



2016 Montana Net Operating Loss (NOL)

15-30-2119, MCA, and ARM 42.15.318, ARM 42.30.106

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Before You Start

Who should use these instructions and schedules?

This publication is for individuals and fiduciaries (estates and trusts). Corporations: see the instructions for Form CIT.

Montana Net Operating Loss (NOL) and Federal NOL

You usually have an NOL for Montana income tax purposes if you have an NOL for federal income tax purposes. Both NOLs are computed similarly. The amount of your Montana NOL can differ from the amount of your federal NOL because of income and deductions that Montana and the federal government treat differently for income tax purposes. As a result, you must file a Montana return to claim a Montana NOL every year you deduct a Montana NOL. To calculate your Montana NOL, you use many of the same calculations that you made for your federal NOL. These instructions tell you when line items are Montana-specific using bold font following an **(M)**.

Montana Carryback/Carryforward

The period of time you can carry back and carry forward a Montana NOL is the same amount of time as a federal NOL. However, the election to waive the carryback of a federal NOL does not waive the carryback for a Montana NOL. You must make a separate election. You can waive the carryback of a Montana NOL even if you have not waived the carryback of a federal NOL. Waiving the carryback of a Montana NOL is irrevocable. If you choose to waive the carryback, you must do so by the due date (including extensions of time) for filing your return for the NOL's tax year. See the section below on How to Waive the Carryback Period.

Nonresidents and Part-year Residents

Nonresidents and part-year residents calculating their Montana NOL must include in the calculation both Montana and non-Montana source income that is reported on Form 2, line 43. An NOL is not created solely from Montana source income or losses that were reported on Form 2, Schedule IV. Consequently, you will always report a Montana NOL carryover deduction on Schedule II.

Change in Filing Status and/or Marital Status

If your marital or filing status has changed, you must follow the federal rules and instructions for change of filing statuses when computing Montana NOL carrybacks, carryovers and refund limits.

Composite Tax Return Participants

If you are participating in a Montana composite return filed by a partnership or S corporation, you do not have a Montana NOL even if the partnership or S corporation reported a loss on the composite return. If you choose to use losses distributed to you from a partnership or S corporation to calculate a Montana NOL, you must revoke your election to be included in a Montana composite return and file your personal Montana income tax return.

How to calculate a Montana NOL from a loss year?

Schedule A

Use Schedule A to figure out if you have a Montana NOL. This schedule helps you apply the limitations on nonbusiness capital losses, ordinary nonbusiness deductions and business capital losses coming into play in the calculation of an NOL.

To claim an NOL, you must file a completed Schedule A with your Montana Form 2 for the loss year by the return's due date. When the calculation on Schedule A results in an NOL, you report this NOL on the earliest carryback year of the carryback period, or the next Montana income tax return if you choose to waive the carryback period, or the next Montana income tax return if you waive the carryback period. Do not use Schedule A to figure a carryover amount after that point. Use Schedule B to determine carryover amounts after applying an NOL deduction on a carryback year, or Schedule D to calculate a carryover amount after applying an NOL deduction forward.

Line 1. (M) Enter the amount from your 2016 Montana Form 2, line 43. If this is a negative amount, you may have an NOL.

Lines 2 and 3. Figure your nonbusiness capital losses and gains. Nonbusiness capital losses and gains are losses or gains that are not attributable to, or derived from, a trade or business.

Line 6 – Nonbusiness deductions. Enter your deductions and subtractions that are not related to your trade or business or your employment as a positive number. Examples of nonbusiness deductions include:

- health savings account deduction
- deductions for payments on behalf of a self-employed individual to an SEP, SIMPLE or qualified plan
- alimony paid
- IRA deduction
- Archer MSA deduction
- **(M) Montana subtractions that are considered nonbusiness from Form 2, Schedule II, e.g., line 1 “exempt interest and mutual funds from federal bonds and obligations;” or line 6 “state income tax refunds included on form 2”**
- most itemized deductions (except for casualty and theft losses and any employee business expenses on Schedule III, line 20 and 21)

- **(M) the Montana standard deduction (if you do not itemize your deductions). (Do not include the deduction for Montana personal exemptions for you, your spouse or your dependents.)**

Do not enter your business deductions that are related to your trade or business on line 6. Examples of these deductions include:

- federal income tax paid on business profits
When determining the portion of federal tax attributable to income from your trade or business, multiply the federal tax by the ratio of your net business income to your Montana adjusted gross income for the year you had the federal tax.
- moving expenses
- the deduction of one-half of your self-employment tax or your deduction for self-employed health insurance
- rental losses
- loss on the sale or exchange of business real estate or depreciable property
- your share of a business loss from a partnership or S corporation
- ordinary loss on the sale or exchange of stock in a small business corporation or a small business investment company
- casualty and theft losses (even if they involve nonbusiness property) and employee business expenses (such as union dues, uniforms, tools, education expenses, and travel and transportation expenses) reported as itemized deductions
- loss on the sale of an accounts receivable (if you use an accrual method of accounting)
- interest and litigation expenses on state and federal income taxes related to your business
- unrecovered investment in a pension or annuity claimed on a decedent's final return
- Any business subtractions reported on Schedule II, e.g., “Exempt military salary of residents on active duty.”

Line 7 – Nonbusiness Income. Enter only your income that is not related to your trade or business or your employment. Examples of nonbusiness income include:

- interest and dividend income
- **(M) taxable federal and state income tax refunds**
- alimony received
- gains from the sale of a personal residence to the extent recognized in the federal adjusted gross income
- gains or losses from the sale of assets not used in a trade or business
- taxable IRA distributions, pensions and annuities
- unemployment compensation
- taxable social security benefits
- income or losses from a trust or estate
- **(M) Montana additions that are considered nonbusiness from Form 2, Schedule I.**

Do not include the income you received from your trade or business or your employment. Business income includes, but is not limited to, your salaries and wages, self-employment income, rental income, your share of business income from partnerships and S corporations, and ordinary gain(s) from the sale or other disposition of business real estate or depreciable business property.

Line 11 and 12 – Business capital losses and gains: These are the capital gains and losses attributable to, or derived from a trade or business, but before any capital losses limitation and without regard to any section 1202 exclusion.

Line 17 – Adjustment for Section 1202 Exclusion. Enter any gain you excluded under section 1202 on the sale or exchange of qualified small business stock.

Line 19 through line 22 – Adjustments for Capital Losses. Your amount deductible for capital losses is limited based on whether these losses are business capital losses or nonbusiness capital losses.

Nonbusiness capital losses. You can deduct your nonbusiness capital losses (line 2) up to only the amount of your nonbusiness capital gains without taking into account any section 1202 exclusion (line 3). If your nonbusiness capital losses are more than your nonbusiness capital gains without taking into account any section 1202 exclusion, you cannot deduct the excess.

Business capital losses. You can deduct your business capital losses (line 11) up to only the total of:

- your nonbusiness capital gains that are more than the total of your nonbusiness capital losses and excess nonbusiness deductions (line 10), and
- your total business capital gains without regard to any section 1202 exclusion (line 12).

Line 24 – (M) Montana NOLs from other years. You cannot deduct any of your NOL carryovers or carrybacks from other years. Enter the total amount of your NOL deduction for losses from other years that you reported on Schedule II, line 28.

How to carry your NOL back to years before the NOL year?

Generally, if you determine that you have an NOL for a tax year, you have to carry back the entire amount of the NOL to the two tax years before your NOL year (this is called the carryback period), and then carry forward any of your remaining NOL for up to 20 years after your NOL year (this is called the carryforward period). Some taxpayers may qualify for a longer carryback period. However, you can choose not to carry back your NOL and only carry it forward.

Exceptions to Two-Year Carryback Rule

You can qualify for a longer carryback period if you have eligible losses or farming losses.

Eligible losses

The carryback period for eligible losses is three years. You have an eligible loss if any part of your NOL is:

- from a casualty or theft, or
- attributable to a presidentially-declared disaster for a qualified small business.

You have a qualified small business if you are a sole proprietorship or a partnership that has average annual gross receipts (reduced by returns and allowances) of \$5 million or less during a three-year period ending with the NOL's tax year. If your business did not exist for the entire three-year period, use the period your business was in existence.

Farming Losses

When you have a farming loss, your carryback period is five years. Your farming loss is the smaller of:

- the amount that would be the NOL for the tax year if only the income and deductions attributable to your farming businesses were taken into account, or
- the NOL for the tax year.

You have a farming business if your trade or business involves one or more of the following:

- cultivating land
- raising or harvesting any agricultural or horticultural commodity
- operating a nursery or sod farm
- raising or harvesting tree-bearing fruit, nuts or other crops, or ornamental trees
- raising, shearing, feeding, caring for, training and managing animals

You do not have a farming business if:

- you perform contract harvesting,
- someone else grows or raises an agricultural or horticultural commodity for you, or
- you merely buy or sell plants or animals grown or raised by someone else.

You can choose a two-year carryback of your farm loss, instead of the five-year carryback. If you make this choice, your carryback period will be two years. To make this choice, indicate two-year carryback in the box on the bottom of Schedule A. Once you waive the five-year carryback, you cannot revoke it. If you choose not to carry back any of your farming loss, mark the appropriate box on the bottom of Schedule A that states you are electing to forgo the carryback, and carry forward your farming loss.

How to Waive the Carryback Period?

You can choose not to carry back your NOL. If you make this choice, you can use your NOL only during the 20-year carryforward period. If you want to make this choice, mark the box on the bottom of Schedule A, electing to forgo the carryback of your NOL. You have to make this election by the due date (including extension of time) for filing your tax return for your NOL's tax year. Once you elect to waive the carryback period, you cannot revoke it. If you choose to waive the carryback period for more than one NOL, you have to make a separate election for each of your NOL years.

Important: If you waive the carryback period, make sure that we receive Schedule A showing this election. You can send Schedule A by mail to PO Box 7149, Helena MT 59604-7149.

If you waive the carryback period, report the amount on Schedule A, line 25 to the tracking table Schedule C, column D, on the 2016 line. Skip the section on “How to claim refunds from carryback years?” Read the instructions for Schedule C on “How to use the Schedule C to track NOL carryovers.”

How to claim refunds from carryback years?

You can claim a refund by filing an amended income tax return. In most cases, you must file an amended tax return claiming a refund resulting from a Montana NOL carryback within five years from the due date of the amended return you are filing or within the period that expires on the 15th day of the 40th month following the close of the NOL's tax year. You must file an amended return for each year to which you can apply some NOL. In addition, you must use Schedule B to figure how much of your NOL can be carried over from a carryback year. You must file your completed Schedule B with each amended tax return to which an NOL was carried back.

First, amend your earliest carryback return by reporting the NOL determined on Schedule A, line 25 to Form 2, Schedule II, line 28 of your amended return of the earliest carryback year.

Second, if you get a full refund of the tax paid in the first preceding year, you may have NOL to carry over to the next preceding year(s) of the carryback period.

Complete the first column on Schedule B for the earliest year to figure the amount of NOL you can carryover. If you do have some NOL to carryover from a carryback year to the next, report the amount from line 10 to Schedule II, line 28 of the amended return on which you apply the NOL deduction. Go to the next column of Schedule B to figure the amount of NOL you can carryover from that year.

For example, if you carry back your 2016 NOL to your 2014 tax year, you would file Schedule B with your amended 2014 return. The Schedule B that you file with the 2014 return would only have one completed column. In addition, if your 2016 NOL deduction was not fully absorbed in 2014, then you would carry the remaining amount to tax year 2015. You would file an amended 2015 tax return and include a Schedule B with two completed columns. You would complete one column for the 2014 tax year and would complete the second column for the 2015 tax year.

If you have more than two carryback years, repeat this process for each carry back year or until you have exhausted your initial amount of NOL, completing a new column on Schedule B for each year. If you have a five-year carryback, you may have to complete more than one Schedule B.

After amending your last carryback year, complete one last column on Schedule B to determine the amount of

NOL you may carry forward to a future year. If you have some NOL remaining after amending your carryback years, report this amount (Schedule B, line 10 of the last column you completed) to the Schedule C tracking table on the year-end column.

How to calculate the Montana NOL deduction balance from a carryback year?

Schedule B

Use Schedule B to calculate the remaining balance of NOL deduction from an earlier preceding year to the next preceding year of the carryback period. Like the federal Form 1045, Schedule B, the Montana Schedule B pertains exclusively to the calculation of the remaining balance of NOL deduction used on carryback years after applying statutory limitations. Many of the lines of the Montana Schedule B are the same as the lines of the federal Schedule B.

Schedule B is also used as a tracking sheet of NOL deduction balances for the carryback period. Each column on Schedule B represents a carryback year. Begin with the earliest tax year that you can apply the 2016 NOL deduction toward. Write the applicable tax year at the top of the column. For example, if you carry back a 2016 NOL to tax year 2014, you would write in the tax year as 2014 at the top of the first column.

The amount of NOL available to carry over to the next preceding year is the excess, if any, of your available NOL for a carryback year over your modified taxable income for that year. Your Montana modified taxable income is the amount figured on line 9 of Form NOL, Schedule B.

If you carry two or more NOLs from different loss years to a carryback year, you must apply these NOLs in the order that you incurred them.

If your marital or filing status has changed, you must follow the federal rules and instructions for change of filing statuses when computing the net operating loss.

Schedule B: NOL carryovers in the carryback period.

Line 1 – (M) First column: enter the amount shown on Form NOL, Schedule A, line 25 to the earliest carryback year. If you completed a previous column with line 10 showing an NOL carryover available for the next year of the carryback period, report that number on line 1.

Line 2 – (M) Enter the Montana taxable income, line 45 of the original Form 2, or line 24 of the Form FID-3 for that year before applying any NOL deduction from 2016 or later. This amount may already include NOL deductions from years before 2016.

Line 3 – Net Capital Loss Deduction. Enter as a positive number the amount, if any, shown (or as previously adjusted) on Schedule D, line 21 (Form 1040).

(M) If you are married filing separately for Montana, include any capital loss limitation adjustment in calculating your Montana adjusted gross income.

Line 4 – Section 1202 Exclusion. Enter as a positive number any gain that you excluded under section 1202 on the sale or exchange of qualified small business stock.

Line 6 – (M) Adjustments to Montana Adjusted Gross Income. If you entered an amount on lines 3 or 4, you have to refigure certain income and deductions.

These include:

- the special allowance for passive activity losses from rental real estate activities
- IRA deductions
- student loan interest deduction
- tuition and fees deduction
- Montana taxable social security benefits
- excludable savings bond interest
- excludable employer-provided adoption benefits

For purposes of figuring your adjustment to each of these items, your adjusted gross income is increased by the total of the amounts on lines 3 and 4.

Line 7 – (M) Adjustment to Itemized Deductions. Skip this line if, for the applicable carryback year:

- you did not itemize deductions, or
- the amounts on Schedule B, lines 3, 4 and 5 are zero.

Otherwise, complete lines 11 through 38 and enter on line 7 the amount from line 38 (or, if applicable, line 14 of the itemized deduction worksheet located at the end of these instructions).

Estates and trusts. Recompute the miscellaneous itemized deductions shown (or as previously adjusted) on Form FID-3, line 15b, and any casualty or theft losses shown (or as previously adjusted) on Form 4684, Casualties and Thefts, line 18 by substituting modified adjusted gross income (see below) for the adjusted gross income of the estate or trust. Subtract the recomputed deductions and losses from the deductions and losses previously shown, and enter the difference on line 7.

Modified adjusted gross income for estates and trusts. For purposes of figuring miscellaneous itemized deductions subject to the 2 percent limit, figure modified adjusted gross income by adding the following amounts to the adjusted gross income previously used to figure these deductions.

- The total of the amounts from lines 3 through 6 of Schedule B.
- The exemption amount shown (or as previously adjusted) on Form FID-3, line 22.
- The income distribution deduction shown (or as previously adjusted) on Form FID-3, line 21.

For purposes of figuring casualty or theft losses, figure modified adjusted gross income by adding the total of the amounts from lines 3 through 6 of Schedule B, to the adjusted gross income previously used to figure these losses.

Line 10 – (M) NOL Carryover. Report this amount on line 1 of the column for the next year of the carryback period. After completing all applicable columns, report the amount of line 10 of the last completed column on Schedule C, column D for 2016 if this amount is more than zero.

Adjustment to Itemized Deductions (For individuals only)

This section helps you determine the adjustments applicable to the itemized deductions using the Montana modified adjusted gross income as required by statute. It demands the use of figures that were reported on Schedule III of Form 2.

Line 11 – (M) Montana adjusted gross income before 2016 NOL carryback. This is the Montana adjusted gross income of the preceding year to which you are about to apply the 2016 NOL. This amount may already include NOL deductions from years before 2016.

Line 20 – (M) Refigured Mortgage Insurance Premiums. If line 13 on Schedule B is more than \$100,000, complete the Mortgage Insurance Premiums Deduction Worksheet. If line 13 is \$100,000 or less, you do not need to complete the worksheet. Instead, enter the amount from line 19 on line 20 and enter \$0 on line 21.

Mortgage Insurance Premiums Deduction Worksheet - Line 20

1. Enter the total premiums you paid for qualified mortgage insurance for a contract issued after December 31, 2006.....1. _____
2. Enter the amount from Form NOL, Schedule B, line 13.....2. _____
3. Enter \$100,000.....3. _____
4. Is the amount on line 2 more than the amount on line 3?
If No. Your deduction is not limited. Enter the amount from line 19 on line 20 of Form NOL, Schedule B and enter -0- on line 21. **Do not** complete the rest of this worksheet.
If Yes. Subtract line 3 from line 2. If the result is not a multiple of \$1,000, increase it to the next multiple of \$1,000. For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000, etc.....4. _____
5. Divide line 4 by \$10,000. Enter the result as a decimal. If the result is 1.0 or more, enter 1.....5. _____
6. Multiply line 1 by line 5.....6. _____
7. **Refigured mortgage insurance premiums deduction.** Subtract line 6 from line 1. Enter the result here and on Form NOL, Schedule B or D, line 20.....7. _____

Line 26 – (M) Refigured Charitable Contributions.

Refigure your charitable contributions using line 24 as your adjusted gross income **unless**, for any preceding tax year:

- a. you entered an amount other than zero on line 23, and
- b. you had any items of income or deductions based on adjusted gross income that are listed in the instructions for line 6 of Schedule B above.

For Montana NOL carryover purposes, you must reduce any charitable contributions carryover to the extent that the NOL carryover on line 10 is increased by any adjustment to charitable contributions.

Line 38 – Complete the Itemized Deduction Limitation Worksheet on page 5 of these instructions if line 22, Schedule B is more than:

- \$145,950 for 2005 (\$72,975 if married filing separately)
- \$150,500 for 2006 (\$75,250 if married filing separately)
- \$156,400 for 2007 (\$78,200 if married filing separately)
- \$159,950 for 2008 (\$79,975 if married filing separately)
- \$166,800 for 2009 (\$83,400 if married filing separately)
- \$300,000 for 2013 (\$275,000 for head of household; \$250,000 for unmarried taxpayers; \$150,000 if married filing separately)
- \$305,050 for 2014 (\$279,650 for head of household; \$254,200 for unmarried taxpayers; \$152,525 if married filing separately)
- \$309,900 for 2015 (\$284,050 for head of household; \$254,250 for unmarried taxpayers; \$154,950 if married filing separately)

Use these amounts when completing line 6 of the Itemized Deduction Limitation Worksheet.

The itemized deduction limitation applies only to years before 2010 and after 2012.

How to use Schedule C and D to track the use of and calculate NOL carryover deductions?

Schedule C allows you to keep track of your NOL deductions you can carry over to the next tax year. Because it is organized per NOL year (column A and B), your NOL deductions will be listed in the order you must use them in, starting from the oldest. For NOL tax years beginning before 1999, use Form NOL-Pre-99. Remember, you can carryover NOL deductions for 20 years.

Schedule C also allows you to determine which NOL deduction needs to be refigured in case you are using several NOL deductions to offset 2016 taxable income.

(M) Schedule C

Keep Schedule C to use as a reference to complete your tax return for next year, or if the Montana Department of Revenue requests a summary of your NOL balance for 2016.

If 2016 is an NOL year: Whether you waive the carryback period or not, report the amount of NOL you are carrying over to 2017 in column D, on the 2016 line at the bottom. Report the balance of NOL deductions you may have from previous years on the line of column D corresponding to the NOL year it is from. For example, if you have an NOL deduction balance of \$1,000 from 2013, enter \$1,000 on column D, line 2013. You are done.

If 2016 is not an NOL year: Report your taxable income from form 2 line 45 on the table's first line.

Column B: Report your NOL carryover balance(s) according to the NOL year they come from. Add all the NOL balances at the bottom of the column and report this sum

on line 28 of Schedule II if you file Form 2, or on line 8 of Schedule B if you file a Form FID-3.

Column C: Starting from the first tax year you have an NOL carryover balance, deduct the NOLs on Column B from the 2016 Montana Taxable Income in the chronological order you incurred them. Report the amount of NOL that is used against the 2016 taxable income. Proceed until all the 2016 Montana Taxable Income is used or there is no more NOL left to use, whichever comes first.

At the end of the column, add all the NOL deductions used. Do not include the NOL deduction that creates a negative taxable income.

See the example below.

Note that, if all the NOL deductions are used, column B must equal column C. You do not need to report anything in column D.

Column D: Proceeding in the chronological order in which you incurred the NOLs, if the amount in column C is equal to the amount in column B, then enter zero and go to the next year from which you have an NOL carryover balance.

When the amount of NOL used in column C is less than the NOL balance from column B for an NOL year, use Schedule D to figure how much you need to report on column D for that particular year. Copy the amount of NOL balances from column B to column D for the following years.

Example: Your taxable income for 2016 is \$5,000 before your \$9,000 NOL deduction. You report \$5,000 on the first line of Schedule C for the current year taxable income. Your NOL deduction includes a \$2,000 carryover from 2014 that you report on column B for 2014, and a \$7,000 carryover from 2015 also reported on column B, but on the 2015 line. Subtract your 2014 NOL of \$2,000 from \$5,000, and report the \$2,000 on column C. This gives you taxable income of \$3,000. Your 2014 NOL is now completely used up. Subtract your \$7,000 2015 NOL from \$3,000. This gives you taxable income of (\$4,000). However, because of limitations on NOL deductions the amount you can carryover may be less than (\$4,000). To figure the amount you can report on column D and carryover to future years from the 2015 NOL, use Schedule D. Your NOL deduction to carryover to 2017 is the unused part of your 2015 NOL from line 10 of the worksheet. Report \$2,000 as the sum of all deductions entirely used by the 2016 taxable income at the bottom of column C.

(M) Schedule D: NOL Deduction Carryover

If you had an NOL deduction carried over from a year before 2016 that resulted in your having taxable income on your 2016 return of zero (or less than zero, if an estate or trust), complete Schedule D. It will help you figure your NOL carryover to 2017, calculating the NOL balance for the earliest NOL that results in your having taxable income below zero as determined on schedule C. It is similar to the worksheet in IRS publication 536. Your NOL carryover to 2017 is the total of line 10 of the worksheet and all later NOL amounts as reported on Schedule C, column D.

Line 1 – (M) This is that particular NOL deduction that results in a negative number when applied to the remaining taxable income of the year.

Line 2 – (M) Add all the NOL deductions that were used entirely by applying them to the current year taxable income. This is the addition reported on Schedule C, column C. Deduct this amount from the taxable income of the current year before NOL deductions. Enter the result on line 2.

Line 6 – (M) You must refigure the following income and deductions based on your Montana adjusted gross income.

1. The special allowance for passive activity losses from rental real estate activities.
2. Taxable social security and tier 1 railroad retirement benefits.
3. IRA deductions.
4. Excludable savings bond interest.
5. Excludable employer-provided adoption benefits.
6. The student loan interest deduction.
7. The tuition and fees deduction.

If none of these items apply to you, enter zero on line 6.

Otherwise, increase your adjusted gross income by the total of lines 3 through 5 and your NOL deduction for the NOL year at the top of the worksheet and later years. Using this increased adjusted gross income, refigure the items that apply, in the order listed above. Your adjustment for each item is the difference between the refigured amount and the amount included on your return. Combine the adjustments for previous items with your adjusted gross income before refiguring the next item. Keep a record of your computations. Enter your total adjustments for the above items on line 6.

Line 7 – Enter zero if you claimed the standard deduction and the amounts on lines 3 through 5 are zero. Otherwise, use lines 11 through 35 of the worksheet to figure the amount to enter on this line. Complete only those sections that apply to you.

(M) Estates and trusts. Enter zero on line 7 if you did not claim any miscellaneous deductions on Form FID-3, line 15b, or a casualty or theft loss. Otherwise, refigure these deductions by substituting modified adjusted gross income (see below) for adjusted gross income. Subtract the recomputed deductions from those claimed on the return. Enter the result on line 7.

Modified adjusted gross income. To refigure miscellaneous itemized deductions of an estate or trust (Form FID-3, line 15b), modified adjusted gross income is the total of the following amounts.

- The adjusted gross income on the return.
- The amounts from lines 3 through 5 of the worksheet.
- The exemption amount from Form FID-3, line 22.
- The NOL deduction for the NOL year entered at the top of the worksheet and for later years.

To refigure the casualty and theft loss deduction of an estate or trust, modified adjusted gross income is the total of the following amounts.

- The adjusted gross income amount you used to figure the deduction claimed on the return.
- The amounts from lines 3 through 5 of the worksheet.
- The NOL deduction for the NOL year entered at the top of the worksheet and for later years.

Line 20 – Is your modified adjusted gross income from line 13 of this worksheet more than \$100,000 (\$50,000 if married filing separately)?

- Yes. Your deduction is limited. Refigure your deduction using the Mortgage Insurance Premiums Deduction Worksheet earlier in the instructions for Schedule B. On line 2 of the Mortgage Insurance Premiums Deduction Worksheet, enter the amount from line 13 of this worksheet.
- No. Your deduction is not limited. Enter the amount from line 19 on line 20 and enter -0- on line 21.

Line 23 – (M) If you had a contributions carryover from 2014 to 2015 and your NOL deduction includes an amount from an NOL year before 2014, you may have to reduce your contributions carryover. Reduce the contributions carryover by the amount of any adjustment you made to your 2014 charitable contributions deduction when figuring your NOL carryover to 2015. Use the reduced contributions carryover to figure the amount to enter on line 23.

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



Calendar year 2016 or tax year beginning _____ 2016 and ending _____

Filer's Name (first, middle initial and last) _____ SSN _____

Filer's Spouse (first, middle initial and last) _____ SSN _____

Entity Name (if fiduciary) _____ FEIN _____

Schedule A

1. Enter the amount from your 2016 Montana Form 2, line 43 (Estates and trusts, enter Montana taxable income reported on FID-3, line 20, increased by the amount of the charitable deduction reported on FID-3, line 13)	1.	
2. Nonbusiness capital losses before limitation. Enter as a positive number	2.	
3. Nonbusiness capital gains (without regard to any section 1202 exclusion)	3.	
4. If line 2 is more than line 3, enter the difference; otherwise, enter zero	4.	
5. If line 3 is more than line 2, enter the difference; otherwise, enter zero	5.	
6. Nonbusiness deductions. (see instructions)	6.	
7. Nonbusiness income other than capital gains. (see instructions)	7.	
8. Add lines 5 and 7	8.	
9. If line 6 is more than line 8, enter the difference; otherwise, enter zero	9.	
10. If line 8 is more than line 6, enter the difference; otherwise, enter zero. Do not enter more than the amount on line 5	10.	
11. Business capital losses before limitation. Enter as a positive number	11.	
12. Business capital gains (without regard to any section 1202 exclusion) ...	12.	
13. Add lines 10 and 12	13.	
14. Subtract line 13 from line 11. If zero or less, enter zero	14.	
15. Add lines 4 and 14	15.	
16. Enter the loss, if any, from line 16 of your 2016 Schedule D (Form 1040). Estates and trusts enter the loss, if any, from line 19 (column 3), of Schedule D (Form 1041). Enter as a positive number. If there is no loss on that line (and no section 1202 exclusion), skip lines 16 through 21 and enter on line 22 the amount from line 15	16.	
17. Section 1202 exclusion. Enter as a positive number	17.	
18. Subtract line 17 from line 16. If zero or less, enter zero	18.	
19. Enter the loss, if any, from line 21 of your 2016 Schedule D (Form 1040). Estates and trusts, enter the loss, if any, from line 20 of Schedule D (Form 1041). Enter as a positive number	19.	
20. If line 18 is more than line 19, enter the difference; otherwise, enter zero	20.	
21. If line 19 is more than line 18, enter the difference; otherwise, enter zero	21.	
22. Subtract line 20 from line 15. If zero or less, enter zero	22.	
23. Domestic production activities deduction from your 2016 Form 2, line 36, or included on your 2016 Form FID-3, line 15a	23.	
24. NOL deduction for losses from other years. Enter as a positive number	24.	
25. NOL. Combine lines 1, 9, 17 and 21 through 24. If the result is less than zero, enter here. If the result is zero or more, you do not have an NOL	25.	

Carryback Election

Check here if you elect to forgo the carryback of a 2016 NOL. You have to make this election by the due date (including extension) for filing your 2016 income tax return. If you forgo the carryback of a 2016 NOL, report the amount from Schedule A, line 25 on the appropriate line of the 2017 Form 2, Schedule II or on Form FID-3, Schedule B, line 8.

If you are a farmer, write here the carryback period you are claiming.
Example: Five year carryback.

Schedule B - NOL Carryback/Carryforward

Complete one column before going to the next column (see instructions).	2016 NOL applied to tax year _____		2016 NOL applied to tax year _____		2016 NOL applied to tax year _____	
1. NOL deduction. (see instructions) Enter as a positive number.						
2. Montana taxable income before 2016 NOL carryback (see instructions). Estate and trusts, increase this amount by the sum of charitable deduction and income distribution deduction.						
3. Net capital loss deduction. (see instructions)						
4. Section 1202 exclusion. Enter as a positive number.						
5. Domestic production activities deduction.						
6. Adjustment to Montana adjusted gross income. (see instructions)						
7. Adjustment to Montana itemized deductions. (see instructions)						
8. Individuals, enter deduction for exemptions. Estates and trusts, enter exemption amount.						
9. Modified taxable income. Add lines 2 through 8. If zero or less, enter zero.						
10. NOL carryover (see instructions). Subtract line 9 from line 1. If zero or less, enter zero.						
Adjustments to Itemized Deductions						
Complete lines 11 through 38 for the carryback year(s) for which you itemized deductions only if line 3, 4, or 5 above is more than zero.						
11. Montana adjusted gross income before 2016 NOL carryback.						
12. Add lines 3 through 6 above.						
13. Modified adjusted gross income. Add lines 11 and 12.						
14. Medical expenses from Form 2, Schedule III, line 4 (or as previously adjusted).						
15. Medical expenses from Form 2, Schedule III, line 1 (or as previously adjusted).						
16. Multiply line 13 by percentage from Schedule III (Form 2), line 3.						
17. Subtract line 16 from line 15. If the result is zero or less, enter zero.						
18. Subtract line 17 from line 14.						
19. Mortgage insurance premiums from Form 2, Schedule III (or as previously adjusted).						
20. Refigured mortgage insurance premiums. (see instructions)						
21. Subtract line 20 from line 19.						
22. Modified adjusted gross income from line 13.						
23. Enter as a positive number any NOL carryback from a year before 2016 that was deducted to figure line 11.						
24. Add lines 22 and 23.						
25. Charitable contributions (including any carryovers) from Form 2, Schedule III (or as previously adjusted).						
26. Refigured charitable contributions. (see instructions)						
27. Subtract line 26 from line 25.						

Schedule B - NOL Carryback/Carryforward (continued)

Complete one column before going to the next column (see instructions).	2016 NOL applied to tax year _____		2016 NOL applied to tax year _____		2016 NOL applied to tax year _____	
28. Casualty and theft losses from federal Form 4684, line 18 (line 23 for 2008; line 21 for 2009; line 20 for 2005, 2006 and 2010) (or as previously adjusted).						
29. Casualty and theft losses from federal Form 4684, line 16 (line 18 for 2005, 2006 and 2010; line 21 for 2008; line 19 for 2009) (or as previously adjusted).						
30. Multiply line 22 by 10% (0.10).						
31. Subtract line 30 from line 29. If zero or less, enter zero.						
32. Subtract line 31 from line 28.						
33. Miscellaneous itemized deductions from Form 2, Schedule III, line 26.						
34. Miscellaneous itemized deductions from Form 2, Schedule III, line 23.						
35. Multiply line 22 by 2% (0.02).						
36. Subtract line 35 from line 34. If zero or less, enter zero.						
37. Subtract line 36 from line 33.						
38. Complete the worksheet in the instructions if line 22 is more than the applicable amount shown in the instructions. Otherwise, combine lines 18, 21, 27, 32 and 37; enter the result here and on line 7 (page 2).						

If you file your Montana tax return electronically, you do not need to mail this schedule to us unless we ask you for a copy. When you file electronically, you signify that you have retained the required documents in your tax records and will provide them upon the department's request.

Name _____ SSN _____

Itemized Deductions Limitation Worksheet

Enter applicable carryback year (Example: 2014) →					
<p>1. Add the amounts from Form NOL, Schedule B, lines 17, 20, 26, 31 and 36 and the corresponding amounts from Form 2, Schedule III:</p> <ul style="list-style-type: none"> a. medical and long term care insurance premiums b. federal, state, sales, income, real estate, motor vehicle and other taxes c. home mortgage and investment interest d. Child and Dependent Care Expense, Form 2441-M e. other miscellaneous deductions f. gambling losses 					
<p>2. Add the amounts from Form NOL, Schedule B, lines 17 and 31 and the corresponding amounts from Form 2, Schedule III:</p> <ul style="list-style-type: none"> a. medical and long term care insurance premiums b. federal income taxes c. investment interest d. Child and Dependent Care Expense, Form 2441-M e. gambling losses 					
<p>3. Subtract line 2 from line 1. If zero or less, stop here; combine the amounts from Form NOL, Schedule B, lines 18, 21, 27, 32 and 37, and enter the result on line 38 and on line 7 of Form NOL, Schedule B.</p>					
<p>4. Multiply line 3 by 80% (0.80).</p>					
<p>5. Enter the amount from Form NOL, Schedule B, line 22.</p>					
<p>6. Enter the applicable amount: See instructions for line 38 of Schedule B.</p>					
<p>7. Subtract line 6 from line 5.</p>					
<p>8. Multiply line 7 by 3% (0.03).</p>					
<p>9. Enter the smaller of line 4 or line 8.</p>					
<p>10. Enter the amount for your carryback year as follows:</p> <ul style="list-style-type: none"> a. For 2008, divide line 9 by 1.5. b. For 2009, 2006 and 2007, divide line 9 by 3.0. c. For all other carryback years, enter -0-. 					
<p>11. Subtract line 10 from line 9.</p>					
<p>12. Total itemized deductions from Form 2, Schedule III.</p>					
<p>13. Subtract line 11 from line 1.</p>					
<p>14. Subtract line 13 from line 12. Enter the difference here and on line 7 of Form NOL Schedule B.</p>					

Schedule C - NOL Carryover Summary

2016 Montana Taxable Income →			
Column A NOL Year	Column B NOL Generated	Column C NOL Absorbed	Column D NOL Balance
1999			
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016		Add all deductions ↓ entirely used here	
Add all deductions of column B here →			

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Schedule D - NOL Carryover

Use the current year Form 2 or Form FID-3 to complete this schedule

NOL Year (This is the year for which you are calculating the amount of carryover to report on Schedule C, column D.):	
1. Enter as a positive number your NOL deduction for the year you entered above. (see instructions)	
2. Montana taxable income before the NOL deduction before the Montana NOL from line 1. (see instructions)	
3. Enter as a positive number any net capital loss deduction.	
4. Enter as a positive number any Section 1202 exclusion.	
5. Enter the amount of domestic production activities deduction.	
6. Adjustment to Montana adjusted gross income. (see instructions)	
7. Adjustment to Montana itemized deductions. (see worksheet below)	
8. Individuals, enter deduction for exemptions. Estates and trusts, enter exemption amount.	
9. Montana modified taxable income. Add lines 2 through 8, if zero or less, enter zero.	
10. Montana NOL carryover (see instructions). Subtract line 9 from line 1. If zero or less, enter zero.	

Adjustments to Itemized Deductions (individuals only)

11. Montana adjusted gross income before the NOL deduction from Form 2, Schedule II, line 28.	
12. Add lines 3 through 6 above.	
13. Montana modified adjusted gross income. Add lines 11 and 12.	

Adjustment to medical expense:

14. Medical expenses from Form 2, Schedule III, line 4.	
15. Medical expenses from Form 2, Schedule III, line 1.	
16. Multiply line 13 by percentage from Form 2, Schedule III, line 3.	
17. Subtract line 16 from line 15. If the result is zero or less, enter zero.	
18. Subtract line 17 from line 14.	

Adjustment to mortgage insurance premium:

19. Mortgage insurance premiums from Form 2, Schedule III.	
20. Refigured mortgage insurance premiums. (see instructions)	
21. Subtract line 20 from line 19.	

Adjustment to charitable contributions:

22. Charitable contributions (including any carryovers) from Form 2, Schedule III (or as previously adjusted).	
23. Refigured charitable contributions. (see instructions)	
24. Subtract line 23 from line 22.	

Adjustment to casualty and theft losses:

25. Casualty and theft losses from Form 2, Schedule III, line 20.	
26. Casualty and theft losses from federal Form 4684, line 16.	
27. Multiply line 13 by 10% (0.10).	
28. Subtract line 27 from line 26. If zero or less, enter zero	
29. Subtract line 28 from line 25.	

Adjustment to miscellaneous deductions:

30. Miscellaneous itemized deductions from Form 2, Schedule III, line 26.	
31. Miscellaneous itemized deductions from Form 2, Schedule III, line 23.	
32. Multiply line 13 by 2% (0.02).	
33. Subtract line 32 from line 31. If zero or less, enter zero	
34. Subtract line 33 from line 30.	

