

# 2017 Montana Form CLT-4S

## Small Business Corporation Booklet

MONTANA DEPARTMENT OF REVENUE



Call us at (406) 444-6900  
[revenue.mt.gov](http://revenue.mt.gov)

**It's Easy to File and Pay Electronically!**  
**Check out Online Services at *revenue.mt.gov*.**

Choose e-file and direct deposit for a faster refund!

Dear Montana Taxpayer,

Thank you for filing your Montana income tax return. In the graphs below, you can see where our Montana tax revenues come from and how they are used to support important services and infrastructure.



We also thank taxpayers who file their returns electronically. Taxpayers find that e-filing is easy, convenient and helps to ensure correct filing.

Tax fraud and identity theft is a growing problem worldwide. The department is committed to do all that we can to help Montanans protect their identity and tax refunds. We accomplish this by building measures into our tax systems to identify fraudulently filed returns. Our fraud safeguards extend the time it takes for you to receive your refund and, in some cases, it could take 90 days. We appreciate your understanding that we are doing all we can to prevent tax fraud and protect your money.

If you need more information about anything regarding your taxes, please visit our website at [revenue.mt.gov](http://revenue.mt.gov) or call our help line at (406) 444-6900.

Please remember to e-file!

Best regards,

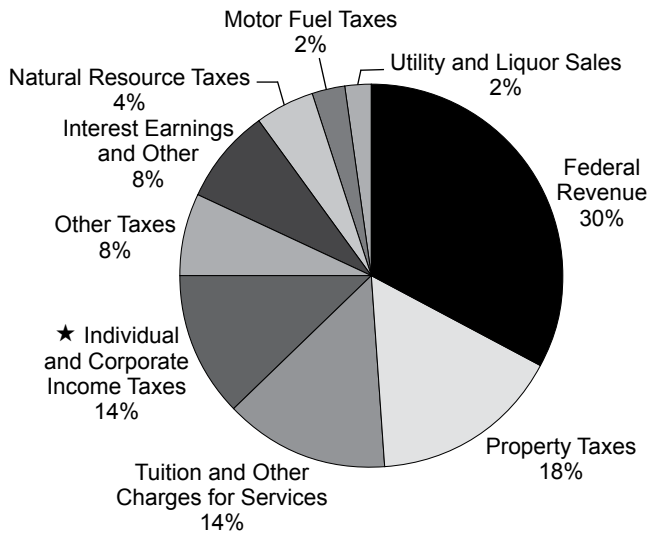
Mike Kadas, Director  
Montana Department of Revenue

## Your Tax Dollars at Work

The first chart shows the sources of revenue for both state and local governments in Montana for 2014, the most recent year for which totals are compiled. The second chart shows state and local spending.

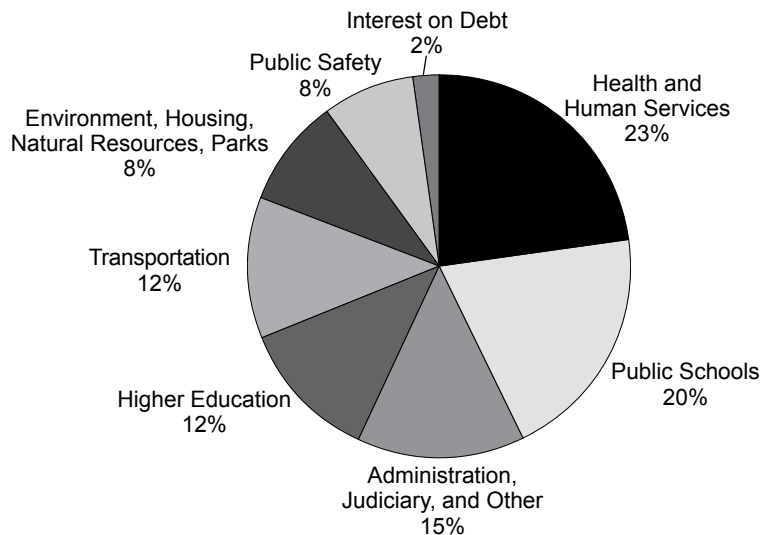
### What are Montana's Public Revenues?

Total Montana State and Local Revenue, Fiscal Year Ending 2014



### Where Do Your Public Dollars Go?

Total State and Local Spending in Montana, Fiscal year Ending 2014



### ★ Where Your Income Tax Dollar Goes

Education.....	47%
Health and Human Services.....	22%
Public Safety and Corrections .....	14%
General Government Operations .....	9%
Transfers to Local Governments .....	6%
Other.....	2%
Total Spending.....	100%

The table to the left shows where your individual and corporate income tax dollars—about 13% of total state and local revenues—were spent in 2015.



## **E-file Small Business Corporation Returns**

Montana participates in the federal/state e-file program. Whether you want to file your own return or file through your favorite preparer, there are options to fit your needs.

You may find a list of available software products at [revenue.mt.gov](https://revenue.mt.gov).

### **E-Pay**

Pay with e-check or credit/debit card.

#### **TransAction Portal (TAP)**

<https://tap.dor.mt.gov>

Pay current-year, prior-year, estimated and extension taxes.

### **TransAction Portal (TAP)**

Free online services at <https://tap.dor.mt.gov>.

- View and print prior year returns.
- Pay with e-check, credit or debit card.
- View prior payment history.
- Manage your profile information.
- Authorize tax preparer or third party access.

### ***Form PT-AGR , Montana Pass-Through Entity Owner Tax Agreement, is not included in this booklet.***

Form PT-AGR is filed separately and due on or before the due date of the S Corporations's return, including extensions. Do not attach Form PT-AGR to the return. See Form PT-AGR instructions for additional information.

File Form PT-AGR online at <https://tap.dor.mt.gov>.

Forms are available at [revenue.mt.gov](https://revenue.mt.gov). You may also call us at (406) 444-6900 to order your form.

## Table of Contents

Instructions .....	1-12
FAQs – Frequently Asked Questions.....	13-16
	<b>Form pages</b>
CLT-4S Montana S Corporation Information and Composite Tax Return .....	1-2
<b>Schedules:</b>	
I Apportionment Factors for Multi-State S Corporations .....	3
II Montana S Corporation Tax Credits .....	4
IV Montana S Corporation Composite Income Tax Schedule .....	5
VI Reporting of Special Transactions .....	6
K-1 Partner’s/Shareholder’s Share of Income (Loss), Deductions, Credits, etc.....	Follows forms

*This booklet is designed to address the laws for the majority of tax filing situations. If you have a unique situation that is not addressed in the booklet, please refer to Title 15 of Montana law found at [mt.gov](http://mt.gov) or call us with your questions.*

## WHAT'S NEW FOR 2017?

### Legislative Changes

**Calculation of Composite Income Tax Return Late Filing Penalty** – Beginning with tax year 2017, The composite tax late filing penalty is the greater of \$50 or 5% per month on the unpaid amount. The penalty is calculated from the extended due date until the return is filed or the tax is paid and cannot exceed 25% of the S corporation's tax liability.

**Calculation of Late Payment Penalty** – Beginning with tax year 2017, the rate for calculating the late payment penalty changes from 1.2% per month on taxes past due to 0.5% per month on taxes past due. The maximum amount of late payment penalty that may be assessed remains 12% of the tax past due.

**New Interest Rate** – Effective January 1, 2018, the interest rate assessed on outstanding balances is 4%.

Each year, the interest rate is based on the interest rate established by the Internal Revenue Service for the third quarter of the preceding year and is subject to change at the beginning of each calendar year.

**New Rules for Filing on Extension** – An S corporation no longer needs to file federal Form 7004 with the Montana return to receive an extension of time to file. Beginning with tax year 2017, an S corporation is granted an automatic extension of time to file of up to six months.

An extension of time to file is still not an extension to pay. Although it is not required to receive an extension, S corporations may still pay any additional tax due (after accounting for estimated payments and withholding) by the original due date of the return to avoid late payment penalties and interest.

### Form Changes

**New Check-box. "Schedule I Not Required"** – Some S corporations are not required to file Schedule I if certain conditions apply. The department added this box to quickly identify when those conditions exist. Additional information is provided in the instructions.

**Schedule III Eliminated** – Beginning with tax year 2017, Schedule III, Montana S Corporation Information, will no longer be used to report shareholder information to the department. Instead, the S corporation is only required to file a Montana Schedule K-1 for each shareholder that holds an interest in the S corporation during the year.

As a result of this change, the Montana Schedules K-1 for each shareholder will need to be completed after page 1 of the form is completed, but before page 2.

**Montana Schedule K-1 Revised** – As a result of the elimination of Schedule III, the Montana Schedule K-1 was

revised to incorporate some key information found only on Schedule III. Changes to the Montana Schedule K-1 include, but are not limited to:

- Adding a space to enter the year the Form PT-AGR was filed on behalf of the shareholder.
- Adding a space to report the total of the shareholder's Montana source income.
- Providing separate lines to report a breakdown of the Montana tax withheld on behalf of the shareholder. One line reports amounts paid on behalf of the shareholder by the S corporation. The other line reports the shareholder's pro rata share of amounts paid on behalf of the S corporation.

### Toll Free Number Removed

The Department of Revenue no longer offers a toll free number. If you need assistance, please call us at (406) 444-6900.

## FORM CLT-4S INSTRUCTIONS

### Heading

#### Tax Year

You need to use the same tax year used for federal income tax purposes (as indicated on the federal return) for Montana income tax purposes. If the S corporation has a fiscal year, enter the beginning and ending dates of the fiscal year. Use the 2016 Form CLT-4S if the S corporation's fiscal year began in the 2016 calendar year.

#### Name and Address

Enter the S corporation's name (as it appears in the articles of incorporation or other formation documents) and mailing address in the spaces provided.

#### Federal Employer Identification Number (FEIN)

Enter the FEIN from page 1 of the federal Form 1120S. Montana uses the FEIN for identification purposes.

#### Schedule K-1 and Shareholder Information

The S corporation has to include with the Form CLT-4S a Montana Schedule K-1 for each shareholder. Enter the number of included Montana Schedules K-1. Also enter the number of resident, nonresident and other types of shareholders. An example of an other type of shareholder is a tax-exempt entity that administers the assets of an employee pension plan trust.

#### State of Incorporation

Enter the state in which the S corporation was incorporated and the date it was incorporated.



Include a copy of the *IRS Notice of Acceptance as an S Corporation* letter with the tax return the first year the S election is in effect.

**MT Secretary of State ID Number**

Enter the S corporation's Montana Secretary of State Identification number. The identification number begins with a letter followed by six to eight digits. A domestic S corporation received this number when it incorporated in Montana. A foreign S corporation received this number when it obtained a certificate of authority to do business in Montana. Enter the letter, followed by the next six to eight digits of the number. For example, if your number is D123456, enter D123456 in the spaces provided. If your number is seven digits, enter the letter followed by the next seven digits of the number. Leave any extra boxes blank. To find the S corporation's identification number, visit the Montana Secretary of State's website at [sos.mt.gov](http://sos.mt.gov) and search for the S corporation's business name under the Business Services section.

**Federal Business Code/NAICS**

Enter the Principal Business Activity Code number from page 1, Box B, of federal Form 1120S. The Principal Business Activity Code is based on the North American Industry Classification System (NAICS). For further information, visit [naics.com](http://naics.com).

**Foreign S Corporations: Date S Corporation Obtained Certificate of Authority from Montana Secretary of State**

If the entity is a foreign S corporation, enter the date that the S corporation obtained a certificate of authority to do business in Montana from the Montana Secretary of State.

**Line Instructions****Lines 1 through 10 – Shareholders' Pro Rata Share of Income Items**

Enter the amounts reported on the federal Form 1120S, Schedule K, Shareholders' Pro Rata Share Items, lines 1 through 10.

**Line 5 – Ordinary Dividends**

Enter the total amount of ordinary dividends reported on the federal Form 1120S, Schedule K, line 5a. Montana taxes dividends as ordinary income and does not apply the federally qualified dividend tax rate.

**Lines 12a-e – Shareholders' Pro Rata Share of Deduction Items**

Enter the amount of deductions reported on the federal Form 1120S, Schedule K, Shareholders' Pro Rata Share Items, lines 11 and 12.

**Line 13 – Total Federal Deductions**

Add lines 12a through 12e.

**Line 14 – Federal Income from All Sources**

Subtract line 13 from line 11.

**Line 15 – Shareholders' Pro Rata Share of Montana Additions to Income**

To compute Montana income taxable to shareholders, certain items have to be added to income. You must include a detailed statement of each item with the tax return.

**Line 15a**

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

**Line 15b**

State, local and foreign income taxes based on income or profits have to be added back to income.

**Line 15c**

Report all other additions.

For example, if the S corporation paid tax on its federal Form 1120S that resulted in a reduction of federal taxable income, add back that portion of the income that has been reduced by any federal taxes paid by the S corporation on the income (e.g., built-in gains tax).

**Line 16 – Shareholders' Pro Rata Share of Montana Deductions to Income**

To compute Montana income taxable to shareholders, certain items are deducted from income. You must include a detailed statement of each item with the tax return.

**Line 16a**

If the S corporation received interest on United States government obligations and mutual fund dividends attributable to that interest, the S corporation can subtract these amounts from total federal income as long as they are included on line 11, total federal income. In addition, if the S corporation received interest on obligations from U.S. territory or government agency obligations that are specifically exempt by federal law or any mutual fund dividends attributable to this interest, the S corporation can subtract these amounts from total federal income as long as they are included on line 11, total federal income.

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

United States obligations that are exempt include:

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

Refer to the S corporation's federal Form 1099-DIV to determine what percentage of the dividends qualify for an exemption from Montana individual income tax.

**Line 16b**

Deduct an additional amount equal to 10% of the expenditures for the purchase of qualified recycled material that was otherwise deductible as business-related expenses in Montana, as computed on Montana Form RCYL, Part V. Form RCYL has to be included with the tax return if the S corporation files a paper return. If the S corporation files electronically, the S corporation represents that it has a copy in its records.

**Line 16c**

Report other deductions on this line, including the following:

- A deduction equal to fair market value, not to exceed 30% of the net income, of a computer or other sophisticated technological equipment or apparatus intended for use with the computer donated to an elementary, secondary or accredited postsecondary school located in Montana.
- The amount of contributions made by a small business to its independent liability fund. 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 S corporation's business and the result of the investment has to be a substantial reduction in the amount of energy needed to render the building usable. See 15-32-103, MCA.
- Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation. See 15-32-510, MCA.
- Nonbusiness income that is allocated to a specific state. This income is not included in computing the S corporation's income apportioned to Montana. Nonbusiness income that is allocated to Montana is entered on line 19.
- Distributive items of income (loss) that the S corporation received from a pass-through entity.

Do not include separately stated deductions that are subjected to an election or limitation on a shareholder's income tax return (e.g., depletion from oil and gas).

**Line 17**

Add lines 14 and 15, then subtract line 16.

**All S corporations must complete lines 18 through 20. See FAQs 16-19 beginning on page 16 for more information about the apportionment and allocation income.**

**Schedule I Not Required:**

Check this box if the S corporation is not required to file Schedule I, Apportionment Factors for Multistate S Corporations. You are not required to file Schedule I if at least one of the following statements is true:

- The S corporation is only engaged in business in Montana.
- The S corporation does not have employees, business property or sales in the state of Montana, and only holds interests in other pass-through entities that reported income to the S corporation on Montana Schedules K-1.

If both statements are false, you are required to file Schedule I.

**Line 18 – Income Apportioned to Montana**

*For S corporations engaged in business only in Montana,* enter 100% as the apportionment percentage and multiply the amount that is reported on line 17 by 100%. Enter the result on line 18.

*For multistate S corporations,* if you checked the box "Schedule I Not Required," enter 0% and go to line 19; otherwise, multiply the amount that is reported on line 17 by the apportionment percentage reported on line 5 of Schedule I, Apportionment Factors for Multistate S Corporations. Enter the result on line 18. See the instructions for Schedule I on page 6.

**Line 19 – Income Allocated to Montana**

For both multistate S corporations and S corporations without multistate activity, report Montana source income subject to allocation on this line. See FAQ 18 for "allocation of income" on page 16.

For the amount reported on line 19, the S corporation must include each of the following with Form CLT-4S:

- a statement showing each item of Montana source income subject to allocation and its related expenses
- a statement explaining the reason for treating the item of income as Montana source income subject to allocation
- a copy of the other state's income tax or information return, if the S corporation allocates an item of income to a state other than Montana. (If the S corporation is not required to file an income tax or information return with the other state, the S corporation must indicate this in a statement.)

**Line 20 – Total Montana Source Income**

Add the amounts on lines 18 and 19.

**Important!** You need to complete Montana Schedule K-1 for each shareholder before you can complete lines 21-24.

**Line 21 – Total Montana Composite Return Tax**

Enter the total amount of composite tax reported on Schedule IV, column H. See instructions on page 8.

The amount on this line must equal the sum of part 5, line 1 on all Montana Schedules K-1 filed by this entity.

**Line 22 – Sum of Shareholder Withholding from all Montana Schedules K-1**

Enter the sum of shareholder withholding reported on all Montana Schedules K-1, part 5, line 2a. This is the total amount of tax due from the S corporation to Montana on behalf of its shareholders. The shareholders will claim this amount as a refundable credit on their own Montana tax returns. This amount does not include pass-through withholding amounts paid by another pass-through entity on behalf of the S corporation and reported to the S corporation on a Montana Schedule K-1.

The amount on this line must equal the sum of part 5, line 2a on all Montana Schedules K-1 filed by this entity.

**Line 23a – Total Montana Mineral Royalty Tax Withheld**

Enter the total amount of mineral royalty tax the S corporation paid and/or the total amount of Montana mineral royalty tax withheld on behalf of the S corporation by a lower-tier pass-through entity. These amounts are reported on federal Form(s) 1099 and Montana Schedule(s) K-1. Attach copies of the Form(s) 1099 and Montana Schedule(s) K-1 you received that report amounts withheld on your behalf.

Royalty payments made to owners of Montana mineral rights are subject to withholding if certain thresholds are met. This withholding should not be confused with the amounts deducted from the S corporation's royalty payments for production taxes. For more information, visit [revenue.mt.gov/home/businesses](http://revenue.mt.gov/home/businesses) and select the *General Tax Information/Special Programs* tab.

**Line 23b – Mineral Royalty Tax Withheld Distributed to Shareholders**

Enter the amount of mineral royalty tax withheld reported on line 23a that is distributed to shareholders.

The amount on this line must equal the sum of part 5, line 3 on all Montana Schedules K-1 filed by this entity.

**Line 23c – Montana Mineral Royalty Tax Withheld Attributable to S Corporation**

Subtract line 23b from 23a. This is the amount of Montana mineral royalty tax withheld that is attributable to the S corporation.

**Line 24a – Total Montana Pass-Through Withholding**

If the S corporation has an ownership interest in a pass-through entity that had Montana source income and the pass-through entity paid Montana income tax on behalf of the S corporation, enter the amount here. This amount is reported to the S corporation on a Montana Schedule K-1. Attach copies of the Montana Schedule(s) K-1 you received that report amounts withheld on your behalf.

**Line 24b – Montana Pass-Through Withholding Distributed to Shareholders**

Enter the amount of Montana pass-through withholding reported on line 24a that is distributable to shareholders. This amount is distributable to shareholders who have filed a valid consent agreement or are not included in a composite return and must be reported to each applicable shareholder on a Montana Schedule K-1.

The amount on this line must equal the sum of part 5, line 2b on all Montana Schedules K-1 filed by this entity.

**Line 24c – Montana Pass-Through Withholding Attributable to S Corporation**

Subtract line 24b from line 24a. This is the amount of Montana pass-through withholding that is attributable to the S corporation and will apply to the composite tax reported on line 21 and/or pass-through withholding reported on line 22.

**Line 25 – Total Withholding Payments Attributable to S Corporation**

Add lines 23c and 24c. This is the total withholding payments attributable to the S corporation.

**Line 26 – Return Payments****Line 26a – 2016 Overpayment Applied to 2017**

Enter any overpayments from 2016 that were credited to 2017.

**Line 26b – 2017 Estimated Tax Payments**

Enter the total Montana estimated tax payments that the S corporation made for 2017.

**Line 26c – 2017 Extension Payment**

Enter any extension payment for 2017 made on or before March 15, 2018.

**Line 26d – For Amended Tax Returns Only— Payments Made with Original Return**

Enter any payments that the S corporation made when it filed its original tax return and any subsequent payments that were applied to the S corporation's 2017 tax liability.

**Line 26e – For Amended Tax Returns Only— Previously Issued Refunds**

Enter the amount of any refund the S corporation received when it filed its original tax return or a previously amended tax return.

**Line 26f – Total Return Payments**

Add lines 26a through 26d and then subtract line 26e. This is the S corporation's total return payments.

**Line 27 – Amount Due or (Overpaid)**

Add lines 21 and 22; from this total, subtract the sum of lines 25 and 26f.

**Line 28 – Penalties and Interest****Line 28a – S Corporation Information Tax Return Late Filing Penalty**

An S corporation is charged a late filing penalty if it files Form CLT-4S after the due date, including the automatic six-month extension. The penalty is \$10 multiplied by the number of shareholders at the close of the tax year for each month or fraction of a month that the entity does not file the S corporation information return. This penalty is calculated for up to five months and may not exceed \$2,500. See 15-30-3302, MCA.



A late filing penalty is not imposed on an entity that has ten or fewer shareholders if the shareholders have filed the required returns or other required reports timely and have paid all taxes when due.



**Line 28b – Interest on Underpayment of Estimated Composite Tax**

The S corporation is required to make estimated tax payments throughout the year if it expects to owe a composite income tax liability of at least \$500. If the S corporation was required to make estimated composite tax payments and it did not pay the required amounts, it will have to pay interest on any underpayment. To calculate the underpayment interest, complete Worksheet I. See 15-30-3312, MCA.

**Worksheet I – Calculation of Underpayment Interest**

In 2017, the S corporation was required to pay through estimated installments, the smaller of:

- 90% of the current year’s total composite tax liability, or
- an amount equal to 100% of the previous year’s total composite tax liability.

If the S corporation does not meet one of the two requirements, the composite tax is subject to underpayment interest.

Payments made with extensions are not considered estimated payments.

<b>Worksheet I - Short Method</b>	
1	Enter the total 2017 composite tax reported on line 21.
2	Enter 90% of line 1 above.
3	Enter the total of lines 25 and 26a that are attributable to composite filers.
4	Subtract line 3 from line 1. If the result is \$500 or less, stop here. The S corporation does not owe interest on its underpayment.
5	Enter the 2016 composite tax from the 2016 Form CLT-4S, line 21.
6	Enter the smaller of line 2 or line 5.
7	Enter the total of line 3 and the amount reported on line 26b attributable to composite filers.
8	Subtract line 7 from line 6. If zero or less, stop here. The S corporation does not owe interest on its underpayment.
9	Multiply line 8 by 0.02663 and enter the result.
10	If the amount on line 8 was paid on or after the due date, enter zero. If the amount on line 8 was paid before the due date, multiply the amount on line 8 by the number of days paid before the due date. Multiply the result by 0.0001096.
11	Subtract line 10 from line 9. This is the S corporation’s underpayment interest. Enter the result here and on line 28b.

**Line 28c – Composite income tax return late filing penalty**

If the S corporation is late in filing Form CLT-4S, a late filing penalty will be charged. The late filing penalty is the greater of \$50 or 5% per month on the unpaid amount from the extended due date until the return is filed or the tax is paid. This penalty cannot exceed 25% of the S corporation’s tax liability on line 27.

**Line 28d – Late payment penalty**

The late payment penalty is equal to 0.5% per month, calculated daily, on the unpaid amount from March 15, 2018, until it is paid. The daily rate is 0.0164%. Your late payment penalty will never exceed 12% (24 months x 0.5%) of the unpaid tax. Late pay penalty is automatically waived if you pay all the tax and interest with your return, or within 30 days of the first notice from the department.

If the S corporation files an amended tax return that reflects an increased tax liability, it may have the late payment penalty waived. To receive the waiver, mark the “Amended Return” box on Form CLT-4S and pay the tax and applicable interest in full when the S corporation files the amended return. By marking this box and paying all tax and interest, the S corporation is treated as having requested a waiver of the late payment penalty.

**Line 28e – Interest**

Compute interest on any tax liability (line 27) that the S corporation has not paid by the due date of the tax return and enter the total on this line.

If S corporation does not pay 100% of its tax liability by March 15, 2018 (for a calendar year filer), interest is due at a rate of 4% per year, computed daily on the unpaid tax balance.

To calculate the interest, multiply line 27 by 0.01096% (0.0001096) times the number of days after March 15, 2018, the S corporation’s tax is paid.

**Important** A valid extension of time to file the S corporation’s tax return does not extend the due date to pay the S corporation’s income tax liability after March 15, 2018.

**Line 28f – Total Penalties and Interest**

Add lines 28a through 28e and enter the total.

**Line 29**

Add lines 27 and 28f; enter the result.

**Line 30 – Amount You Owe**

If the amount on line 29 is greater than zero, enter it on this line. This is the amount due with the S corporation’s tax return. The S corporation can pay the amount it owes by:

- e-filing a return and requesting an electronic funds withdrawal,
- e-check - there is no fee and you can schedule an electronic payment and indicate when you want it withdrawn at *revenue.mt.gov*,
- credit/debit card - there is a small fee,

- money order, personal check or cashier’s check payable to MONTANA DEPARTMENT OF REVENUE. Remember to include the voucher (available at [revenue.mt.gov](http://revenue.mt.gov)), sign the check and write the S corporation’s FEIN and “Tax Year 2017” on the memo line.

**Note:** We may need to adjust your payment if it is not in U.S. funds.

For more information about e-pay options, visit [revenue.mt.gov](http://revenue.mt.gov). Interest and penalties will be assessed on any amount not paid when due.

**Line 31 – Overpayment**

If the amount on line 29 is less than zero, enter it on this line. This is the amount the S corporation has overpaid.

**Line 32 – 2018 Estimated Tax Payments**

All or part of the refund that the S corporation reported on line 31 can be refunded or carried over as a 2018 estimated tax payment. Enter the amount of the refund reported on line 31 that the S corporation wants applied to its 2018 estimated tax.

**Line 33 – Refund**

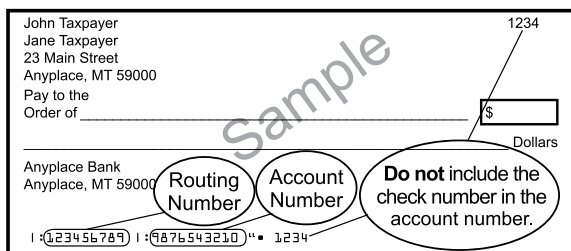
Subtract line 32 from line 31 and enter the result on this line. This is the amount of the refund that will be issued.

If the S corporation is requesting a refund, mark the box located in the top portion of page 1.

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

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

A sample of a personal check is provided for reference.



**Sign the Return**

If the S corporation is filing its return on paper, the return is not valid unless one of the following officers signs the return: president, vice president, treasurer, assistant treasurer or chief accounting officer. Unsigned returns cannot be processed and require us to contact the officer for a signature.

If the S corporation is filing its return electronically, the officer does not sign the return. The act of filing electronically signifies the officer’s declaration, under the penalty of false swearing, that:

- The officer is authorized to file the return.

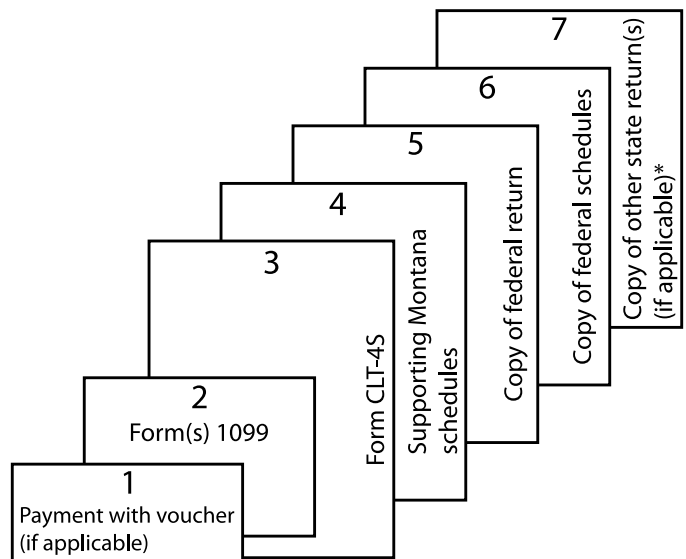
- The information in the return is true, correct and complete.
- The act of filing electronically is the officer’s signature.

**Paid Preparer**

Paid preparers are required to sign the return and include his or her address and Preparer Tax Identification Number (PTIN) in the space provided.

**Assemble the Return**

If the S corporation is filing a return on paper, assemble the return, without using staples, according to the following diagram or list. Include all Forms 1099.



Please Do Not Use Staples

\*Include a copy of the return(s) from another state if the S corporation is a multistate S corporation.

**File the Return**

To learn more about e-filing options available to S corporations, see FAQ 9 on page 15. If the S corporation files its return on paper, mail the return to:



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

**SCHEDULE I – APPORTIONMENT FACTORS FOR MULTISTATE S CORPORATIONS INSTRUCTIONS**

**Schedule I applies only to multistate S corporations.**

A multistate S corporation with income derived from its business activities must determine whether the income is business or nonbusiness income. After the S corporation makes this determination, it will apply the apportionment factor calculated on Schedule I to identify the portion of the business income that is Montana source. The apportionment factor is the standard UDITPA (Uniform Division of Income for Tax Purposes Act) three-factor formula of property, payroll and sales.

When an S corporation is engaged in business both inside and outside Montana, business income assignable to Montana has to be determined using the apportionment factor. Include only the S corporation's own items of property, payroll and sales. Do not include any property, payroll or sales of another pass-through entity.

The S corporation must ask the department if it can determine the amount of income that it attributes to Montana on some basis other than the apportionment method. If the department allows the S corporation to use an alternative method, the S corporation will still need to complete and submit Schedule I. See Title 15, Ch. 31, part 3, MCA, and Title 15, Ch. 1, part 6, MCA, for additional filing information.

To calculate each of the separate factors in the apportionment factor, use the following formula: column B divided by column A, multiplied by 100. Round out to the fourth decimal (example: 25.5555%).

### Property Factor (Line 1)

The property factor is a fraction. The numerator is the average value of the S corporation'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 I. The denominator is the average value of all of the S corporation'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 I.

Property owned by the S corporation 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 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, other intangible property, real property that is held for investment or nonbusiness purposes or idle property of any nature.

To the extent that it is utilized in Montana, migratory or mobile property has to be included in both the numerator and denominator.

Unless otherwise required, the average value of owned property is determined by averaging the values at the beginning and end of the tax period.

All property that the S corporation rents has to be valued at eight times the net annual rental rate. Rental expense cannot be averaged. The S corporation has to use its rental expense for the current year in the property factor.

If the S corporation owns an interest in a pass-through entity, the value of the property owned by the pass-through entity cannot be included in the property factor.

### Payroll Factor (Line 2)

The payroll factor is a fraction. The numerator is the total amount that the S corporation 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 I. The denominator is the total amount that the S corporation paid for compensation attributable to the production of business income during the tax period. Enter the denominator values in column A of Schedule I.

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, or
- 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.

If the S corporation owns an interest in a pass-through entity, no part of the pass-through entity's payroll is included in the payroll factor.

### Sales Factor (Line 3)

Sales mean all gross receipts of the S corporation exclusive of nonbusiness income and intercompany transactions. The sales factor is a fraction. The numerator is the S corporation's total sales in Montana during the tax period. Enter the numerator values in column B of Schedule I. The denominator is the S corporation's total sales everywhere during the tax period. Enter the denominator values in column A of Schedule I.

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 property is shipped from Montana, and the S corporation is not taxable in the state of the purchaser.

Sales other than sales of tangible personal property are in the state 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.

If the S corporation owns an interest in a pass-through entity, no part of the pass-through entity's sales is included in the sales factor.

### Sum of Factors (Line 4)

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

### Apportionment Factor (Line 5)

Divide line 4 by the number of factors present. A factor is present if the S corporation has a value in column A for property, payroll or sales. Enter the apportionment factor on line 5 of Schedule I and also insert it on line 18, page 1. Round out to the fourth decimal (example: 25.5555%).

## SCHEDULE II – MONTANA S CORPORATION TAX CREDITS INSTRUCTIONS

A tax credit claimed by an S corporation is passed through to its shareholders. The S corporation identifies how much credit is available to each shareholder on Montana Schedule K-1. The S corporation provides a copy of the Montana Schedule K-1 and a copy of the credit form that it used to calculate the credit to each shareholder.

Shareholders determine any necessary limitations when reporting the credit on their tax returns. Unused credits may not be redistributed to other shareholders. For example, if the ownership of the S corporation consists of a resident shareholder and a nonresident shareholder, the nonresident shareholder's share of the credit could not be claimed by the resident shareholder even though the nonresident shareholder is not eligible to use it.

The tax credits cannot be taken as a credit against composite tax reported on Form CLT-4S.

For detailed tax credit instructions and forms, visit *revenue.mt.gov*. If the S corporation is eligible for a credit, include the appropriate form with the tax return. If the S corporation files electronically, it represents that it kept a copy in the S corporation's records and will provide a copy to the department if requested.

### Lines 1 through 16

Complete these lines for applicable tax credits:

1. Dependent care assistance credit (Form DCAC)
2. College contribution credit (Form CC)
3. Health insurance for uninsured Montanans credit (Form HI)
4. Recycle credit (Form RCYL)
5. Alternative energy production credit (Form AEPC)
6. Contractor's gross receipts tax credit
7. Alternative fuel credit (Form AFCR)
8. Infrastructure user fee credit (Form IUFC)
9. Historic property preservation credit (federal Form 3468)
10. Mineral and coal exploration incentive credit (Form MINE-CRED)
11. Empowerment zone credit
12. Biodiesel blending and storage credit (Form BBSC)
13. Innovative educational program credit
14. Student scholarship organization credit
15. Emergency lodging credit (Form ELC)
16. Unlocking public lands credit

### Credit Recapture

#### Lines 17 through 20

Complete these lines if the following occurred:

17. The S corporation's federal rehabilitation credit, on which the Montana historical property preservation credit was based, was recaptured.
18. The S corporation's film production certification was revoked after it received the credit.
19. The S corporation's biodiesel sales were not at least 2% of all diesel sales by the end of the third year after the credit was initially claimed, or the facility ceased blending biodiesel for sale.
20. The S corporation's biodiesel facility ceased operations for a period of 12 consecutive months within five years of claiming the credit.

## SCHEDULE IV – MONTANA S CORPORATION COMPOSITE INCOME TAX SCHEDULE INSTRUCTIONS

If you need more space, complete additional copies of Schedule IV (available at *revenue.mt.gov* under Forms). We do not accept copies of federal Schedule K-1, spreadsheets or any other forms in place of a completed Schedule IV. If you do not complete Schedule IV as an exact replica of the official form, the processing of the S corporation's return will be delayed until we receive this information.

An S corporation can elect to file a composite tax return and pay a composite tax on behalf of an eligible participating shareholder. Shareholders who are nonresidents or tax-exempt entities and who properly elect to participate in the composite tax return do not have to file a Montana income tax return. However, if the shareholder has other Montana source income, the shareholder is not eligible to participate unless that other income is from other pass-through entities that file a composite return on behalf of the shareholder.

The tax credits from Schedule II cannot be applied to reduce the S corporation's composite tax liability.

Shareholders that receive separately stated deductions that are subject to an election or limitation at the shareholder level should consult with a tax professional prior to making an election to be included on a composite return. Certain deductions are not allowed in the composite tax calculation.

An S corporation can include a shareholder in filing a composite tax return only if the shareholder has provided the S corporation with a power of attorney that authorizes the S corporation to file the composite return and act on the shareholder's behalf. The S corporation does not submit the power of attorney with its tax return; the S corporation retains it as authorization from the shareholder. A power of attorney form may include any tax years or periods that have already ended as of the date the form is signed and up to three future tax periods that end after the current tax year.

If the S corporation files a composite tax return, the S corporation is responsible for:

- paying the composite tax liability,
- paying any additional tax, penalty and interest we assess for the composite tax liability,
- representing the participants in any appeals, claims for refunds, hearings or court proceedings, and
- making quarterly estimated payments of the composite tax liability.

### Part I

Enter the number of shareholders participating in the composite income tax return.

### Part II

The composite tax ratio is the ratio of the S corporation's Montana source income to the S corporation's income from all sources for federal income tax purposes.

### Column 1

Enter the amount from Form CLT-4S, line 14. This is the S corporation's federal income from all sources.

**Column 2**

Enter the amount from Form CLT-4S, line 20. This is the S corporation's total Montana source income.

**Column 3**

Divide column 2 by column 1. The result is the composite tax ratio. Round to 6 decimal places and do not enter more than 1.000000.

**Part III****Column A – Name of Eligible Participating Shareholder**

List the name of the participating shareholder as it appears on Form CLT-4S, Schedule K-1.

**Column B – Social Security Number (SSN) or Federal Employer Identification Number (FEIN)**

Enter the SSN or FEIN of the participating shareholder as it appears on Form CLT-4S, Schedule K-1.

**Column C – Shareholder's Share of Federal Income from Entity**

Enter the participating shareholder's share of the S corporation's total federal income (loss) from all sources. For the purpose of calculating composite income tax, divide the shareholder's Montana source income as reported on Schedule K-1, part 2 by Form CLT-4S, line 20 to determine ownership percentage for Montana composite tax purposes. Multiply the percentage by Form CLT-4S, line 14 to calculate the shareholder's share of federal income for composite tax purposes.

Shareholder's Montana source income (Montana Schedule K-1, part 2)	\$7,200
Total Montana source income (Form CLT-4S, Line 20)	\$12,000
Shareholder's ownership percentage for Montana composite tax purposes.	60.00%
Total Federal income (Form CLT-4S, Line 14)	\$100,000
Shareholder's Share of Federal Income (for composite tax purposes)	\$60,000

**Column D – Standard Deduction**

Each eligible participating shareholder is allowed one standard deduction equal to 20% of column C, but not less than \$2,000 or more than \$4,510.

**Column E – Exemption**

Each participating shareholder is allowed one exemption of \$2,400.

**Column F – Calculate Montana Taxable Income**

Subtract the amounts in column D and column E from column C. Enter the result in this column, but not less than \$0.

**Column G – Tax from Tax Table**

If the result in column F is greater than \$0, use the tax table at the bottom of Schedule IV to calculate the tax on the amount

in column F. Enter the result in this column. Enter \$0 if the amount in column F is \$0.

**Column H – Montana Composite Income Tax Liability**

If the amount in column G is greater than \$0, multiply the amount in column G by the composite tax ratio from Part II and enter the result. If the amount in column G is \$0, enter \$0. This is the participant's Montana composite tax liability.

Example: Assume that S corporation ABC's composite tax ratio is 0.2500 (Part II). Also assume that Shareholder X is an eligible participant in the composite return. The federal income from all sources is \$60,000. The participating shareholder's composite tax liability is calculated in the following table.

Shareholder's share of S corporation federal income from all sources (column C)	\$60,000
Standard deduction (column D)	(\$4,510)
Exemption allowance (column E)	(\$2,400)
Result of column C minus columns D and E (column F)	\$53,090
Using the tax rates shown on Schedule IV, the tax (column G) on \$53,090	\$3,103
The Montana composite income tax (column H) is \$3,103 x 0.2500	\$776

**SCHEDULE VI – REPORTING OF SPECIAL TRANSACTIONS INSTRUCTIONS**

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

For purposes of statement 6, "related party" has the same meaning given the term in Section 267(b) or Section 707(b) of the Internal Revenue Code; 26 USC 267(b) or 26 USC 707(b).

**MONTANA SCHEDULE K-1 INSTRUCTIONS**

The S corporation is required to use the Montana Schedule K-1 (Forms CLT-4S and PR-1), Partner's/Shareholder's Share of Income (Loss), Deductions, Credits, etc., to provide information that shareholders will need to complete their Montana income tax return. Each Montana Schedule K-1 must be an exact replica of the official form which can be found at [revenue.mt.gov](http://revenue.mt.gov) under Forms.

A Montana Schedule K-1 has to be completed for each shareholder who was an owner at any time during the tax year. The S corporation is responsible for reporting all shareholders' applicable information on Montana Schedule K-1, including those shareholders who elect to participate in a composite tax return.

The S corporation has to include a copy of each shareholder's Montana Schedule K-1 when filing Form CLT-4S with the department. A copy is kept as part of the S corporation's records and each shareholder is given their own separate copy (with a copy of the Partner's/Shareholder's Instructions).

If the S corporation does not include completed copies of Montana Schedule K-1 for each shareholder with the S

corporation return, the processing of the S corporation's return will be delayed until we receive this information and late filing penalties may apply.

**Part 1 – Pass-Through Entity Information**

Mark the applicable boxes:

- Type of entity – mark the Form CLT-4S box.
- Final Schedule K-1 – mark this box if this is the last Montana Schedule K-1 that the S corporation will issue to the shareholder.
- Amended Schedule K-1 – mark this box if the S corporation is amending the shareholder's Montana Schedule K-1.

Fill in the S corporation's federal employer identification number (FEIN), name and address.

**Part 2 – Partner/Shareholder Information**

Enter the name and address of the shareholder at the end of the tax year. Enter the shareholder's tax identification number (SSN or FEIN) as the S corporation reported it for federal income tax purposes.

**Entity Type**

Enter the entity type code for the shareholder in the space provided. The entity type codes applicable to shareholders of an S corporation are:

- E – Estate
- I – Individual
- T – Trust
- TE – Tax-exempt entity

**Residency**

Mark the *Resident* box only if the shareholder is a resident individual, estate or trust. Mark the *Nonresident* box only if the shareholder is a nonresident individual estate or trust. If the resident status is unknown, treat the shareholder as a nonresident.

**Composite Tax Election**

If the shareholder is included in a composite income tax return filed by the S corporation, mark *the box*. Shareholders included in a composite income tax return do not file a Montana income tax return.

**Form PT-AGR**

If the shareholder filed a Form PT-AGR, Pass-Through Entity Owner Tax Agreement, enter the year that the agreement was provided to us. If the S corporation or owner files the agreement with the department this year, enter "2017."

Form PT-AGR is an agreement that a nonresident individual, nonresident estate and nonresident trust has to complete if they do not participate in a composite return and do not want the S corporation to pay taxes on their behalf. By completing Form PT-AGR, the shareholder agrees to timely file a Montana tax return, pay all taxes and be subject to the personal jurisdiction of Montana. The shareholder completes the agreement and either files it with the department or returns it to the S corporation to file on behalf of the shareholder. If the shareholder files the agreement with the department, the shareholder must also send the S corporation a copy of the

agreement. A new Form PT-AGR does not have to be filed each year, but currently effective agreements for each new nonresident individual, nonresident estate or nonresident trust shareholder have to be filed. Form PT-AGR is due by the due date of the S corporation's return, including extensions.

**Sum of Montana Source Income**

Enter the total of each shareholder's pro rata share of Montana source income (loss). Calculate the total using the following formula:

<b>Add:</b>	
Part 3, lines A1 - A3, (Nonresidents use Montana Source column)	
Part 4, lines 1 - 11	
Part 5, line 4	
<b>Subtract:</b>	
Part 3, lines B1 - B3, (Nonresidents use Montana Source column)	(            )
Part 4, lines 12 and 13	(            )
<b>Total Montana Source Income</b>	

This amount is used to calculate the amount of withholding the S corporation is required to pay on behalf of the shareholder, if applicable.

**Profit/Loss Percentage**

Enter each shareholder's profit/loss percentage. The percentage is equal to the stock ownership percentage reported on each shareholder's Federal Schedule K-1. This percentage is used to determine a shareholder's share of mineral royalty or pass-through withholding paid on behalf of the S corporation. Round out to the fourth decimal (example: 25.5555%).

**Capital/Ownership Percentage**

Enter each shareholders' capital percentage. The percentage is equal to the stock ownership percentage reported on each shareholder's Federal Schedule K-1. Round out to the fourth decimal (example: 25.5555%).

**Montana Apportionment Factor**

Enter the apportionment factor reported on Form CLT-4S, Schedule I, line 5. If the "Schedule I Not Required" box is checked on Form CLT-4S, page 1 and the S corporation only has activity in Montana, enter 100%. If the "Schedule I Not Required" box is checked on Form CLT-4S, page 1 and the S corporation is only reporting income allocable to Montana, enter 0%. Round out to the fourth decimal (example: 25.5555%).

**Part 3 – Montana Adjustments**

**A. Montana Additions to Income.** In the "Total" column, enter the shareholder's pro rata share of Montana additions from the corresponding lines 15a through 15c on page 1 of Form CLT-4S. This is not an apportioned amount.

Do not include the shareholder's pro rata share of separately stated items that were reported to the S corporation on a Schedule K-1 and are included in part 4. For example, do not include ordinary income or royalties on this line.

In the "Montana Source" column, multiply the amounts reported in the "Total" column by the MT apportionment factor reported in part 2 and enter the result.

**B. Montana Deductions to Income.** In the "Total" column enter the shareholder's pro rata share of Montana deductions from the corresponding lines 16a through 16c on page 1 of Form CLT-4S. This is not an apportioned amount.

Do not include the shareholder's pro rata share of separately stated items that were reported to the S corporation on a Schedule K-1 and are included in part 4. For example, do not include ordinary income or royalties on this line.

In the "Montana Source" column, multiply the amounts reported in the "Total" column by the MT apportionment factor reported in part 2 and enter the result.

## Part 4 – Pro Rata Share of Montana Source Income (Loss)

### Lines 1-13

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

On each line, enter the total of the shareholder's distributable share of income apportioned to Montana.

In general, the pro rata share of Montana source income (loss) is calculated for each shareholder by multiplying the amount reported on Form CLT-4S by each shareholder's profit/loss percentage.

**Resident individual, estate or trust shareholder.** If the shareholder is a Montana resident individual, estate or trust, the shareholder's entire share of the entity's income, gains, losses and deductions that is included in the shareholder's federal taxable income is Montana source income.

For lines 1-13, enter the shareholder's pro rata share of Form CLT-4S, lines 1-12.

**Nonresident or part-year resident individual, estate, or trust shareholder.** If the shareholder is a nonresident or part-year resident individual, estate or trust, the amount of the shareholder's share of the entity's income, gains, losses and deductions are apportioned to Montana based on the entity's activity in Montana.

For lines 1-13, enter the shareholder's apportioned pro rata share of Form CLT-4S, lines 1-12 plus the shareholder's apportioned pro rata share of income or loss reported on Form CLT-4S, line 15c and the shareholder's pro rata share of allocated income or loss reported on Form CLT-4S, line 19 minus the shareholder's apportioned pro rata share of income reported on Form CLT-4S, line 16c.

For example: S corporation 1 (S1) reports \$50,000 of ordinary income on Form CLT-4S, line 1 which includes \$20,000 of allocable ordinary income reported to S1 on a Schedule K-1 from Partnership 2 (P2). Only \$10,000 of the ordinary income from P2 is allocable to Montana. S1's apportionment factor is 75%. Shareholder X's pro rata share of income/loss

is 40%. S1 will report the following ordinary income (OI) to Shareholder X on his/her Montana Schedule K-1, line 1:

Form CLT-4S, line 1 (\$50,000) x Apportionment Factor (.75) x Shareholder's pro rata share of income/loss (.40)	\$15,000
Form CLT-4S, line 19 (\$10,000 OI) x Shareholder's pro rata share of income/loss (.40)	\$4,000
Form CLT-4S, line 16c (\$20,000 OI) x Apportionment Factor (.75) x Shareholder's pro rata share of income/loss (.40)	(\$6,000)
Total Montana ordinary income reported to Shareholder X on Montana Schedule K-1, line 1	\$13,000

## Part 5 – Supplemental Information

### Line 1

Enter the amount of Montana composite income tax paid on the shareholder's behalf. This is the same amount as the amount reported for each shareholder on Schedule IV, column H.

### Line 2a

If the S corporation has a shareholder who is a nonresident individual, nonresident estate, nonresident trust or tax-exempt entity at any time during the year, the S corporation has to pay taxes on behalf of the shareholder if the nonresident individual, nonresident estate, nonresident trust or tax-exempt entity:

- did not provide the S corporation with a completed Form PT-AGR and did not file the Form PT-AGR,
- is not participating in the S corporation's composite tax return, or
- was not compliant with their tax filing and payment obligations and the S corporation was notified that it must withhold tax on behalf of the shareholder.

Enter the amount of Montana tax the S corporation paid on behalf of each shareholder. For a nonresident individual, nonresident estate and nonresident trust, the amount required to be paid is 6.9% multiplied by the shareholder's pro rata share of Montana source income reported in part 2. For a tax-exempt entity, the amount it must pay is 6.75% multiplied by the shareholder's pro rata share of Montana source income reported in part 2.

The sum of this line on all of the Montana Schedules K-1 filed by this entity must equal Form CLT-4S, line 22.

### Line 2b

Enter each shareholder's share of Montana pass-through withholding reported on Form CLT-4S, line 24a only if that amount is distributable to the shareholder. This amount is distributable to shareholders who have filed a valid consent agreement or are not included in a composite return.

Calculate each shareholder's pro rata share by multiplying Form CLT-4S, line 24a by each shareholder's Profit/Loss Percentage reported in part 2.

The sum of this line on all of the Montana Schedules K-1 filed by this entity must equal Form CLT-4S, line 24b.

**Line 2c**

Add lines 2a and 2b. This is the total amount of income tax withheld on behalf of the shareholder.

**Line 3**

If the S corporation received a federal Form 1099 because the S corporation had Montana mineral royalty tax withheld from its mineral royalty income in Montana, enter the shareholder's pro rata portion of the amount withheld on this line.

Determine the shareholder's pro rata share of the amount withheld by multiplying the amount on Form CLT-4S, line 23a by the shareholder's Profit/Loss percentage in part 2.

**Line 4**

Enter each shareholder's pro rata share of income (loss) allocated to Montana and reported on Form CLT-4S, line 19. Include a schedule identifying each item and the amount that each shareholder receives.

Do not include the shareholder's pro rata share of separately stated items that were reported to the S corporation on a Schedule K-1 and are included in part 4. For example, do not include ordinary income or royalties on this line.

**Line 5**

Enter each shareholder's pro rata share of items other than those listed on lines 1 through 4 that are adjustments to the

shareholder's Montana income tax return. List the type of item on this line. If additional space is needed, include a schedule.

If the S corporation made a contribution that meets the requirements for the Montana qualified endowment credit, report the amount of contribution distributed to the owner on this line.

**Part 6 – Montana Tax Credits and Recapture****Line 1**

Enter each shareholder's pro rata share of the contractor's gross receipts (CGR) tax credit. Also enter the CGR Account ID number on this line. The S corporation received the CGR Account ID when it registered with the Department of Revenue. If the S corporation does not have the CGR Account ID number on record, contact us. If the shareholder receives credit from more than one CGR account, mark the box indicating multiple accounts and include a schedule detailing how much credit each shareholder receives from each CGR account.

**Line 2**

Enter each shareholder's pro rata share of tax credits and tax credit recapture amounts that were not reported on line 1. These tax credits and tax credit recapture amounts are reported on Schedule II. If you need additional space, include a schedule.



## FAQs—FREQUENTLY ASKED QUESTIONS

The answers to these questions are identified by number on pages 13-16.

### Filing Requirements

- 1 Who has to file the Montana S Corporation's Information and Composite Tax Return?
- 2 When is the S corporation's information and composite tax return due?
- 3 What forms and schedules does the S corporation have to include with the information and composite tax return?
- 4 Which tax year and accounting method should the S corporation use to file its information and composite tax return?
- 5 Should the S corporation file a composite tax return?
- 6 Who has to sign the tax return?
- 7 Can the S corporation get an extension of time to file its information and composite tax return?
- 8 What does the box that asks "May the DOR discuss this return with the tax preparer?" mean?

### Filing and Payment Options

- 9 What options does an S corporation have to file its information and composite tax return electronically?
- 10 What options does an S corporation have to pay its Montana taxes electronically?
- 11 What is the interest rate on unpaid taxes?

- 12 If the S corporation files an information and composite tax return electronically, what information must it send in and what documents does it have to retain?
- 13 If the S corporation mails its information and composite tax return, where does it send the return?

### Amended Returns

- 14 How does an S corporation amend its tax return?
- 15 Can S corporations have net operating losses?

### Multistate S corporations and S corporations with allocable items of Montana source income (loss)

- 16 How does a multistate S corporation apportion its business income?
- 17 How does an S corporation determine which income is business income?
- 18 How does an S corporation allocate its nonbusiness income and the distributive items it receives from a pass-through entity?
- 19 How does an S corporation determine what income is sourced to Montana?

### Tax Records

- 20 How long does an S corporation need to maintain tax records after it has filed the Montana information and composite tax return?

### 1 Who has to file the Montana S Corporation's Information and Composite Tax Return?

An S corporation has to file an annual Montana S Corporation Information and Composite Tax Return (Form CLT-4S) if:

- The S corporation has any amount of Montana source income, whether a gain or loss;
- The S corporation filed a return in a prior year and did not mark the return final; or
- The S corporation is registered to do business with the Montana Secretary of State.

If an S corporation filed a return for a prior year or is registered with the Montana Secretary of State but did not engage in any activity in Montana, the entity must file an Affidavit of Inactivity for Corporations, Partnerships and Disregarded Entities (Form INA-CT). This form is available at [revenue.mt.gov](http://revenue.mt.gov).

### 2 When is the S corporation's information and composite tax return due?

The S corporation's Montana filing period is the same as its federal filing period. Form CLT-4S is due following the close of the tax year for:

- calendar year S corporation – on or before March 15
- fiscal year S corporation – on or before the 15th day of the third month

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

### 3 What forms and schedules does the S corporation have to include with the information and composite tax return?

When the S corporation files Form CLT-4S on paper, it must include a complete copy of the federal Form 1120S, U.S. Income Tax Return for an S Corporation, with all federal Schedules K-1, all statements and all documents.

### Montana Resident Shareholders

If the ownership of the S corporation consists only of Montana resident shareholders, the S corporation is required to complete:

- Form CLT-4S, pages 1 and 2;
- Schedule II, Montana S Corporation Tax Credits, if applicable;
- Schedule VI, Reporting of Special Transactions, if applicable; and
- Montana Schedule K-1, Partner's/Shareholder's Share of Income (Loss), Deductions, Credits, etc. for each shareholder.

We do not accept copies of federal Schedules K-1 in place of completed Montana Schedules K-1. If a Montana Schedule K-1 is not completed for each shareholder, including the shareholder's identification number, the processing of the S corporation's return will be delayed until we receive this completed schedule. An S corporation's return may be subject to a late filing penalty.

## Nonresident Shareholders

When an S corporation has a shareholder who is a nonresident, it has additional filing and payment requirements:

- **Form PT-AGR** (Montana Pass-Through Entity Owner Tax Agreement), if applicable, is an agreement that has to be completed by a nonresident individual, nonresident estate, nonresident trust or tax-exempt entity that does not participate in a composite return or does not wish the S corporation to pay tax on its behalf. By signing the agreement, the shareholder agrees to timely file a Montana tax return, to pay all taxes and to be subject to the personal jurisdiction of Montana. The shareholder completes the agreement and either files it with the department or returns it to the S corporation.

If the shareholder files the agreement with the department, the shareholder must also send the S corporation a copy of the agreement. A new Form PT-AGR does not have to be filed each year, but currently effective agreements for each new nonresident or tax-exempt shareholder have to be filed. The S corporation and owner need to retain these agreements as part of their tax records.

If a Form PT-AGR is not filed for any shareholder that is a nonresident or tax-exempt entity, and if that shareholder does not participate in a composite return filed by the S corporation, then the S corporation is required to pay tax on the shareholder's behalf. Form PT-AGR is due on or before the due date of the S corporation's return, including extensions.

- **Schedule IV** (Montana S Corporation Composite Income Tax Schedule), if applicable, is the composite tax return that the S corporation completes and files on behalf of eligible shareholders who have elected to participate in the composite filing.
- **Montana Schedule K-1** (Partner's/Shareholder's Share of Income (Loss), Deductions, Credits, etc.), for each shareholder

### 4 Which tax year and accounting method should the S corporation use to file its information and composite tax return?

The taxable year and accounting method for Montana have to be the same as the taxable year and accounting method used for federal income tax purposes. If the S corporation changes its federal taxable year or accounting method, it must change its Montana taxable year and accounting method accordingly. A copy of the approval from the Internal Revenue Service (IRS) to change the accounting period or method must accompany the first tax return that reflects the change.

Mark the box *Final Return* on page 1, if the S corporation ceased to exist during the 2017 tax year.

### 5 Should the S corporation file a composite tax return?

An S corporation may elect to file a composite tax return on Schedule IV on behalf of the eligible participating shareholders that consent to be included. If a composite return is filed, those shareholders do not have to prepare or file separate Montana returns. The composite tax rate ranges from 1% to 6.9%.

Shareholders can be included in a composite return if they meet all of the following criteria:

- they are a nonresident individual, nonresident estate, nonresident trust or tax-exempt entity;
- they have no other Montana source income (other than Montana source income from another pass-through entity that is also electing to file a composite return on the shareholder's behalf); and
- they consent to be included in the return by providing the S corporation with a written power of attorney, authorizing the S corporation to file and act on their behalf.

### 6 Who has to sign the tax return?

Form CLT-4S has to be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer or any other officer duly authorized to sign the tax return. This form is not considered to be complete unless it is signed. Unsigned tax forms will delay the processing of the S corporation's return. If the S corporation has paid someone to prepare this form, the paid preparer's PTIN or SSN, name, address and telephone number have to be included on the tax return.

If the S corporation files Form CLT-4S electronically, see FAQ 12 for more information about electronic signatures.

### 7 Can the S corporation get an extension of time to file its information and composite tax return?

Yes. An S corporation is granted an automatic extension of time to file of up to six months.



An extension of time to file is not an extension to pay. If the S corporation does not pay the amount of tax due by the original due date, it will owe interest and penalties on any balance due.

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

If the S corporation marks yes, we can discuss any concerns that we might have with the 2017 tax return—a missing schedule, for example—with the S corporation's tax preparer. If the S corporation does not mark the box, we cannot discuss the return with anyone except the officer who signed the return or someone to whom the S corporation has given a power of attorney that allows us to discuss the return with him or her.

If yes is marked on a return by the S corporation, the S corporation is authorizing us to call the tax preparer to answer any questions that arise while we are processing the 2017 tax return.

By marking the box, the S corporation is also authorizing us to:

- request that the tax preparer give us any information that is missing from the return;
- respond to the tax preparer's call to us for information about the processing of the S corporation's return or the status of its refund or payment(s);

- discuss certain notices from us about math errors, offsets and return preparation. Note: The department will only send notices directly to the S corporation, not to the tax preparer.

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

Please be aware that this authorization cannot be revoked. The authorization will, however, automatically end no later than the due date, without regard to extensions, for filing next year's (2018) tax return. This is March 15, 2019, for most S corporations.

If the S corporation wants to expand or change the tax preparer's authorization (for example, to verify any estimated payments it will make in the future), it can use Form POA (Power of Attorney, Authorization to Disclose Tax Information). Form POA can be filed electronically and is available at [revenue.mt.gov](http://revenue.mt.gov).

### 9 What options does an S corporation have to file its information and composite tax return electronically?

File the Montana and federal tax returns separately or at the same time through a tax professional who is an authorized IRS *e-file* provider, or with department approved software. For more information regarding electronic filing, visit [revenue.mt.gov](http://revenue.mt.gov) or [irs.gov](http://irs.gov).

### 10 What options does an S corporation have to pay its Montana taxes electronically?

An S corporation can pay its Montana taxes electronically by:

- Electronic funds withdrawal when e-filing the state tax return. You can schedule the withdrawal date for any date you select. There is no fee for an electronic funds withdrawal.
- E-check – there is no fee for an e-check payment. You can schedule an e-check payment to be withdrawn on any date you select by visiting our website.
- Credit/debit card – a small fee is applied for a credit card payment.
- Schedule an ACH credit through your bank if the bank supports this process.

Interest and late payment penalties will be assessed on any amount not paid when due. For more information regarding electronic payment options, visit [revenue.mt.gov](http://revenue.mt.gov).

### 11 What is the interest rate on unpaid taxes?

Effective January 1, 2018, the interest rate is 4%. Under Montana law, the interest rate for all unpaid income taxes depends on the rate set by the Internal Revenue Service and may fluctuate each year.

### 12 If the S corporation files its information and composite tax return electronically,

### what information must it send in and what documents does it have to retain?

If the S corporation files its return electronically, it does not have to mail in a paper copy of the return, any accompanying federal Form(s) 1099 or any other Montana supplemental forms. When the S corporation files its return electronically, it represents that it has kept all the required documents as part of its tax record and that it will provide copies if we ask for them. The signer also does not have to sign a copy of the return and submit it to us. The act of completing and filing the return electronically is considered an authorized signature.

### 13 If the S corporation mails its information and composite tax return, where does it send the return?

If the S corporation chooses not to file electronically, mail the return to:



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

### 14 How does an S corporation amend its tax return?

Use Form CLT-4S to amend an original tax return. Mark the box "Amended Return" on the form. Include the applicable forms and statements that can explain in detail all the reason(s) for amending the tax return. Complete the entire Form CLT-4S using the corrected amounts.

If the amended tax return results in a change to income or a change in the distribution of any income or other information provided to any shareholder, the S corporation will also need to file any amended Montana Schedules K-1 along with an amended Form CLT-4S. The S corporation has to give a copy of the amended Montana Schedule K-1 to each shareholder. If the S corporation filed the original Form CLT-4S electronically through the joint federal/state program, then it can e-file an amended Form CLT-4S as long as the software supports amended filings.



If the S corporation files an amended tax return that shows it owes an increased amount of taxes, it may have the late payment penalty waived. Simply mark the *Amended Return* box on the tax form and pay the tax and applicable interest in full when the S corporation files the amended return. By marking this box and paying all tax and interest in full, the S corporation is requesting a waiver of the late payment penalty.

If the IRS changes or makes corrections to the S corporation's federal Form 1120S or if the S corporation amends its federal tax return, the S corporation must file an amended Form CLT-4S within 90 days after either receiving the IRS's notification of the corrections made to its federal Form 1120S or filing its amended federal tax return. Include a copy of the S corporation's federal corrections or amended Form 1120S with the amended Form CLT-4S.

### 15 Can S corporations have net operating losses?

No. Shareholders use their separate shares of the S corporation's business income and business deductions to figure a net operating loss (NOL). Shareholders who elect

to be included in the composite tax return lose their ability to use their share of the income and deductions for Montana NOL purposes.

**16 How does a multistate S corporation apportion its business income?**

Montana requires each multistate S corporation to determine the income from its operations reportable to Montana using the Multistate Tax Compact guidelines. "Business income" is apportioned using three equally weighted factors: the property factor, the payroll factor and the sales factor. Complete and include Schedule I with the S corporation's information and composite tax return. Items of nonbusiness income from an S corporation's operations are allocated to a state as provided in the Multistate Tax Compact guidelines.

**17 How does an S corporation determine which income is business income?**

Income must be properly classified as business or nonbusiness income. An S Corporation must be able to substantiate the classification it places on any particular item of income found on the return.

Interest income is business income if the note or obligation from which the taxpayer received the interest arose out of, or was created in, the regular course of the taxpayer's trade or business operation.

Dividends are business income if the stock from which the taxpayer received the dividends arose out of, or was acquired in, the regular course of the taxpayer's trade or business operations. If the S corporation engages in the ownership, sale or other disposition of investments regularly and as part of the ordinary course of its business, then income arising from such transactions is presumptively business income.

Gain or loss from the sale, exchange or other disposition of real, tangible or intangible personal property constitutes business income if the property, while owned by the taxpayer, was used in the taxpayer's trade or business or was included in the apportionment factor.

Rental income from real and tangible property is business income if the property the taxpayer rents and receives income on is used in the taxpayer's trade or business, is incidental to the trade or business, or includable in the property factor.

If the S corporation owns an interest in a pass-through entity, the distributive items that the S corporation receives from the pass-through entity are not apportioned. Their status as Montana source income is determined by the pass-through entity that generated the income as part of its own operations. This Montana source income is allocated to Montana.

**18 How does an S corporation allocate its nonbusiness income and the distributive items it receives from a pass-through entity?**

An S corporation allocates to Montana nonbusiness income from its operations that are sourced to Montana and from distributive items of Montana source income that it receives from a pass-through entity in which it has an ownership interest.

Nonbusiness income means all income other than business income. The S corporation can review our apportionment

and allocation rules in Title 42, chapters 9 and 26 of the Administrative Rules of Montana. The rules are available at [revenue.mt.gov](http://revenue.mt.gov).

The character of income (loss) as business or nonbusiness income and as Montana source income is determined by the pass-through entity that generated it. The distributive items of Montana source income that the S corporation receives from another pass-through entity retain their character as Montana source income and are not included by the S corporation in its business income subject to apportionment or otherwise subject to recharacterization by the S corporation.

**19 How does an S corporation determine what income is sourced to Montana?**

If the S corporation is doing business only in Montana, all of its income is Montana source income. Montana source income includes the separately and nonseparately stated income, gain, loss, deduction or credit, or items of income, gain, loss, deduction or credit that it derived from a trade, business, occupation or profession carried on in Montana or that was derived from the sale or other transfer, or the rental, lease or other commercial exploitation of property located in Montana.

If an S corporation is doing business both inside and outside of Montana, Montana source income is the sum of the multistate business income that is apportioned to Montana, nonbusiness income that is allocated to Montana and all Montana source income of any pass-through entity that has been passed through, directly or indirectly, to the S corporation.

**20 How long does an S corporation need to maintain tax records after it has filed the Montana information and composite tax return?**

S corporations should keep all tax records for at least as long as the statute of limitations in effect for the tax period. In most cases, the statute of limitations is three years from the date the return is filed for tax periods beginning on or after January 1, 2015 and five for periods beginning before then. Omitting a significant amount of income may extend the statute an additional two years. S corporations should keep property records and carryover information even longer.

2017 Montana S Corporation Information and Composite Tax Return

Include a complete copy of the federal Form 1120S and all related forms and schedules.

For calendar year 2017 or tax year beginning

MMDD2017

and ending

MMDDYYYY

Mark all that apply:

- Initial return
Final return
Amended return
Refund return

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

FEIN, Enter number of: Schedules K-1 included, Resident shareholders, Nonresident shareholders, Other types of shareholders

State Incorporated in on

Federal Business Code/NAICS

MT Secretary of State ID #

Foreign S corporations: date S corporation obtained certificate of authority from Montana Secretary of State

Shareholders' Pro Rata Share of Income Items (Form 1120S, Schedule K)

Table with 11 rows for income items: Ordinary business income, Net rental real estate income, Other gross rental income, Interest income, Ordinary dividends, Royalties, Net short-term capital gain, Net long-term capital gain, Net section 1231 gain, Other income, Total federal income or loss.

Shareholders' Pro Rata Share of Deduction Items (Form 1120S, Schedule K)

Table with 14 rows for deduction items: Section 179 deduction, Contributions, Investment interest expense, Section 59(e)(2) expenditures, Other deductions, Total federal deductions, Federal income from all sources.

Shareholders' Pro Rata Share of Montana Additions and Deductions to Income

Table with 17 rows for Montana additions and deductions: Interest and dividends not taxable, Taxes based on income, Interest on U.S. government obligations, Deduction for purchasing recycled material, Total Montana additions to income, Total Montana deductions to income, Result of adding and subtracting.

Apportioned and Allocated Montana Source Income Schedule I Not Required (see instructions)

Table with 4 rows for source income: Income apportioned to Montana, Income allocated to Montana, Total Montana source income.





### Schedule I – Apportionment Factors for Multistate S Corporations

Enter amounts in columns A and B. Enter percentages in column C.

A. Everywhere      B. Montana      C. Factor

**1. Property Factor:** Use average value for real and tangible personal property.

1a. Land	1a.		00		00
1b. Buildings	1b.		00		00
1c. Machinery	1c.		00		00
1d. Equipment	1d.		00		00
1e. Furniture and fixtures	1e.		00		00
1f. Leases and leased property	1f.		00		00
1g. Inventories	1g.		00		00
1h. Depletable assets	1h.		00		00
1i. Supplies and other	1i.		00		00
1j. Property of foreign subsidiaries included in combined unitary group	1j.		00		00
1k. Property of unconsolidated subsidiaries included in combined unitary group	1k.		00		00
1l. Property of pass-through entities included in combined unitary group	1l.		00		00
1m. Multiply amount of rents by 8 and enter result	1m.		00		00
<b>Total Property Value</b> add lines 1a through 1m			00		00

Divide the total in column B by the total in column A. Multiply the result by 100. **This is your property factor.** ..... 1.  %

**2. Payroll Factor:**

2a. Compensation of officers	2a.		00		00
2b. Salaries and wages	2b.		00		00
Payroll included in:					
2c. Costs of goods sold	2c.		00		00
2d. Other expenses and deductions	2d.		00		00
2e. Payroll of foreign subsidiaries included in combined unitary group	2e.		00		00
2f. Payroll of unconsolidated subsidiaries included in combined unitary group	2f.		00		00
2g. Payroll of pass-through entities included in combined unitary group	2g.		00		00
<b>Total Payroll Value</b> add lines 2a through 2g			00		00

Divide the total in column B by the total in column A. Multiply the result by 100. **This is your payroll factor.** ..... 2.  %

**3. Sales (Gross Receipts) Factor:**

3a. Gross sales, less returns and allowances	3a.		00		
3b. Sales delivered or shipped to Montana purchasers:					
(1) Shipped from outside Montana	3b.(1)				00
(2) Shipped from within Montana	3b.(2)				00
3c. Sales shipped from Montana to:					
(1) United States government	3c.(1)				00
(2) Purchasers in a state where the taxpayer is not taxable	3c.(2)				00
3d. Sales other than sales of tangible personal property (e.g., service income)	3d.				00
3e. Net gains reported on federal Schedule D and federal Form 4797	3e.		00		00
3f. Other gross receipts (rents, royalties, interest, etc.)	3f.		00		00
3g. Sales (receipts) of foreign subsidiaries included in combined unitary group	3g.		00		00
3h. Sales (receipts) of unconsolidated subsidiaries included in combined unitary group	3h.		00		00
3i. Sales (receipts) of pass-through entities included in combined unitary group	3i.		00		00
3j. Less: All intercompany transactions	3j.		00		00
<b>Total Sales Value</b> add lines 3a through 3j			00		00

Divide the total in column B by the total in column A. Multiply the result by 100. **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), you should include this factor as part of the calculation (see instructions). Enter the results here and also insert on page 1, line 18 of this form. This is your apportionment factor.** ..... 5.  %



### Schedule II – Montana S Corporation Tax Credits

Type of Credit	Amount of Credit
1. Dependent Care Assistance Credit ..... include Form DCAC	00
2. College Contribution Credit ..... include Form CC	00
3. Health Insurance for Uninsured Montanans Credit ..... include Form HI	00
4. Recycle Credit ..... include Form RCYL	00
5. Alternative Energy Production Credit ..... include Form AEPC	00
6. Contractor's Gross Receipts Tax Credit. If multiple CGR accounts, mark here. <input type="checkbox"/>	
CGR Account ID: <input type="text"/> - <input type="text"/> - CGR	00
7. Alternative Fuel Credit ..... include Form AFCR	00
8. Infrastructure User Fee Credit ..... include Form IUFC	00
9. Historic Property Preservation Credit ..... include federal Form 3468	00
10. Mineral and Coal Exploration Incentive Credit ..... include Forms MINE-CERT and MINE-CRED	00
11. Empowerment Zone Credit.....	00
12. Biodiesel Blending and Storage Credit..... include Form BBSC	00
13. Innovative Educational Program Credit.....	00
14. Student Scholarship Organization Credit.....	00
15. Emergency Lodging Credit..... include Form ELC	00
16. Unlocking Public Lands Credit.....	00

Type of Credit Recapture	Amount of Credit Recapture
17. Historic Property Preservation Credit Recapture.....	00
18. Film Production Credit Recapture.....	00
19. Biodiesel Blending and Storage Credit Recapture.....	00
20. Oilseed Crushing and Biodiesel/Biolubricant Production Credit Recapture.....	00

When attributing any credit or credit recapture from an S corporation to its shareholders, use the same proportion the S corporation used to report each shareholder's income or loss for Montana tax purposes. Include a detailed breakdown that shows each shareholder's share of the credit or credit recapture.

Use Montana Schedule K-1 to notify each shareholder of the amount of credit available to the shareholder.





### Schedule IV – Montana S Corporation Composite Income Tax Schedule

<p><b>Part I. Eligible Participating Shareholders</b></p> <p>Enter the number of eligible participating shareholders. <input style="width:80px;" type="text"/></p> <p>See instructions for more information about eligible participating shareholders.</p>	<p><b>Part II. Composite Tax Ratio</b></p> <p>Use the amount in column 3 to complete the calculation in column H below.</p>	1	2	3
		Enter the amount from page 1, line 14 of this form.	Enter the amount from page 1, line 20 of this form.	Divide column 2 by column 1. Do not enter more than 1.000000.
		<input style="width:60px;" type="text"/> 00	<input style="width:60px;" type="text"/> 00	<input style="width:20px;" type="text"/> . <input style="width:40px;" type="text"/>

**Part III.** Enter below in columns A through H the required information and amounts for each eligible participating shareholder.

A	B	C	D	E	F	G	H	
Name	Social security number or federal employer identification number	Shareholders' share of federal income from entity	Standard deduction	Exemption \$2,400	Montana taxable income – Subtract columns D and E from column C.	Enter the appropriate tax from the tax table below.	Montana composite income tax. Multiply column G times composite tax ratio from Part II.	
1.			00	00	00	00	00	
2.			00	00	00	00	00	
3.			00	00	00	00	00	
4.			00	00	00	00	00	
5.			00	00	00	00	00	
6.			00	00	00	00	00	
7.			00	00	00	00	00	
8.			00	00	00	00	00	
9.			00	00	00	00	00	
10.			00	00	00	00	00	
11.	Enter the total composite tax from all additional pages, if used .....						11.	00
<b>Add column H, lines 1 through 11. This is your total composite income tax liability.</b>							00	

Transfer the amounts from column H to each partner's Montana Schedule K-1, Part 5, Line 1.



If additional space is needed, make copies of this page. Include all additional pages from line 11 with the tax return.

If Your Taxable Income Is More Than	But Not More Than	Multiply Your Taxable Income By	And Subtract	This Is Your Tax
\$0	\$2,900	1% (0.010)	\$0	
\$2,900	\$5,200	2% (0.020)	\$29	
\$5,200	\$7,900	3% (0.030)	\$81	
\$7,900	\$10,600	4% (0.040)	\$160	
\$10,600	\$13,600	5% (0.050)	\$266	
\$13,600	\$17,600	6% (0.060)	\$402	
More Than \$17,600		6.9% (0.069)	\$560	

### Schedule VI – Reporting of Special Transactions

Complete Schedule VI only if your small business corporation filed any of the federal forms described below. Mark the appropriate box indicating which form(s) you filed with the Internal Revenue Service for this tax year. If your answer is "Yes" to one or more of these forms, you need to include a complete copy of your federal tax return Form 1120S.

1. The S corporation filed federal **Form 8918 – Material Advisor Disclosure Statement** with the Internal Revenue Service.  Yes

Material advisors to any reportable transactions must file Form 8918.

2. The S corporation filed federal **Form 8824 – Like-Kind Exchanges** with the Internal Revenue Service.  Yes

NOTE: Mark the box if your like-kind exchange includes Montana property. Nonresidents do not have to report a like-kind exchange if the properties involved do not include Montana property.

Use Form 8824 to report each exchange of business or investment property for property of a like-kind.

3. The S corporation filed federal **Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships** with the Internal Revenue Service.  Yes

Use Form 8865 to report the information required under 26 USC 6038 (reporting with respect to controlled foreign partnerships), Section 6038B (reporting of transfers to foreign partnerships) or Section 6046A (reporting of acquisitions, dispositions and changes in foreign partnership interest).

4. The S corporation filed federal **Form 8886 – Reportable Transaction Disclosure Statement** with the Internal Revenue Service.  Yes

Use Form 8886 to disclose information for each reportable transaction in which you participated.

5. The S corporation filed federal **Form 8023 – Elections Under Section 338 for Corporations Making Qualified Stock Purchases** with the Internal Revenue Service.  Yes

Use Form 8023 to report elections under IRC 338 made by a purchasing corporation for a target corporation in a qualified stock purchase (QSP). In the case of a target S corporation acquisition under IRC 338(h)(10), the election must be made by all of the shareholders of a target S corporation, including those who do not sell their stock in the event of a QSP transaction.

**Complete this section if you made a disbursement to a related party.**

6. During this tax year, the S corporation made payments to one or more related parties (excluding salary compensation) that exceed \$100,000 per recipient.  Yes

If you answer "Yes" to this question, provide the name and federal employer identification number of each related party below and the amount that you paid to each related party:

Name	FEIN	Amount of Payment
		00
		00
		00





# Montana Schedule K-1 (CLT-4S and PR-1)

Partner's/Shareholder's Share of Income (Loss), Deductions, Credits, etc.

For the calendar year 2017, or tax year beginning

M M D D 2 0 1 7

and ending

M M D D Y Y Y Y

Part 1 Pass-Through Entity Information	Mark applicable boxes: <input type="checkbox"/> Form CLT-4S <input type="checkbox"/> Form PR-1 <input type="checkbox"/> Amended Schedule K-1 <input type="checkbox"/> Final Schedule K-1		
	Entity's Name	Federal Employer Identification Number <input type="text"/> - <input type="text"/>	
	Mailing Address	City State Zip Code	
Part 2 Partner/Shareholder Information	Name	Federal Employer Identification Number <input type="text"/> - <input type="text"/>	
	Mailing Address	OR	
	City	Social Security Number <input type="text"/> - <input type="text"/>	
		State Zip Code	
	Entity Type <input type="checkbox"/> Resident <input type="checkbox"/> Nonresident	Sum of Montana Source Income \$ <input type="text"/> 00	
	<input type="checkbox"/> The partner/shareholder is included in a composite income tax return.	Profit/Loss <input type="text"/> %	
<input type="checkbox"/> The partner/shareholder filed Form PT-AGR. Year <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	Capital/Ownership <input type="text"/> %		
	Montana Apportionment Factor <input type="text"/> %		
Part 3 Montana Adjustments	<b>A Montana additions to income</b>	<b>Total</b>	<b>Montana Source</b>
	1. Federal tax-exempt interest and dividends..... A1.	<input type="text"/> 00	<input type="text"/> 00
	2. Taxes based on income or profits..... A2.	<input type="text"/> 00	<input type="text"/> 00
	3. Other additions. List type _____ and amount A3.	<input type="text"/> 00	<input type="text"/> 00
	<b>B Montana deductions from income</b>		
	1. Interest on US government obligations ..... B1.	<input type="text"/> 00	<input type="text"/> 00
2. Deduction for purchasing recycled material ..... B2.	<input type="text"/> 00	<input type="text"/> 00	
3. Other deductions. List type _____ and amount B3.	<input type="text"/> 00	<input type="text"/> 00	
Part 4 Distributive Share of Montana Source Income (Loss)	1. Ordinary business income (loss)..... 1.	<input type="text"/>	<input type="text"/>
	2. Net rental real estate income (loss)..... 2.	<input type="text"/>	<input type="text"/>
	3. Other net rental income (loss)..... 3.	<input type="text"/>	<input type="text"/>
	4. Guaranteed payments..... 4.	<input type="text"/>	<input type="text"/>
	5. Interest income..... 5.	<input type="text"/>	<input type="text"/>
	6. Ordinary dividends..... 6.	<input type="text"/>	<input type="text"/>
	7. Royalties..... 7.	<input type="text"/>	<input type="text"/>
	8. Net short-term capital gain (loss)..... 8.	<input type="text"/>	<input type="text"/>
	9. Net long-term capital gain (loss)..... 9.	<input type="text"/>	<input type="text"/>
	10. Net section 1231 gain (loss)..... 10.	<input type="text"/>	<input type="text"/>
	11. Other income (loss). List type _____ and amount 11.	<input type="text"/>	<input type="text"/>
	12. Section 179 expense deduction apportionable and/or allocable to Montana..... 12.	<input type="text"/>	<input type="text"/>
	13. Other expense deductions apportionable and/or allocable to Montana..... 13.	<input type="text"/>	<input type="text"/>
Part 5 Supplemental Information	1. Montana composite income tax paid on behalf of partner/shareholder..... 1.	<input type="text"/>	<input type="text"/>
	2a. Montana income tax withheld by entity in Part 1 on behalf of partner/shareholder (see instructions)..... 2a.	<input type="text"/> 00	<input type="text"/>
	2b. Montana income tax withheld by a lower tier pass-through entity..... 2b.	<input type="text"/> 00	<input type="text"/>
	2c. Total Montana income tax withheld on behalf of partner/shareholder..... 2c.	<input type="text"/>	<input type="text"/> 00
	3. Montana mineral royalty tax withheld..... 3.	<input type="text"/>	<input type="text"/> 00
Part 6 Tax Credits and Recapture	4. Separately stated allocable items (include detailed schedule)..... 4.	<input type="text"/>	<input type="text"/> 00
	5. Other information. List type _____ and amount 5.	<input type="text"/>	<input type="text"/> 00
	1. Contractor's gross receipts tax credit. If multiple CGR accounts, mark here <input type="checkbox"/> ..... 1.	<input type="text"/>	<input type="text"/> 00
	CGR Account ID <input type="text"/> - <input type="text"/> - CGR		
	2. Other credit/recapture information. List type _____ and amount 2.	<input type="text"/>	<input type="text"/> 00



\*17DZ0101\*

# Owner's Instructions for Montana Schedule K-1 (Forms CLT-4S and PR-1)

## General Instructions

The Montana Schedule K-1 is required to be provided to all owners. The federal Schedule K-1 cannot serve as a substitute for the Montana Schedule K-1. Montana Schedule K-1 shows information about an owner's share of income, gains, losses, deductions, credits and other items from a pass-through entity.

**Partnership or corporation partner/shareholder.** If you are a corporation, partnership, or a limited liability company treated like a corporation or partnership, the Montana Schedule K-1 shows your share of Montana source income and Montana statutory adjustments from the entity that may affect the preparation of your Montana tax return.

**Resident individual, estate, or trust partner/shareholder.** If you are a Montana resident individual, estate, or trust, your entire share of the entity's income, gains, losses, and deductions that are includable in your federal taxable income is Montana source income. The Montana Schedule K-1 shows your share of Montana source income and Montana statutory adjustments from the entity that may affect the preparation of your Montana tax return.

**Nonresident or part-year resident individual, estate, or trust partner/shareholder.** If you are a nonresident or part-year resident individual, estate, or trust, the amount of your share of the entity's income, gains, losses and deductions that are apportioned and allocated to Montana based on the entity's activity in Montana is used to determine your Montana tax liability. Your share of Montana source income and Montana statutory adjustments are reported to you on the Montana Schedule K-1. You need your Montana Schedule K-1 to determine your tax liability on your Montana tax return unless you are a nonresident who elected to participate in a composite return.

**Composite return election.** If you are a nonresident individual, estate or trust, a foreign C corporation, or a pass-through entity who elected to participate in a composite return filed on your behalf by the entity, you are not required to file a Montana tax return. If this applies to you, you received the Montana Schedule K-1 to show your share of tax items the entity reported and the composite tax paid on your behalf.

**Pass-Through Entity Owner Tax Agreement (PT-AGR).** Form PT-AGR is an agreement that a nonresident individual, nonresident estate, nonresident trust, foreign C corporation, domestic second-tier pass-through entity or tax-exempt entity has to complete if they do not participate in a composite return and do not want the partnership to pay taxes on their behalf. If you filed this form, you agreed to timely file a Montana tax return, pay all taxes and be subject to the personal jurisdiction of Montana.

**Amended Schedule K-1 (Forms CLT-4S and PR-1).** If you received an amended Montana Schedule K-1 from the entity, you may need to file an amended Montana tax return to report the changes in income, gains, losses and deductions.

## Montana Schedule K-1, Parts 3-6

### ► Part 3 – Montana Adjustments

#### A-B. Montana Additions and Deductions

To compute Montana income taxable to pass-through entity owners, certain items have to be added to income or deducted from income. The amounts listed are your share of Montana additions and deductions.

If you are an individual, estate or trust, these amounts are reported as additions to or subtractions from federal adjusted gross income to determine Montana adjusted gross income as reported on your Montana income tax return.

**Resident owners.** Use only the "Total" column to report additions and subtractions to your federal adjusted gross income.

**Nonresidents and other owners.** Use the "Total" column to report additions and subtractions to your federal adjusted gross income. Use the "Montana Source" column to complete nonresident Schedule IV on Form 2 or Schedule F on Form FID-3.

### ► Part 4 – Distributive Share of Montana Source Income (Loss)

Your share of the entity's Montana source income, gains, losses and other additions and deductions to federal taxable income are shown.

**4. Guaranteed payments.** The guaranteed payments remain with the partner receiving the payments as reflected on the federal Schedule K-1. The portion of the guaranteed payments that represent Montana source income are reported on this line.

### ► Part 5 – Supplemental Information

Supplemental information that could result in adjustments to the Montana tax return is listed in this part.

**1. Montana composite income tax paid on behalf of partner/shareholder.** If applicable, the amount shown on this line is the amount of Montana composite income tax paid on your behalf by the entity. If you made this election, you are not required to file your own Montana tax return. This is for your information only.

**2a. Montana income tax withheld by the entity in Part 1 on behalf of partner/shareholder.** The entity named in Part 1 was required to withhold Montana income tax for those nonresident owners who did not file a consent agreement (Form PT-AGR) and did not elect to participate in a composite return. The amount withheld on your behalf is reported on this line.

**2b. Montana income tax withheld by a lower tier pass-through entity.** Another entity was required to withhold Montana income tax on behalf of the entity named in Part 1. Your share of the amount withheld is reported on this line.

**2c. Total Montana income tax withheld on behalf of partner/shareholder.** This is the sum of the amounts reported on lines 2a and 2b. Report this as a pass-through withholding credit on your Montana income tax return.

**3. Montana mineral royalty tax withheld.** If mineral rights are held by a partnership or S corporation in which you have an ownership interest, the royalty payments made to the owners may be subject to withholding if certain thresholds are met. If the partnership or S corporation attributed the withheld mineral royalty tax to you, the amount attributed is listed. This withholding should not be confused with the amounts deducted from royalty payments for production taxes.

**4. Separately stated allocable nonbusiness items.** This line is for reporting all amounts that are allocable to Montana from nonbusiness activities.

**5. Other information.** This line lists supplemental information that could result in adjustments to your Montana tax return. If all of the supplemental information could not be listed on this line, the entity should provide you with a statement showing the additional information. Additional information may include items that you can use to calculate a tax credit. An example of an item that can be used to calculate a tax credit is a contribution that qualifies for a qualified endowment credit. If a portion of the contribution is distributed to you, the amount will be reported on this line.

### ► Part 6 – Montana Tax Credits and Recapture (If Applicable)

Any credit claimed by a partnership or S corporation has to be attributable to its owners generally using the same proportion that is used to report your share of that entity's income or loss for Montana income tax purposes. The tax credits cannot be taken as a credit against composite tax. The form includes the most common tax credits along with space to provide information about any other tax credit or recapture amount.

**1. Contractor's gross receipts tax credit.** If the entity received a tax credit for contractor's gross receipts, the CGR Account ID will be entered into the space provided and the amount entered on line 1 is your portion of the credit. If credit amounts from multiple CGR accounts are passing through to you, a schedule included with your Montana Schedule K-1 identifies how much credit passes through to you from each CGR account.

**2. Other credit/recapture information.** Some tax credits have provisions requiring a recapture of the tax benefit you received in an earlier tax year (if you do not meet certain requirements in subsequent tax years).



If the S corporation chooses not to file electronically, please mail the return to:



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

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

PRSRT STD  
U.S. POSTAGE  
PAID  
MONTANA DEPARTMENT  
OF REVENUE

No Return

## ***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](http://revenue.mt.gov) for information about electronic filing options.



### **Important Numbers**

Tax Questions and Assistance .....(406) 444-6900  
Forms Request.....(406) 444-6900  
For the Hearing Impaired .....(406) 444-2830  
Fax .....(406) 444-7723