the sources of revenue for both state and local governments in Montana for 2008, the most recent year for which totals are compiled. The right chart shows state and local spending.

Where Your Income Tax Dollar Goes

Education	50%
Health and Human Services	20%
Public Safety and Corrections.....	13%
Transfers to Local Governments.....	5%
General Government Operations.....	8%
Other	4%
Total Spending	100%

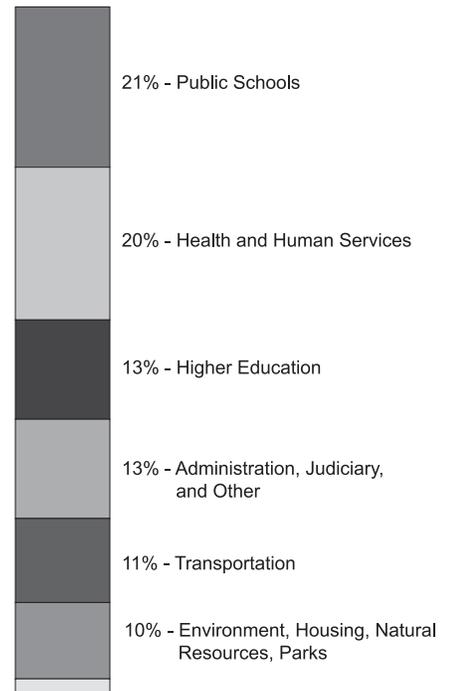
What are Montana's Public Revenues?

Total Montana State and Local Revenue, Fiscal Year Ending 2008



Where Do Your Public Dollars Go?

Total State and Local Spending in Montana, Fiscal Year Ending 2008





Go paperless. Go green.

There are more paperless options than ever before for you to file and pay your Montana taxes. And some of them are free. Whether you want to file on your own or through your favorite preparer, several options are available to fit your needs.

File Electronically

- **Montana Electronic Filing:** Fill out and directly file Montana individual income tax forms 2EC, 2, 2M and 2EZ for free. To file Form 2, you will need to register on Taxpayer Access Point (TAP). Watch our website for business returns we plan to add. Visit revenue.mt.gov.
- **Taxpayer Access Point (TAP):** This is a free electronic service for accessing your Montana tax account information, filing your return, paying your tax and much more. You'll need to register to access your account, and have to have previously filed in Montana. Visit <https://tap.dor.mt.gov>.
- **E-file with Tax Preparer or Online/Retail Software:** This is a cooperative program through the IRS and state revenue agencies. Authorized tax preparers can prepare and electronically file your federal and state tax returns at the same time. Depending on the services, there may be a fee. You can also use retail or online software to prepare and file your returns on your own. Visit revenue.mt.gov for a list of Montana approved software vendors. Or visit irs.gov for filing options.
- **Montana Free File:** This organization helps individual filers with free filing options. Visit montanafreefile.org for details.

Did you know?

- Direct deposit is available when you e-file, and most filers get their refunds within 5-7 business days.
- More than 70% of Montana individual income taxpayers file their taxes electronically.

Pay Electronically

- **Taxpayer Access Point (TAP):** See above for details.
- **Income Tax Express:** Pay current and past state individual income taxes and estimated taxes. Visit <https://app.mt.gov/ite>.
- **Business Tax Express:** This service allows you to electronically pay Montana state taxes for your business. Registration is required using state ePass. Visit <https://app.mt.gov/bustax>.

Electronic Filing and Payment Options at a Glance	Taxpayer Access Point ⁽¹⁾	E-file with tax preparer ⁽⁴⁾	E-file with online/retail software ⁽⁴⁾	Direct deposit refunds	Pay electronically ⁽⁵⁾
Filing status - Individual Income Tax					
First-time filer	No ⁽²⁾	Yes	Yes	Yes	Yes
Full-year resident	Yes	Yes	Yes	Yes	Yes
Part-year resident	Yes ⁽³⁾	Yes	Yes	Yes	Yes
Nonresident	Yes ⁽³⁾	Yes	Yes	Yes	Yes
Form type					
2EC - Elderly homeowner/ renter credit	Yes	Yes	Yes	Yes	NA
2 - Individual long form	Yes	Yes	Yes	Yes	Yes
2M - Individual intermediate form	Yes	Yes	Yes	Yes	Yes
2EZ - Individual short form	Yes	Yes	Yes	Yes	Yes
CLT-4 - Corporation	*	Yes	No	Yes	Yes
CLT-4S - S corporation	*	Yes	No	Yes	Yes
FID-3 - Estates and trusts	*	No ⁽⁶⁾	No	Yes	Yes
PR-1 - Partnership	*	Yes	No	Yes	Yes

(1) Free service for state returns only. Visit <https://tap.dor.mt.gov>.

(2) First-time filer can file forms 2M, 2EZ, and 2EC without registering on TAP. Visit revenue.mt.gov.

(3) Taxpayer Access Point only available if you have filed previously in Montana.

(4) Talk to your preparer, or visit revenue.mt.gov for a list of approved software vendors. This service is through the IRS Federal/State Electronic Filing program.

(5) Payment Service for state returns - Taxpayer Access Point: <https://tap.dor.mt.gov>; Business Tax Express: <https://app.mt.gov/bustax>; Income Tax Express: <https://app.mt.gov/ite>. Credit card charges may apply.

(6) Yes for IRS federal form. No for Montana form.

(*) Service planned, may not be currently available. Please check <https://tap.dor.mt.gov>.

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***Did you know you can schedule
your payment to come out of your
account on your due date?***

<https://app.mt.gov/bustax/>

Simply log onto Business Tax Express and your corporation can schedule an electronic payment for a later date, while filing the tax return now.

What's New for 2010?

Easier to read Form CLT-4

You will notice that the Form CLT-4 has been updated so that it can be read better by both people and our equipment. We are using new equipment that reads tax returns in order to save costs for all Montanans. You can help us maximize savings on processing costs by:

- Using black or blue ink, and
- Not stapling or taping anything to the tax return, correspondence, documents, voucher or check.

Also, we ask that you organize your return information in the following order (although some items may not apply to you):

1. Check and voucher
2. Correspondence
3. Tax return
4. Schedules
5. Additional documents

General Information

Did you know that your tax preparer can electronically file your Montana Form CLT-4?

Montana participates in the joint federal/state electronic filing program. Please visit our website at revenue.mt.gov for more details and a listing of approved software vendors. Tax professionals who are Authorized E-file Providers can file both your federal and state tax returns at the same time. Form CLT-4 may also be available for direct electronic filing through our website. Please check revenue.mt.gov for the latest details.

Who Has to File a Corporation License 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 Corporation License Tax Return. The term “corporation” includes associations, joint stock companies, 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.

A tax of 6.75% needs to be paid on the total Montana net income for the preceding fiscal or calendar year. Corporations that have a valid water's edge election need to pay 7% of the total Montana net income. If your corporation has sustained a net loss, you will need to file a Montana Corporation License 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.

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 you have not paid by the original due date of your tax return.

A corporation is allowed an automatic extension to file its tax return of up to six months following the prescribed filing date. You are not required to apply for this extension. Please see 15-31-111(3)(a), MCA.

Where Should a Corporation File?

Did you know that you can now e-file your Montana tax return? Montana participates in the joint federal/state electronic filing program. Please visit our website at revenue.mt.gov for information about electronic filing options.

If you file electronically, you do not have to mail paper copies of your return. When you file electronically, you represent that you have kept all documents required as your tax record and will provide copies to the department if we ask for them. The act of completing and filing electronically is considered an authorized signature.

If you chose not to file electronically, please mail your tax returns to:

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

Part I. Filing Method

All corporations must complete lines 1 through 3 of this part. If you check “Yes” to lines 2 or 3, you must complete lines 4 and 5 of this part.

Line 1

Check this box if you are 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 your corporation's activities in Montana are protected under the provisions of Public Law 86-272. If your activities are protected, you still need to complete and include Schedule K. If you check this box, skip to Part II if you are filing an amended return; otherwise, skip to Part III.

Line 2

Check the “Yes” box if you are a member of a consolidated group for federal purposes, either as a parent or a subsidiary. Check the “No” box if this does not apply to you.

Line 3

Check the “Yes” box if you are filing a combined return for Montana purposes (see explanation below). If you check the “Yes” box, you must enter the number of entities with activity in Montana for this return. Check the “No” box if you are not filing a combined return.

What is a combined return? If your corporation engages in a particular trade or business with one or more unitary corporations, you will have to file a combined tax return in which you apportion the entire business income from such trade or business. Please see 15-31-305 through 15-31-311, MCA. All unitary affiliated corporations that are

owned more than 50% are required to be included in your combined report. 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. If you are filing a combined return for Montana purposes, complete and include Schedule K (see instructions on pages 6 through 7 of this booklet). In addition, if you have more than one corporation with Montana activity, you will also need to complete and include Schedule K-Combined (see instructions on page 11 of this booklet) in support of the Schedule K.

Line 4

If you answered “Yes” to questions 2 or 3 of this part, check the box that indicates the filing method that applies to your company, and complete and include a Montana Schedule M. Your 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** – Check this filing method if your 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 your Montana tax return, you also have to include a signed copy of the federal Form 1120 prepared for your ultimate parent corporation.
- b. **Separate Accounting** – Check this filing method if your corporation’s business operations in Montana are not unitary with your corporation’s business operations outside of Montana. All of your corporation’s income and expenses that are attributed to business operations within Montana have to be able to be separated from the total income and expenses of your corporation. You will also have to include a detailed description of your Montana activity.
- c. **Worldwide Combination** – Check this filing method if your corporation has a unitary relationship with its domestic and foreign subsidiaries. You will need to include federal Forms 5471 for each controlled foreign corporation or a detailed schedule of your foreign income.
- d. **Domestic Combination** – Check this filing method if your corporation has a unitary relationship with its domestic subsidiaries, and does not have 50% or greater ownership of a foreign subsidiary.
- e. **Limited Combination** – Check this filing method if your corporation has excluded one or more of its subsidiaries from its combined unitary group. Include on your Schedule M all those subsidiaries (foreign and domestic) that are not included in this unitary group.
- f. **Water’s Edge** – Check this method of filing only if your 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 file a written election within the first 90 days of the tax period for which that election is to

become effective. This election has to be approved by the department and it is binding for three consecutive taxable periods. If your corporation wishes to extend this election for another three-year period, it will have to file a new election within the first 90 days of the tax period for which the extension to this election is to become effective.

Corporations that make a valid water’s edge election have to include in their water’s edge group all of that group’s subsidiaries that are incorporated in tax havens. Please see 15-31-322(1)(f), MCA, for a list of these countries.

Those corporations filing under a valid water’s edge election must submit Schedule WE (see instructions on pages 12 through 13 of this booklet) with their Montana Form CLT-4.

Line 5

If you answered “Yes” to questions 2 or 3 of this part, enter the name and FEIN of your 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 your original tax return. Indicate at the top of the form that this represents an amended filing and check the box(es) that indicates the reason(s) why you are amending your tax return. Please include the applicable forms and statements that can explain in detail all of your adjustments. Complete the entire form using the corrected 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.
- 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 checked the “Amended Return” box on page 1 of Form CLT-4, and you pay the tax and applicable interest in full. By checking 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 checking the appropriate boxes. If you answer “Yes” to any of the questions (h-l), you will have to complete and include Schedule M.

Part IV. Reporting of Special Transactions

Check the appropriate box. You will need to answer all of the questions. 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 your return is not signed, your tax form may be returned to you to be completed.

Montana Taxable Income and Net Amount Due

Line 1 – Taxable Income

Enter on line 1 of your Montana tax return (Form CLT-4) the taxable income that you reported on line 28 of your federal tax return (Form 1120). Include with your Form CLT-4 a complete copy of the signed Form 1120 that you filed with the Internal Revenue Service. If your Form 1120 is voluminous, please include pages 1 through 5, along with the schedules that you used to compute your income and deductions and the supporting federal schedules for each of the following 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 1120-FSC – U.S. Income Tax Return of a Foreign Sales Corporation
- 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 corporation license tax and other state, local and foreign income taxes that have been deducted on your federal tax return have to be added back to your income on this line. Please include a breakdown of your 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 needs to be added to your income on this line. Please see 15-31-113(1)(a)(i), MCA.
- c. If you claim the qualified endowment credit on your tax return, the amount of contribution that you used to compute your credit needs 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 your foreign parent, if applicable, and from all foreign subsidiaries that are included in the worldwide combined group on this line. Include supporting schedules or your federal Form(s) 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 and supporting schedules for the separately filed corporation(s).
- f. The federal extraterritorial income exclusion is not allowed for Montana tax purposes. Consequently, your federal deduction for extraterritorial income has to be added back on this line when you compute your Montana taxable income. Please include federal Form 8873, Extraterritorial Income Exclusion and federal Schedule N, Foreign Operations of U.S. Corporations.
- g. Enter the amount from line 10 of your Schedule WE on this line. Schedule WE is on page 10 of Form CLT-4.
- 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 Form(s) 5471 and 8858. Please see 15-31-322(1)(f), MCA.
- i. The federal capital loss carryover is not allowed as part of your allowable deduction for Montana corporation license tax purposes. Any amount of federal capital loss carryover that you used on your federal tax return has to be added back on this line when you compute your Montana taxable income. Please include your federal Schedule D. Please see 15-31-114(1), MCA.
- j. Include with your Form CLT-4 a detailed breakdown of any other additions to your income and report it on this line.

Examples of other additions:

- Film Production Credit – If you claim a film production credit, you have to include the amount of the expenditures that you used to compute this credit in your income for the year you incurred this expenditure.
- Insure Montana Credit – If you claim a credit for insurance premiums paid during the year, you have to include the amount of insurance premiums that was used to compute this credit in your income for the year that you incurred the expense. The amount to include is two times the amount of the allowable credit. Please see 33-22-2006(6), MCA.
- Foreign Sales Corporation Income – If you owned a foreign sales corporation, you have to include the total net income (before the federal exemptions) reported on each federal Form

1120-FSC in your calculation of Montana taxable income.

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 your trade or business. It includes income from tangible and intangible property if the acquisition, management and disposition of that property constitute integral parts of your trade or business operations. 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. You will have to include with your tax return 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.
- c. You may deduct an additional 10% of the cost for the purchase of recycled material on this line. This amount is computed on Form RCYL. You will have to include a copy of Form RCYL with your tax return. 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 and include a supporting schedule.
- e. If you are using the water's edge method of filing, you will need to enter on this line the total of federal line 28 income or loss of all your 80/20 companies and include a supporting schedule.
- f. You have to deduct capital losses in the year that you incurred those losses. Enter the amount of capital loss that you incurred during the tax period that has not already been deducted on your federal tax return on this line. Please include your federal Schedule D. Please see 15-31-114(1)(b), MCA.
- g. Report on this line any other deductions that are allowable as you compute your Montana taxable income. Please include a detailed schedule with your tax return.

Examples are:

- 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 total on this line.

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).

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 you incurred a net operating loss, enter a negative amount. Unless you elect to forego carryback, this loss first has to be carried back to the three preceding taxable periods prior to the year of loss. Please see 15-31-119, MCA.

If you elect to forego the entire carry-back period, check the "Yes" box on this line. Once you make this election to forego the carry-back, that election is irrevocable for the year that you make it. If you report a net loss on line 7 and do not check either box, or check 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 that you claim on line 8 cannot exceed the amount of income that you reported on line 7. If line 7 is a negative amount, enter \$0 on line 8. If you have sustained a Montana net operating loss in a preceding year, you can apply the remaining loss against the income that you reported on line 7. You can carry forward any net operating loss that you incurred for seven taxable periods following the year of that loss. If you claim a Montana net operating loss deduction on line 8, include a detailed schedule of your net operating loss carryover.

If you are filing a combined tax return and have more than one corporation 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 CLT-4 is the form used to calculate the separate entity net operating loss. Use the instructions on page 11 of this booklet to complete Schedule K–Combined.

If you are claiming a net operating loss carryover deduction from a prior period, you will need to provide the loss detail calculated on a separate entity basis.

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. Your 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

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

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

If you elect to pay the alternative tax, check the box on line 10 and enter your calculated tax liability. Include a detailed breakdown of this calculation.

Line 11 – Montana Tax Liability

Enter the amount on line 10 here.

Line 12 – Payments

- a. 2009 Overpayment** – If you made an overpayment of your 2009 tax that has not been refunded previously, you can claim it as a credit on this line.
- b. Tentative Payment** – You can elect to make a tentative payment of tax by including a remittance with the Montana Corporation License Tax Payment Voucher inserted in this booklet. You may also make a tentative payment online through our website at *revenue.mt.gov*, on Business Tax Express--a free service for your company to pay corporation license taxes. Please make your check payable to the Montana Department of Revenue. Be sure to reference your federal employer identification number (FEIN) and tax year on the memo line of your check. If you made a tentative payment, enter the amount on this line.
- c. Quarterly Estimated Tax Payments** – If you made quarterly estimated payments during 2010, enter the total of those payments on this line.
- 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 to be confused with the amounts deducted from your royalty payments for production taxes. Enter the total amount of Montana royalty withholding on this line. Please include Form(s) 1099. For more information, please visit the "Mineral Royalties" link at *revenue.mt.gov*.

- e. Montana Tax Withheld by Pass-Through Entities** – If a pass-through entity in which you held an interest remitted Montana tax on your behalf, enter the amount of the remittance on this line. Please include the Montana Form(s) PT-WTH.
- f. Other Payments** – Please include any payment that you did not report above. Enter a description of the type of payment(s) included on this line.
- g. Refunds Previously Issued** – If this is an amended return, and you received a refund when you filed your original tax return or a previous amended tax return, include the amount of the refund on this line. Do not include overpayments applied to 2011 on this line (this amount needs 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.

Line 13 – Credits

From Schedule C, column C, enter the total credits on this line. To claim any credit on Form CLT-4, you need to include a completed copy of Schedule C and the prescribed form(s) and detailed schedule(s) for the credit(s) that you claim. Please see the instructions for Schedule C on pages 7 through 11 of 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. Your tax is due by the fifteenth day of the fifth month following the close of the taxable year. If you choose the automatic extension of up to six months, the tax plus any applicable penalty and interest is due when you file your tax return. Please note that the automatic six-month extension to file is not an extension to pay.

Line 15 – Overpayment Credited to 2011 Estimated Tax

Indicate the amount, if any, of the overpayment you wish to be applied to your 2011 estimated tax. If you are filing an amended return, enter the amount of overpayment applied as requested on the original return or previously 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

When you do not pay your tax by the original date that it is due, interest on the tax due accumulates at the rate of 12% per year until the tax is paid. Interest is calculated daily on the unpaid tax. Your taxes are due by the fifteenth day of the fifth month following the close of the taxable year.

Please note that the automatic six-month extension to file is not an extension to pay.

Line 18 – Estimated Tax Underpayment Interest

If your tax liability is \$5,000 or greater, you have 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 CLT-4-UT and include a completed copy with your tax return. Enter the amount of interest on this line. If you use the annualized/seasonal method to compute the interest, check the box on this line and include a copy of the federal Form 2220 that you filed with your federal tax return. Form CLT-4-UT and its detailed instructions are available on our website at revenue.mt.gov.

Line 19 – Penalty

- a. **Late Filing Penalty** – If you do not file your tax return by the due date (including any extension of time), you will be subject to a late filing penalty of \$50 or the amount of the tax that was due, whichever is smaller. If you have made an overpayment of your tax, no late filing penalty will be charged.
- b. **Late Payment Penalty** – If you do not pay your tax liability by the original date that it is due, you will be charged a late payment penalty of 1.2% per month or fraction of a calendar month on any unpaid tax. This penalty cannot exceed 12% of your tax due. The late payment penalty is calculated from the original due date of your tax 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 that you reported on lines 17, 18 or 19 to the liability that you reported on line 16.

- a. If the result is positive, enter the amount due on this line. You can pay the amount you owe by:
 - e-filing your return and requesting electronic funds withdrawal,
 - visiting our website at revenue.mt.gov to enroll in Business Tax Express, a free service that allows your company to pay corporation license tax online, or
 - sending your payment, along with the completed Montana Corporation License 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.
- b. If the result is negative, enter the amount of refund that you are requesting on this line. Please check the “Refund Return” box on page 1 of Form CLT-4.
If you would like to use direct deposit, enter your financial institution’s routing number (RTN#) and your

account number (ACCT#) in the space provided. Your routing number will be nine digits and your account number can be up to 17 characters, including numbers and letters. Mark whether your account is a checking or savings account and if your 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 your financial institution does not accept the direct deposit, we will mail you a refund check.

Please Note – Your tax return may be sent back to you to be completed if it is not signed by an officer of the reporting entity, or if it is not completed in its entirety.

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 CLT-4. In addition, if you have 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 CLT-4 is the form used to calculate the separate entity apportionment factor. Use instructions on page 11 of 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 without 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 fully by every corporation that carries on a unitary business within and without the state. If you have determined the income that you attribute to Montana on some basis other than the apportionment method, you will need to include a full and detailed description of your business operation along with an explanation of the method that you used. Even if the Department of Revenue pre-approves an alternative method of determining your taxable income, you will still need to complete and submit Schedule K.

The following is a detailed 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 your 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 that you 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 CLT-4, 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 your Form CLT-4 in order to offset any tax liability by 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 and that have not yet been used. 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, except for the Contractor's Gross Receipts Tax Credit. Refer to line 6h of the Schedule K-Combined for your 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 (Form DCAC)

An employer can claim a credit for amounts that it paid or incurred for dependent care assistance that it provided to employees. This credit may be carried forward for five years. Please see 15-31-131 and 15-31-133, MCA.

This assistance can be in the form of:

- Acquiring, constructing, reconstructing, renovating or improving real property for the primary use as a day-care facility. This credit is the smaller of:
 - \$2,500 times the number of dependents that the day-care facility is designed to accommodate;
 - 15% of acquisition, construction, reconstruction, renovation, or other improvement cost; or
 - \$50,000.
- Providing dependent care assistance to employees that meets the requirements of Internal Revenue Code (IRC) 26 U.S.C. 129(d)(2) through (d)(6). The credit is 25% of the amount paid or incurred by the employer during the taxable year with a limit of \$1,575 per employee.
- Providing information and referral services to assist employees within the state in obtaining dependent care. The credit is 25% of the amount paid or incurred by the employer during the taxable year.

Line 3 – Montana College Contribution Credit (Form CC)

Taxpayers who make charitable contributions to any general endowment funds of the Montana University System or to any general endowment fund of a Montana private college or its foundation during the year are allowed a credit in the amount of 10% of the aggregate of these contributions. The maximum amount of credit that can be claimed is \$500 per year, and unused amounts cannot be carried over.

Line 4 – Health Insurance for Uninsured Montanans Credit (Form HI)

Employers can claim a credit for the health insurance premiums they pay for their employees. Please see 15-31-132, MCA. The credit can be up to \$25 a month for each employee. The maximum credit that can be claimed each year is \$3,000, and the credit cannot be carried over. If you are using insurance premiums to calculate the Insure Montana Credit (line 22) you cannot use the same insurance premium payments to calculate the Health Insurance for Uninsured Montanans Credit. Please see 33-22-2008(4), MCA.

Line 5 – Montana Recycle Credit/Deduction (Form RCYL)

Employers can claim a credit for their investments in equipment or machinery that are used to collect, process or manufacture a product from reclaimed material or depreciable property that treats soil contaminated by hazardous wastes. Please see 15-32-602 and 15-32-603, MCA. This credit is a percentage (5% to 25%) of the cost

of the property used in Montana, before consideration of trade-in equipment. An exception to this is that the basis will be reduced by any trade-in for which this credit has previously been taken. The credit is limited to the current year tax liability and cannot be carried over.

Line 6 – Alternative Energy Production Credit (Form AEPC)

A credit is available to certain alternative energy producers. Please see 15-32-402, MCA. The credit is 35% of the eligible costs associated with the purchase, installation or upgrading of generating equipment, safety devices and storage equipment, transmission lines necessary to connect with existing transmission facilities, and transmission lines necessary to connect directly to the purchaser of the electricity when no other transmission facilities are available. The credit must first be claimed in the year in which the asset was placed in service; any excess credit may be carried over seven years. Taxpayers who meet criteria established in 15-32-404, MCA, may carry over the credit for 15 years.

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 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 corporation license 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 (for example: building, road, bridge, etc.), name of awarding agency, name of prime contractor and the amount of gross receipts tax paid, as well as the amount that has been applied to personal property taxes. If you report your income from contracts on a percentage-of-completion basis, this credit has to be allocated proportionately.

Line 8 – Alternative Fuel Credit (Form AFCR)

In order to qualify, you will need to include a detailed schedule. You are allowed a credit for equipment and labor costs that you incur in order to convert a motor vehicle licensed in Montana to operate on alternative fuel. The maximum credit is equal to 50% of the equipment and labor costs incurred but cannot exceed \$500 for conversion of a motor vehicle with a gross weight of 10,000 pounds or less, or \$1,000 for conversion of a motor vehicle with a gross vehicle weight more than 10,000 pounds. This credit can only be claimed in the year in which the conversion was made. It cannot be carried over. Please see 15-30-2320, MCA.

Line 9 – Infrastructure User Fee Credit (Form IUFC)

A credit can be claimed for the infrastructure user fees paid to a local government. To claim the credit described in 17-6-316, MCA, you have to meet the criteria set forth in 17-6-309(2), MCA, and pay the infrastructure user fees. To claim this credit, the county must certify the amount of the infrastructure user fees paid and the timeliness of your payment. This credit can be carried forward for seven years or carried back for three years.

Line 10 – Qualified Endowment Credit (Form QEC)

Please see 15-31-161, MCA. A 20% credit is allowed for gifts to a qualified charitable endowment up to the maximum of \$10,000. This credit cannot exceed your tax liability. It cannot be carried over. The full value of the gift that you used when you calculated your credit cannot be claimed as a deduction under 15-31-114, MCA, and has to be added back on line 2c of the Form CLT-4.

If you file on an accrual basis, the credit that you claim has to be taken in the year that you reported it for federal tax purposes. The appropriate percentage that you used when you calculated your credit has to be determined by the actual date that your gift was made.

Include Form QEC and your verification requirements for any planned gift or outright charitable gift made to a qualified endowment. See instructions on Form QEC for verification requirements. To learn more about the endowments statewide, visit the Governor's Task Force on Endowed Philanthropy website, endowmentontana.org.

Line 11 – Historical Buildings Preservation Credit

Please see 15-31-151, MCA. Include federal Form 3468 to qualify for this credit. A credit may be claimed for expenditures that you 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 (Form RSCH)

A credit is available for increases in qualified research expenses and basic research payments for research that is conducted in Montana. The credit is determined in accordance with Section 41 of the IRC, 26 U.S.C. 41, with the exception that the applicable rate is 5% for Montana purposes. Include with your tax return a completed copy of the Form RSCH. Any unused credit may be carried back two years and carried forward 15 years. Please see 15-31-150, MCA.

Line 13 – Mineral Exploration Incentive Credit (Form MINE-CRED)

You can claim a credit for certified expenditures of mining exploration activities, not to exceed 50% of the corporation's tax liability. Certified expenditures are the costs that you incur for activities that directly support the exploration activity conducted at a specific exploration site. This credit applies to activities associated with both new mines and mines that are being reopened. Please see 15-32-502 through 15-32-509, MCA.

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 you have 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 (Form FPC)

You can claim a credit against your corporation license tax liability for employing residents of Montana in a state-certified production. To become a state-certified production, you have to make an application with the Department of Commerce. The credit is equal to 14% of the first \$50,000 or less of actual compensation paid to each Montana resident who was employed in a state-certified production. When you claim this credit, you will need to make a one-time election to apply the credit against your corporation license tax liability and either:

- carryforward any unused credit to be applied in the four succeeding tax years or
- to refund any unused credit (If you want to have your credit refunded, please enter your credit on line 20 of Schedule C.).

Please see 15-31-907, MCA. If you elect to carryforward the unused credit, enter the amount on this line.

In addition to Form FPC, please include the following:

- Form FPC-PP, Film Production Credit – Submission of Costs – End of Principal Photography. This form needs to be completed and submitted to the Department of Revenue within 60 days of completing your principal photography.
- Form FPC-AF, Film Production Credit Application Fee. This form and your fee are due at the time you file your tax return.

Line 16 – Biodiesel Blending and Storage Credit (Form BBSC)

A credit can be claimed by a qualified taxpayer for the cost of investments in depreciable property used for storing or blending biodiesel made from Montana products with petroleum diesel for sale. This credit can be carried forward for seven years if the facility is blending or storing biodiesel for blending. Please see 15-32-703, MCA.

Line 17 – Oilseed Crushing and Biodiesel/ Biolubricant Production Credit (Form OSC)

A credit can be claimed for the cost of investments in qualifying depreciable property used to crush oilseed crops for the purpose of making biodiesel fuel or biolubricant, or used to construct or equip a facility in Montana to be used for producing biodiesel or biolubricant. This credit can be carried forward for seven years if the facility is crushing oilseed during the current tax period. Please see 15-32-701 and 15-32-702, MCA.

Line 18 – Geothermal System Credit (Form ENRG-A)

A contractor that is constructing a new residence for sale can claim a portion of the installation costs of a geothermal system. The credit of up to \$1,500 may be carried forward for seven years. This credit is effective for tax years beginning after December 31, 2005. Please see 15-32-115, MCA.

Line 19 – Total Nonrefundable Credits

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

Refundable Credits

Line 20 – Film Employment Production Credit – Refundable

You can claim a credit against your corporation license tax liability for employing residents of Montana in a state-certified production. To become a state-certified production, you have to make an application with the Department of Commerce. The credit is equal to 14% of the first \$50,000 or less of actual compensation paid to each Montana resident who was employed in a state-certified production.

When you claim this credit, you will need to make a one-time election to apply the credit against your income tax liability and either:

- carryforward any unused credit to be applied in the four succeeding tax years (If you want to carryforward your credit, please enter the amount on line 15 of Schedule C.) or
- to refund any unused credit.

Please see 15-31-907, MCA. In addition to Form FPC, please include the following:

- Form FPC-PP, Film Production Credit – Submission of Costs – End of Principal Photography. This form needs to be completed and submitted to the Department of Revenue within 60 days of completing your principal photography.
- Form FPC-AF, Film Production Credit Application Fee. This form and your fee are due at the time you file your tax return.

Line 21 – Film Qualified Expenditures Credit (Form FPC)

You can receive a refundable credit for expenditures made in Montana in connection with your state-certified

production. Your credit is equal to 9% of the total qualified expenses that you incurred in connection with your production. The expenditures that you used to calculate this credit cannot be taken as deductions in your calculation of Montana taxable income. Please see 15-31-908, MCA.

In addition to Form FPC, please include the following:

- Form FPC-PP, Film Production Credit – Submission of Costs – End of Principal Photography. This form needs to be completed and submitted to the Department of Revenue within 60 days of completing your principal photography.
- Form FPC-AF, Film Production Credit Application Fee. This form and your fee are due at the time you file your tax return.

Line 22 – Insure Montana Credit

If you are an eligible small employer, as defined in 33-22-2006, MCA, a credit can be claimed 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 your federal tax return back on line 2j of Form CLT-4. The amount to add back is two times the amount of the allowable credit. You can claim this credit even if it exceeds your corporation license tax liability on line 10 of Form CLT-4. Any allowable credit in excess of your Montana tax liability must be refunded. Please see 33-22-2006(4), MCA.

Line 23 – Temporary Emergency Lodging Credit (Form TELC)

For tax years beginning after December 31, 2007, a tax credit is available for licensed establishments that provide short-term emergency lodging under the Temporary Emergency Lodging Program. The program helps provide lodging for individuals or families who have been displaced from their residence and have been referred to the establishment by a charitable organization approved by the Montana Department of Public Health and Human Services. Please visit their website at <http://dphhs.mt.gov/PHSD/Food-consumer/emergency-lodging.shtml> for additional information regarding participation in this program.

The credit is \$30 for each night of lodging provided by the establishment, up to the maximum of five nights. A corporation may claim the credit if it is the owner of the establishment or it has an ownership interest in the partnership that owns the establishment.

Line 24 – Total Refundable Credits

Add lines 20 through 23 and enter the result on this line.

Tax Credits Recapture

Line 25 – 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 26 – Historical Buildings Preservation Credit Recapture

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

Line 27 – Film Production Credit Recapture

If your production company's certification is revoked after you take the credit, you will need to recapture the credit on this line.

Line 28 – 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 29 – 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 30 – Total Recapture of Tax Credits

Add line 25 through 29 and enter the result on this line.

Line 31

Add the total of lines 19 and 24, and then subtract line 30. Enter the amount on this line and on line 13 on page 4 of Form CLT-4.

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 on pages 6 through 7 of this booklet for the calculation of the property, payroll, and sales factors.

Everywhere Activity is the total amounts of the combined group for Montana purposes. 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 Columns is 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 in 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 of page 3 of the Form CLT-4.
- 6b.** Multiply each column's separate entity apportionment factor by the combined group's Montana taxable income.
- 6c.** Income directly allocated to Montana should be included under the entity in which this income is related to.
- 6d.** Add lines 6b and 6c; and 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 CLT-4.
- 6f.** Subtract line 6e from line 6d and enter the result on this line.
- 6g.** Enter the total of line 6f for all columns. The total amount on column C of the Schedule K-Combined should be the same as line 9, page 3 of Form CLT-4.
- 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. Your Montana tax liability cannot be less than \$50 times the number of companies with Montana activity. The \$50 minimum tax applies to each corporation having activity in Montana, regardless of whether the company has a net operating loss.
- 6i.** Add all columns on line 6h and enter the result. The total amount on column C of the Schedule K-Combined should be the same as line 10, page 3 of the Form CLT-4.

Instructions for Schedule WE

Who needs to fill out Schedule WE?

If you have a valid water's edge election, you need to fill out Schedule WE. A water's edge election allows you to apportion your worldwide income to this state using only certain affiliated corporations. When you file a return using the water's edge method, you include corporations based upon attributes such as the location of the corporation's payroll and property, and the percentage of ownership that you have in the corporation. Please see 15-31-322, MCA.

Part I. Water's Edge Election

If you wish to compute your income attributable to Montana sources on a water's edge basis, you have to file a written election with us within the first 90 days of the tax year in which it is to become effective. Each election binds you for a three-year renewable period. A written election needs to be filed for each three-year period, and must be submitted within the first 90 days of the tax period for which your subsequent election is to become effective. In order to revoke the election, you must make a request and receive our written permission to do so.

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 your affiliated entity meets any one of these criteria and is unitary, it is included in your combined return. If your affiliated entity does not meet any of these criteria, it is excluded from your combined return.

- An affiliated entity that:
 - is incorporated in the United States,
 - is in a unitary relationship with you,
 - 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 you and that is incorporated in a tax haven country. Please refer to Part IV, page 13 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 federal consolidated return, enter on this line the amount that you reported on line 30 of your federal tax return for all of your 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 of your federal tax return.

Line 2 – Consolidated 1120 Positive Taxable Income

Enter the total of the amounts that you reported on your federal Form 1120 line 30 for all of your 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 of your federal tax return.

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 that you reported on your federal consolidated 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 that you reported on your 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

Calculate the after-tax net income for your U.S. corporations that qualify as an 80/20 company, that are owned greater than 50% and that are not included in your consolidated federal return. After-tax net income is calculated by subtracting the tax liability from the taxable income on the corporation's federal form. Enter this amount 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% (.20); enter the result on this line, and also on Form CLT-4, line 2(g), page 3.

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.

Column 3 – Income/Loss

For each company listed in column 1, enter the income or loss that you reported on your federal consolidated return, line 30, for the 80/20 company.

Column 4 – Dividends Received

For each company listed in column 1, enter the total dividends that were received by the 80/20 company for this filing period.

Part IV. List of Controlled Foreign Corporations**Column 1 – Name**

Enter the name of each company incorporated outside the United States that is directly or indirectly owned greater than 50% by corporations within the water's edge group. 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 that you reported on line 18 of your 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.

Your water's edge combined return must include the income of each corporation that is in a unitary relationship with you and that 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.



2010 Montana Corporation License Tax Return

Attach a copy of federal Form 1120 as filed with the Internal Revenue Service

For calendar year 2010 or tax year beginning MMDD2010 and ending MMDDYYYY

Name, Mailing Address, City, State, Zip + 4

FEIN, Federal Business Code/NAICS, State Incorporated in, Date Qualified in Montana, MT Secretary of State ID

Check if:

- New address, Do not need Form CLT-4 sent next year, Initial Return, Final Return, Amended Return, Refund Return



Did you know? You have e-file options. revenue.mt.gov/efile

Part I - Filing Method.

- 1. Check this box if you are exempt from tax under the provision of Public Law 86-272.
2. Are you a member (parent or subsidiary) of a consolidated group for federal purposes?
3. Are you filing a combined return for Montana purposes?
4. If you answered "Yes" to questions 2 or 3 above, then check one of the following filing methods and attach Schedule M:
5. If you answered "Yes" to questions 2 or 3 above, you must attach pages 1 through 4 of the parent's consolidated federal Form 1120 that you filed with the Internal Revenue Service, and enter:

Part II - Amended Return Only. Check all that apply.

- a. Federal Revenue Agent Report; a complete copy of this report must be attached
b. NOL carryback/carryforward; year(s) of loss
c. Apportionment factor changes; attach a statement explaining all adjustments in detail
d. Amended federal tax return (Form 1120X); a complete copy of the federal Form 1120X must be attached
e. Application and/or change in tax credit; type of credit being claimed
f. Other; attach a statement explaining all adjustments in detail

Part III - General Questions. All questions must be answered.

- a. Describe in detail the nature and location(s) of your Montana activities (if necessary, provide the description on an additional page).
b. Is this your corporation's first Montana tax return?
If this corporation is a successor to a previously existing business, enter predecessor's: Name and FEIN



MMDDYYYY

XXXXXXXXXX

Computation of Montana Taxable Income and Net Amount Due

1. Taxable income reported on your federal tax return (line 28) (attach a copy of signed federal Form 1120) ... 1. 00

2. Additions

Table with 2 columns: Description and Amount. Rows include 2a. State, local, foreign and franchise taxes based on income... 2a. 00, 2b. Federal tax exempt interest... 2b. 00, 2c. Contributions used to compute qualified endowment credit... 2c. 00, 2d. Income/loss of foreign parent and foreign subsidiaries for worldwide combined filers 2d. 00, 2e. Income/loss of unitary corporations not included in federal consolidated return... 2e. 00, 2f. Extraterritorial income exclusion... 2f. 00, 2g. Deemed dividends—Water’s Edge filers only. (attach Schedule WE)... 2g. 00, 2h. Income/loss of corporations incorporated in tax havens—Water’s Edge filers only ... 2h. 00, 2i. Federal capital loss carry-over utilized on federal return... 2i. 00, 2j. All of your other additions (attach a detailed breakdown)... 2j. 00. Total: Add lines 2a through 2j and enter the result. This is the total of your additions. 2. 00

3. Reductions

Table with 2 columns: Description and Amount. Rows include 3a. IRC Section 243 dividend received deduction... 3a. 00, 3b. Nonbusiness income (attach a detailed breakdown)... 3b. 00, 3c. Montana recycling deduction (attach Form RCYL)... 3c. 00, 3d. Income/loss of nonunitary corporations included in federal consolidated return... 3d. 00, 3e. Income/loss of 80/20 companies—Water’s Edge filers only... 3e. 00, 3f. Capital loss incurred in current year (attach federal Schedule D) ... 3f. 00, 3g. All of your other reductions (attach a detailed breakdown) ... 3g. 00. Total: Add lines 3a through 3g and enter the result. This is the total of your reductions. 3. 00. 4. Add lines 1 and 2, then subtract line 3 and enter the result. This is your adjusted taxable income. 4. 00. 5. Income apportioned to Montana (multiply line 4 X % from Schedule K, line 5)... 5. 00

Combined filers must use the Schedule K included on page 5 of Form CLT-4.

6. Enter the income that you allocated directly to Montana (attach a detailed breakdown) 6. 00
7. Montana taxable income before net operating loss (add lines 5 and 6 or enter amount reported on line 4) .. 7. 00

If line 7 is a loss, do you wish to forego the net operating loss carry-back provision? Yes No

Note: If you have reported a loss on line 7 and have not checked either box, the loss has to be carried back first.

8. Enter your Montana net operating loss carried over to this period (attach a detailed schedule)... 8. 00
9. Subtract line 8 from line 7 and enter the result here. This is your Montana taxable income. 9. 00
10. Multiply line 9 by 6.75% (or line 9 by 7% if you have a valid Water’s Edge election). This is your Montana tax liability. (This amount cannot be less than the minimum tax liability of \$50.)..... 10. 00

Check this box if you are calculating your tax liability using the Alternative Tax method.



MMDDYYYY

XXXXXXXXXX

Schedule K - Apportionment Factors for Multi-State Taxpayers

Enter dollar values in columns A and B. Enter percentages in column C.

Table with 3 columns: A. Everywhere, B. Montana, C. Factor

1. Property Factor: Enter average values for real and tangible personal property

Table with 3 columns: Description, A. Everywhere, B. Montana, C. Factor. Rows include Land, Buildings, Machinery, Equipment, Furniture and fixtures, Leases and leased property, Inventories, Depletable assets, Supplies and other, Property of foreign subsidiaries, Property of unconsolidated subsidiaries, Property of pass-through entities, and Total Property Value.

Divide the total in column B by the total in column A. Multiply that result by 100 and enter the result.

This is your property factor. 1. %

2. Payroll Factor:

Table with 3 columns: Description, A. Everywhere, B. Montana, C. Factor. Rows include Compensation of officers, Salaries and wages, Payroll included in: Costs of goods sold, Other deductions, Payroll of foreign subsidiaries, Payroll of unconsolidated subsidiaries, Payroll of pass-through entities, and Total Payroll Value.

Divide the total in column B by the total in column A. Multiply that result by 100 and enter the result.

This is your payroll factor. 2. %

3. Sales (Gross Receipts) Factor:

Table with 3 columns: Description, A. Everywhere, B. Montana, C. Factor. Rows include Gross sales, less returns and allowances, Sales delivered or shipped to Montana purchasers (Shipped from outside Montana, Shipped from within Montana), Sales shipped from Montana to (United States government, Purchasers in a state where the taxpayer is not taxable), Sales other than sales of tangible personal property (i.e. service income), Net gains reported on federal Schedule D and federal Form 4797, Other gross receipts (rents, royalties, interest, etc.), Sales (receipts) of foreign subsidiaries, Sales (receipts) of unconsolidated subsidiaries, Sales (receipts) of pass-through entities, Less: All intercompany transactions, and Total Sales Value.

Divide the total in column B by the total in column A. Multiply that result by 100 and enter the result.

This is your sales factor. 3. %

4. Add the percentages on lines 1, 2, and 3 in column C. This is the sum of your factors. 4. %

5. Divide the total percentage on line 4, column C, by the number of factors that can be included in the calculation. If there is a value in column A for a factor category (Property, Payroll, or Sales), the factor is included in the calculation (see instructions). Enter the results here and also on Form CLT-4, page 3, line 5. This is your apportionment factor 5. %



M	M	D	D	Y	Y	Y	Y
---	---	---	---	---	---	---	---

--	--	--	--	--	--	--	--



Schedule M - Affiliated Entities

Complete the schedules below if your corporation has an affiliated relationship with another business entity. Please note that both schedules must be completed if your corporation is a member of a U.S. consolidated group and has affiliated relationships with other business entities.

1. Members of a U.S. Consolidated Group

Please include your information in the following schedule for all members of your U.S. consolidated group. Attach a separate sheet if necessary.

A Federal Employer Identification Number	B Name of affiliate/subsidiary/parent corporation	C Percentage of ownership	D Included in this Montana unitary filing?		E Doing business in Montana?		F Check if filing Montana Form CLT-4 separate from this unitary filing
			Yes	No	Yes	No	

2. Affiliated Entities

Please include information in the following schedule for all business entities that are not included in the U.S. consolidated group; i.e. partnerships, limited liability companies, foreign subsidiaries owned greater than 50%, unconsolidated subsidiaries owned greater than 50%. Please include entities that are owned by your corporation and entities that are owned by all members of your U.S. consolidated group. Attach a separate sheet if necessary.

A Federal Employer Identification Number	B Name of entity	C Percentage of ownership	D Included in this Montana unitary filing?		E Doing business in Montana?		F Type of entity, i.e. foreign subsidiary, unconsolidated subsidiary, partnership, LLC, LLP
			Yes	No	Yes	No	



Schedule WE - Water's Edge Schedule

Part I. Water's Edge Election

1. Enter the tax periods for which a valid water's edge election has been approved. _____

Part II. Calculation of Deemed Dividends Received from Corporations Incorporated Outside of the United States

1. Enter the positive federal line 30 income of your 80/20 companies. (See instructions).....1.	00	00
2. Enter your consolidated 1120 positive federal line 30 income. (See instructions).....2.	00	00
3. Divide the amount on line 1 by the amount on line 2. This is the ratio of your 80/20 positive income to your consolidated 1120 positive income.3.	<input type="text" value=""/> <input type="text" value=""/> . <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>	
4. Enter the tax liability, after tax credits, which you reported on your consolidated 1120.....4.	00	00
5. Multiply line 3 by line 4. This is the federal tax liability associated with your 80/20 companies ...5.	00	00
6. Enter the section 78 gross-up received by your 80/20 companies (attach schedule).6.	00	00
7. Subtract the total of lines 5 and 6 from line 1; enter the result. This is the after-tax net income of your 80/20 companies. If the result is less than zero, enter zero.7.	00	00
8. Enter the after-tax net income of all unconsolidated 80/20 companies.....8.	00	00
9. Add lines 7 and 8; enter the result. This is your total after-tax net income.....9.	00	00
10. Multiply line 9 by 20% and enter the result here and on line 2(g) of Form CLT- 4, page 3. This is your 20% deemed dividend10.	00	00

Part III. List your 80/20 Companies. Attach a separate sheet if necessary.

1. Name	2. FEIN	3. Income/Loss	4. Dividends Received
		00	00
		00	00
		00	00
		00	00
		00	00
		00	00
		00	00
		00	00
Totals		00	00

Part IV. List your Controlled Foreign Corporations. Attach a separate sheet if necessary.

1. Name	2. Country of Incorporation/Organization	3. Income/Loss
		00
		00
		00
		00
		00
		00
		00
Total		00



Corporation License Tax - Descriptions of Forms Available

CLT-4	Montana Corporation License Tax Return
Schedule M	Affiliated Entities (included in booklet)
Schedule K-Combined	Apportionment Factors for Combined Filers (sample included in booklet)
Schedule WE	Water's Edge Schedule (included in booklet)
Form CT	Scannable Payment Voucher (included in booklet)
CLT-4-UT	Underpayment of Estimated Tax
ATL	Assumption of Tax Liability
INA-CT	Affidavit of Corporate Inactivity
CRT	Tax Certificate Request
RDF	Application to be Considered a Research and Development Firm
MINE-CERT	Application and Approval for Mineral Exploration Incentive Credit

Schedule C Tax Credit Forms:

DCAC	Montana Dependent Care Assistance Credit
CC	Montana College Contribution Credit
HI	Health Insurance for Uninsured Montanans Credit (Employer)
RCYL	Montana Recycling Credit/Deduction
AEPC	Alternative Energy Production Credit
AFCR	Alternative Fuel Credit
IUFC	Infrastructure User Fee Credit
QEC	Qualified Endowment Credit
RSCH	Credit for Increasing Research Activities
MINE-CRED	Mineral and Coal Exploration Incentive Credit
BBSC	Biodiesel Blending and Storage Credit
OSC	Oilseed Crushing and Biodiesel/Biolubricant Production Credit
ENRG-A	Geothermal System Credit
FPC	Film Production Credit
TELC	Temporary Emergency Lodging Credit

These forms are available on our website at revenue.mt.gov. You can also order your forms by calling us toll free (866) 859-2254 (in Helena, 444-6900).

Helpful Tips for Filing Your Tax Return

- File your federal and state tax returns electronically at the same time.
- If you send a payment, please either include the voucher provided in this booklet or go to our website at revenue.mt.gov to get a payment voucher. You can also go to our website to register for Business Tax Express, which allows you to pay online.
- Please be sure to answer all questions on pages 1 through 4 of the tax return and have an officer sign and date the return.
- Include a copy of your federal Form 1120. If you are a subsidiary of another corporation, you will need to include a copy of the federal Form 1120 prepared for the ultimate parent corporation of your group.
- If you are filing a return and requesting a refund, please check the "Refund Return" box located beneath the address information on page 1 of Form CLT-4.

Montana Department of Revenue
Post Office Box 8021
Helena, MT 59604-8021

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No Return

Did you know that you can e-file your Montana tax return?

Montana participates in the joint federal/state electronic filing program.
Please visit our website at revenue.mt.gov/efile for information about
electronic filing options.



Important Numbers

Assistance and Help Line toll free (866) 859-2254 (in Helena, 444-6900)
Forms Request toll free (866) 859-2254 (in Helena, 444-6900)
For the Hearing Impaired (406) 444-2830
Fax (406) 444-6642