

2024 Montana Form FID-3

Income Tax Instructions for Estates and Trusts

MONTANA DEPARTMENT OF REVENUE



MONTANA
DEPARTMENT OF
REVENUE

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Dear Montana Taxpayer,

We sincerely thank you for filing of your Montana tax return. Your timely filing benefits your community and helps to make Montana a better place for all of us.

We encourage you to continue filing electronically if possible. Last year, 87 percent of business taxpayers filed electronically. Taxpayers have found that e-filing is easy and convenient and ensures accurate processing. Electronic filing can also help you more quickly receive any refund you are owed.

We are committed to assisting you with any questions you may have about your filing requirements. If you need more information or would like help, please visit MTRevenue.gov, call (406) 444-6900 or Montana Relay at 711 for the hearing impaired, or email DORHelp@mt.gov.

Best regards,

Your Montana Department of Revenue

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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 leg.mt.gov or call us with your questions.

What's New?

Legislation Affecting Tax Year 2024

Income Tax Simplification in Tax Year 2024.

Senate Bill 399 passed during the 67th Legislature in 2021 made significant changes to Montana's income tax system beginning in tax year 2024. Fiduciaries will see changes to filing requirements, tax brackets, and the calculation of Montana taxable income.

Filing requirements. The Montana tax filing requirement will follow the federal tax filing requirement after considering any Montana additions and subtractions to federal taxable income.

Montana Taxable Income Calculation.

Montana taxable income now starts with federal taxable income. Net operating losses are now included in Montana taxable income as calculated for federal tax purposes. In practice Form FID-3 starts

Reduced Tax Rate. Under Senate Bill 399 (2021), the top marginal tax rate was reduced from 6.75% to 6.5% beginning with tax year 2024. Senate Bill 121 (2023) reduces the top marginal tax rate from 6.5% to 5.9%.

Net Long-Term Capital Gains Tax Rate.

House Bill 221 created two new tax rates, 3% and 4.1% for net long-term capital gains beginning in tax year 2024. The rates are contingent on the fiduciary's total taxable income which is not net long-term capital gains. (See page 15.)

Fiduciaries can no longer claim the capital gains tax credit that expired with the 2023 tax year.

Expanded Qualified Endowment Credit.

As a result of Senate Bill 506, the Qualified Endowment Credit increases the maximum credit amount to \$15,000 for beneficiaries of estates.

Form Changes

The department made changes to the Montana Form FID-3 to implement simplification under Senate Bill 399 and to improve reporting income distributions and sourcing. Changes were also made because House Bill 221 replaced the capital gains credit with new brackets that apply to net long-term capital gains.

The form no longer requires the detail of lines 1 through 16 of the federal Form 1041 and begins with line 17.

Schedule I, Adjustments to Everywhere Income and Montana Source Income, of FID-3 combines and replaces Schedules A, B and C from the 2023 FID-3. The new schedule makes it easier to report Montana adjustments that affect the taxable income of estates, trusts, or beneficiaries.

Schedule II, Tax on Montana Source Income, replaces Schedule F, Nonresident/Part-Year Resident Estate and Trust Tax, for the calculation of the tax liability when the trust is not a resident of Montana for the full year. The new schedule also provides a calculation of the tax on net long-term capital gains for those trusts.

Schedule III, Credit for Income Taxes Paid to Another State or Country, is modified to provide a separate calculation when the trust's income includes net long-term capital gains taxed in Montana and another state.

The tax calculation on any ESBT income has been modified for the tax on net long-term capital gains and the schedule is renumbered to Schedule IV.

Finally, the Schedule K-1 was revised to improve the reporting of income, loss, deductions and credits to beneficiaries.

Interest Rate for 2025

Effective January 1, 2025, the annual interest rate assessed on outstanding balances is 8 percent. This rate also applies to underpayment of estimated taxes. Interest is calculated daily.

Form FID-3 Instructions

Entity Information

Tax Year

You must use the same tax year used for federal income tax purposes (as indicated on the federal tax return) for Montana income tax purposes. If the estate or trust has a fiscal year, enter the beginning and ending dates of the fiscal year. Use a 2023 Form FID-3 if the estate's or trust's tax year began in the 2023 calendar year.

Name and Address

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

Federal Employer Identification Number (FEIN)

Enter the FEIN from page 1 of federal Form 1041.

Date Entity Created

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

Schedule K-1 and Beneficiary Information

Enter the number of Montana Schedules K-1 included and the number of each type of beneficiary: resident, nonresident, or other. An example of an other type of beneficiary would be a corporation or pass-through entity.

Checkbox Items:

Mark the "**Initial return**" box if this is the first return filed in Montana for this estate or trust.

Mark the "**Final return**" box if this is the last return to be filed in Montana for this estate or trust.

Mark the "**Amended return**" box if this return is being filed to correct a previously filed Form FID-3. See **FAQ 13** for more information.

Mark the "**Refund return**" box if this return is being filed to receive a refund.

Mark the "**Estate or filing trust made a 645 election**" box if the estate or filing trust has a valid Internal Revenue Code § 645 election to treat the trust as part of the estate for federal purposes.

Entity Type

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

If the entity type is not identified, processing of the return will be delayed. Often, the fiduciary must provide additional information to complete the filing.

Residency Status

Mark the applicable box to indicate the residency status of the estate or trust. See **FAQ 2** for more information.

If the residency status is not identified, processing of the return will be delayed. Often, the fiduciary must provide additional information to complete the filing.

Specific Line Instructions

Lines that need additional instructions are listed below.

Taxable Income

Line 1. Enter the total federal adjusted income(loss) as reported on Form 1041, line 17.

Lines 2 through 5 Montana Adjustments to Income Distribution Deduction. Montana law allows some subtractions from federal taxable income and requires adding other items of income not taxable federally. Complete Schedule I, Adjustments to Everywhere Income and Montana Source Income, to report these adjustments and their related deductions. Enter the amounts on the appropriate lines. Use lines 3c and 4c to exclude items of income that must be distributed currently but have already been taxed in a previous year.

Line 6 – Montana Estate and Generation Skipping Taxes. The deduction for Estate and Generation Skipping taxes generally follows the federal deduction (line 19). Taxes associated with income not included in Montana taxable income are not deductible. Check the box on line 6 if the amount computed for Montana purposes differs from the federal deduction.

Line 7 – Transition Adjustment for tax year 2024. Senate Bill 399 allows for a one-time adjustment if differences exist between Montana and federal

amounts for specific items such as passive and capital losses and the basis of certain assets. Refer to Part I of the "2024 Montana Form 2 Transition Schedule" and related instructions for more information. If an adjustment is necessary, complete Part I of the schedule and enter any result from line 14 here. If the result on line 14 is negative, enter as a negative.

Credits and Payments

Line 11a – Total Montana Income Tax Withheld.

Enter the amount of Montana income tax withheld. This amount is usually reported in Box 17 of the federal Form W-2, or in Box 14 of federal Form 1099-R. When the estate or trust claims Montana income tax withheld, it must include a copy of the withholding statements, such as federal Forms W-2 or 1099-R.

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

Line 11b – Montana Income Tax Withheld Allocable to Beneficiaries. Enter the amount of Montana income tax withheld reported on line 11a and allocable to beneficiaries.

Line 11 – Montana Income Tax Withheld Allocable to the Estate or Trust. Subtract line 11b from 11a. This is the amount of Montana income tax withheld that is allocable to the estate or trust.

Line 12a – Total Montana Pass-Through Entity Withholding from Montana Schedules K-1 (PTE), Part 5, line 3c. If the estate or trust has an ownership interest in a pass-through entity that had Montana source income, and the pass-through entity paid Montana pass-through withholding on behalf of the estate or trust, enter the amount here. This amount is reported to the estate or trust on a Montana Schedule K-1 (PTE), and should not be confused with any Montana mineral royalty tax withheld that passed through to the estate or trust from a pass-through entity. Attach copies of the Montana Schedules K-1 (PTE) you received that report amounts withheld on your behalf.

Line 12b – Montana Pass-Through Entity Withholding Allocated to Beneficiaries. Enter the amount of Montana pass-through entity withholding reported on line 13a and allocable to beneficiaries. Pass-through withholding must be

distributed to the beneficiaries if the associated income is distributed to the beneficiaries.

Line 12 – Montana Pass-Through Entity Withholding Allocable to the Estate or Trust. Subtract line 12b from 12a. This is the amount of Montana pass-through entity withholding that is allocable to the estate or trust.

Line 13a – Total Montana Mineral Royalty Tax Withheld from Federal Forms 1099 or Montana Schedules K-1 (PTE), Part 5, line 4. If the estate or trust paid Montana mineral royalty tax withholding, enter the withholding on this line. If the estate or trust receives a distributive share of Montana mineral royalty tax withholding from a pass-through entity, enter the withholding on this line. This is generally reported on federal Form 1099-MISC, Box 16-18. This amount should not be confused with the production taxes that are also subtracted from royalty payments.

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

Line 13b – Montana Mineral Royalty Tax Withheld Allocated to Beneficiaries. Enter the amount of Montana mineral royalty tax withheld reported on line 13a and allocable to the beneficiaries. Mineral royalty withholding must be distributed to the beneficiaries if the associated royalty income is distributed to the beneficiaries.

Line 13 – Montana Mineral Royalty Tax Withheld Allocable to the Estate or Trust. Subtract line 13b from 13a. This is the amount of Montana mineral royalty tax withheld that is allocable to the estate or trust.

Line 14a – Total Montana PTET from Montana Schedules K-1 (PTE). If the estate or trust has ownership interest in one or more pass-through entities that paid the pass-through entity tax (PTET) on the distributive share of pass-through income of the estate or trust, enter the amount here.

This amount is reported to the estate or trust on a Montana Schedule K-1 (PTE). Attach copies of the Montana Schedule K-1 (PTE) you received that report amounts paid on your behalf.

Line 14b – Montana PTET allocated to beneficiaries. Enter the amount of Montana pass-through entity tax paid reported on line 14a and allocable to beneficiaries.

Line 14 – Montana PTET Paid Allocable to the Estate or Trust. Subtract line 14b from line 14a. This is the amount of Montana PTET paid that is allocable to the estate or trust.

Line 15 – Estimated Tax Payments. If a fiduciary has made estimated income tax payments for tax year 2024, enter the amount of these estimated tax payments. Do not include in this total any income taxes paid for a previous year because these are not estimated taxes paid for tax year 2024.

If a fiduciary makes estimated income tax payments to be allocated to a beneficiary, do not include these payments on this line. Instead, these payments must be applied to the beneficiary's account. Complete Part V, line 5 of the beneficiary's Schedule K-1 with type: "estimated payment" and the amount. You may also contact the department with information that includes the beneficiary's name and SSN or FEIN, as well as an explanation that the payment is to be applied to the beneficiary's account.

Line 16 – 2023 Overpayment. If the 2023 return resulted in an overpayment that the fiduciary elected to apply to the 2024 return, enter that amount on this line.

Line 17 – Extension payments. If any other payments were made on or after the original due date, enter the total on this line.

Line 18 – If filing an amended return, payments made with original return. Enter any payments made when you filed your original return and any subsequent payments that were applied to your 2024 tax liability. You can view your payment history on TransAction Portal (TAP), <https://tap.dor.mt.gov>.

Line 19 – Unlocking Public Lands credit. The Unlocking Public Lands Program allows a landowner to enter into a contractual agreement with the Montana Department of Fish, Wildlife and Parks to provide public recreational access where no legal public access currently exists.

The landowner may receive an annual tax credit in the amount of \$750 per agreement (up to a maximum of \$3,000 tax credit per year) for allowing such access. For additional information, refer to fwp.mt.gov.

Line 20 – If Filing an Amended Return, enter Overpayments Already Refunded or Applied to tax year 2025. If you are filing an amended return and you had an overpayment on your original tax year 2024 return, or on the last amended return filed for 2024 if this is not your first amendment, report this overpayment here. You may have chosen to apply this overpayment to your tax year 2025 estimated taxes.

Line 21-Add lines 11 through 19, then subtract line 20. Add lines 11, 12, 13, 14, 15 16, 17, 18, and 19. Then subtract any value reported on line 20. Enter the result here.

Tax Liability

Montana applies progressive rates of 4.7% on ordinary income up to \$20,500 and 5.9% on ordinary income above that amount. Net long-term capital gains are taxed at rates of 3% or 4.1%. For more information, please refer to the Fiduciary Income Tax section starting on page 6 of these instructions.

Line 22. Complete lines 1 through 19 on the Fiduciary Income Tax Calculation on page 3 of the form and enter the result here.

Penalties and Interest

Line 25 – Interest on Underpayment of Estimated Taxes. A fiduciary is required to pay an estate's or trust's income tax liability throughout the year if the estate or trust expects to owe an income tax liability of at least \$500 after subtracting tax credits and withholding payments. Payments can be made through withholding, installment payments of estimated taxes, or a combination of both.

If a fiduciary did not pay in advance at least 90 percent of the 2024 income tax liability (after applying credits) or 100 percent of the 2023 income tax liability (after applying credits), the fiduciary may have to pay interest on the underpayment of estimated tax.

To calculate the interest, complete Form EST-I (2024 Underpayment of Estimated Tax by Individuals and Fiduciaries), available at MTRRevenue.gov or call us at (406) 444-6900.

Line 26 – Late Filing, Late Payment Penalties, and Interest.

Late Filing Penalty. If a fiduciary files the estate and trust tax return after October 15, 2025, the fiduciary must pay a late filing penalty. The penalty is equal to the greater of \$50 or 5 percent 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 percent of the fiduciary’s tax liability on line 23.

Late Payment Penalty. The late payment penalty is equal to 0.5 percent per month, calculated daily, on the unpaid amount from April 15, 2025, until it is paid. The daily rate is 0.0164 percent. Your late payment penalty will never exceed 12 percent (24 months x 0.5%) of the unpaid tax. Late payment 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.

Interest. Compute interest on any tax liability (line 23) that the estate or trust has not paid by the due date of the tax return and enter the total on this line.

Effective January 1, 2025, the interest rate is 8 percent. To calculate the interest, multiply line 23 by 0.02191 percent (0.0002191), and then multiply that result by the number of days between April 15, 2025, and the day the estate’s or trust’s income tax is paid.

Important: A valid extension of time to file the estate’s or trust’s tax return does not extend the due date to pay the estate’s or trust’s income tax liability after April 15, 2025.

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

Type	Amount
Late filing penalty	
Late payment penalty	
Interest	
Total	

Enter the total on line 26. Keep this worksheet as part of the estate’s or trust’s tax records for future reference.

Line 27 – Other Penalties. If any of the penalties listed below apply to a decedent’s estate, report the amount here. Refer to the Form 2 instructions for details regarding the penalties.

- Farm and Risk Management Account
- Medical Care Savings Account
- First-time Homebuyer Account

Amount the Entity Owes or Its Refund

Line 29 – Amount the Estate or Trust Owes.

If the estate or trust has a tax due on line 23, add lines 23 and 28; or, if the estate or trust has a tax overpayment on line 24 and it is less than line 28, subtract line 24 from line 28. This is the amount the estate or trust owes.

A fiduciary can pay the amount an estate or trust owes by:

- Electronic funds withdrawal when e-filing the return. You can schedule your withdrawal for a later date.
- E-check or credit/debit card. Visit our TransAction Portal (TAP) at <https://tap.dor.mt.gov> and select “Make a Payment.” There is a small fee when paying with a credit or debit card.
- Personal check, money order, or cashier’s check. Be sure to include the payment voucher available at MTRevenue.gov or call us at (406) 444-6900 to request a voucher. Make your check payable to the Montana Department of Revenue, sign your check, and write your FEIN and “tax year 2024” 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 MTRevenue.gov. Interest and penalties will be assessed on any amount not paid when due.

If a fiduciary cannot pay the entire amount that an estate or trust owes with the tax return, we encourage the fiduciary to file the estate and trust tax return on time and pay as much as possible. By filing and paying as much as possible by April 15, 2025, you can reduce the amount of late payment penalty and interest. If a fiduciary needs to establish a payment plan, visit our TransAction Portal (TAP) at <https://tap.dor.mt.gov> or call us at (406) 444-6964, as soon as possible to make payment arrangements.

Fiduciary Income Tax

Complete lines 1 through 19 to determine your Montana tax liability, which consists of the sum of the Montana Ordinary Income Tax and the Montana Net Long-Term Capital Gains Tax. If the estate or trust is considered a Montana resident, the amount on line 19 is your tax liability. Nonresident and part-year residents complete lines 1 through 12, then use Schedule II to compute the tax on Montana Source Income reported on line 13 before completing lines 14 through 19.

Estates and Trusts use the same rates and brackets as single individuals.

Montana Ordinary Income is defined as all taxable items of income that is not considered a net long-term capital gain and includes qualified dividends.

A net long-term capital gain is the net gain from the sale or exchange of a capital asset held for more than one year, included in your gross income.

These amounts are generally reported on federal Form 1041, Schedule D, line 18a.

Your net long term capital gains rate is determined by the amount of ordinary income relative to \$20,500. If ordinary income is less than \$20,500 then a portion, or all, of your net long term capital gains may be taxed at 3%. If ordinary income is equal to or more than \$20,500, then all net long term capital gains are taxed at 4.1%.

Line 2 – Net Long-Term Capital Gains. Enter the amount from Form 1041, Schedule D, line 18a, column 2. Do not enter income from Qualified Dividends even if they are taxed at the capital gains rates federally.

Line 12-Montana Ordinary Income Tax. Compute the tax on the ordinary income portion of your Montana taxable income as follows:

If the amount on line 4 is \$20,500 or less, multiple it by 4.7% (0.047).

If the amount on line 4 is more than \$20,500, multiple it by 5.9% (0.059) then subtract \$246.

Line 13. Nonresident and part-year resident estates and trusts are taxed on their Montana source income. This tax is first calculated using the taxable income determined as if the estate or trust was a resident. Then, a ratio of the Montana

source income over estate or trust's income over income from all sources is applied to the tax. This tax is calculated on Schedule II. After completing Schedule II, enter the total from Schedule II, line 19 on line 13. Instructions for Schedule II are on page 13.

Line 14 – Credit for Taxes Paid to Another State or Country. Enter the amount from Schedule III, line 21. If multiple Schedule IIIs were completed, enter the amount from line 22.

Resident estates and trusts are allowed a credit for income taxes paid to another state or country on net income that is also taxable to Montana. Part-year resident estates and trusts are allowed a credit for income taxes paid to another state or country on net income that is also taxable to Montana as a resident and if the income is included on Schedule II, lines 11 and 15, column B.

A credit is allowed against Montana income tax only if the tax paid to a state or foreign country was based on net income of the same taxable year and the income taxed by the state or foreign country was derived from sources outside of Montana.

You must include a copy of the other state's or country's income tax return with Form FID-3. If you file the tax return electronically and you cannot include a copy of the other state's or country's income tax return, retain the copy so that you can provide it to the department upon request.

Note: Nonresident estates and trusts are not allowed to claim this tax credit against their Montana tax liability.

Refer to the instructions for Schedule III on page 14 for further information.

Line 15 – Other Tax Credits. If the estate or trust is claiming one or more of the nonrefundable credits listed below, identify each credit it is claiming and include the amounts of the nonrefundable credits in the total for line 15. If more than one credit is claimed, include a list of credits and credit amounts claimed and enter the total. Include all applicable credit forms. Several tax credits were repealed beginning with tax years starting after December 31, 2021. Repealed credits that had carryforward provisions may be carried forward until the carryforward period expires or the credit is exhausted. If you are claiming a carryforward of a credit that expired, include a detailed statement

showing the calculation and carryforward amounts. Important: In order to claim any credit, you must include the appropriate forms with the estate's or trust's tax return unless you file the return electronically. If you file the return electronically and you cannot attach a copy of a credit form, retain the copy so you can provide it upon request. The forms do not specifically address estates and trusts, but estates and trusts are allowed to claim the credits listed below. The forms and instructions are available at MTRevenue.gov.

Enter the name of the credit and any identifying number e.g. "Contractors Gross Receipts XXXXXXX-XXX-CGR"

Only enter credits claimed against the estate or trust's tax liability. Do not enter any credits passed to beneficiaries.

Nonrefundable/No Carryover Credits:

- Recycle Credit (Form RCYL)
- Innovative Educational Program Credit
- Student Scholarship Organization Credit
- Apprenticeship Tax Credit
- Trades Education and Training Credit (Form TETC)

Nonrefundable/Current with Carryover

- Contractor's Gross Receipts Tax Credit
- Empowerment Zone Credit
- Historic Property Preservation Credit (federal Form 3468)
- Infrastructure User Fee Credit (Form IUFC)
- Media Credit (Form MEDIA CLAIM)
- Jobs Growth Incentive Credit (Form JGI)
- Nonrefundable/Carryover Only
- Alternative Energy System Credit (Form ENRG-B)
- Alternative Energy Production Credit (Form AEPC)
- Biodiesel Blending and Storage Credit (Form BBSC)
- Geothermal System Credit (Form ENRG-A)
- Mineral and Coal Exploration Incentive Credit (Forms MINE-CERT and MINE-CRED)

Line 17 – Lump-sum tax and recapture taxes.

Report the total amount of lump sum tax and recapture taxes on this line.

Tax on Lump-Sum Distributions – Code: LS.

If you qualify on your federal return for special averaging of your lump-sum distribution and have

not included it as ordinary pension income in federal taxable income, you must pay Montana income tax on this distribution.

Your Montana tax liability on the lump-sum distribution is 10 percent of the federal tax calculated on federal Form 4972. Part-year residents must calculate the tax on all lump-sum distributions received while a resident of Montana. Include a copy of federal Form 4972. Use code LS to report your lump sum tax.

Recapture taxes. Some Montana code sections that allow deductions and/or tax credits have provisions requiring a recapture of the tax benefit you received in an earlier year, if you do not meet certain requirements in succeeding tax years. All taxpayers, resident or not, can be subject to recapture tax.

If you must report a recapture, report the appropriate two-letter code and amount on this line.

Endowment Credit Recapture Tax – Code: EC. If the trust previously claimed an Endowment Credit for a gift that contributed to a qualified endowment and which it received the gift back, the trust must recapture the income tax liability reduced in a previous year. The trust must also include in its income any amounts that previously deducted as deduction on a previous year's tax return.

On this line, enter the amount of your Endowment Credit Recapture Tax and enter the code "EC" in the space indicated. If, in addition to your recapture tax, part of the amount that is recaptured was claimed as a charitable contribution in a prior year, include in your income on the Schedule I, line 2, any recoveries of this prior-year deduction that reduced your tax liability in the year of that deduction.

Other tax credits which have a recapture provision include:

- Biodiesel/Bio-lubricant Production Facility, Biodiesel Blending and Storage, and Oilseed Crushing Credit
- Family Education and ABLE account withdrawals
- Trades Education and Training Credit

Information on these recaptures is available in the instructions for Form 2, Individual Income Tax return. If any of these recapture provisions apply to the trust, report them on line 17 in the same manner outlined in the Form 2 instructions.

Line 18 – ESBT Tax. Complete Schedule IV and enter the amount from line 25 here.

Direct Deposit

Important: Direct Deposit is not available to taxpayers who are filing a Montana tax return for the first time.

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

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

A sample of a check is provided for your reference.

A sample check form for 'John Taxpayer' and 'Jane Taxpayer' at 'Anyplace, MT 59000'. The form includes a 'Pay to the Order of' field, a dollar amount field with '1234' written above it, and a 'Dollars' label. Below the dollar field, the bank information is 'Anyplace Bank, Anyplace, MT 59000'. The routing number is '123456789' and the account number is '9876543210'. A callout box points to the account number field with the text: 'Do not include the check number in the account number.'

Signature, Paid Preparer, and Third-Party Designee

The tax return is not complete unless it is signed by the fiduciary or an officer representing the fiduciary. Incomplete returns cannot be processed and require us to contact you for additional information.

If you have someone prepare your return, you are still responsible for the correctness of the return.

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

Paid Preparer

Signature. Anyone you pay to prepare your return must sign it. Someone who prepares your return but does not charge you should not sign your return.

PTIN. You must report the Preparer Tax Identification Number (PTIN) of the preparer in the space provided.

Authorization checkbox

To allow us to discuss your 2024 Form FID-3 with the paid preparer, mark the box below the field for the printed name and provide their phone number.

By selecting this box, you are authorizing the designee to:

- discuss your 2024 Form FID-3 return;
- give us any information that is missing from your return, such as a missing Form K-1;
- call us for information about the processing of the return or the status of the refund or payments; and
- respond to notices from us about math errors, offsets, and return preparation.

Note: the department will only send notices directly to you, not to the paid preparer.

You are not authorizing the designee to discuss any other tax year, receive any refund check, bind you to anything, or otherwise represent you before us.

The authorization only lasts one year from the due date of the 2024 return (without regard to extensions) and is invalid for amended returns filed one year after the original due date. This is April 15, 2026, for most people.

Please be aware that you cannot revoke this authorization.

If you want to expand the paid preparer’s authorization (for example, to verify any estimated payments you’ll be making in the future or to discuss other tax years), use Form POA (Power of Attorney, Authorization to Disclose Tax Information). Form POA is available at [MTRevenue.gov](https://tap.dor.mt.gov), or you can submit a POA through our TransAction Portal (TAP) at <https://tap.dor.mt.gov>.

Schedule I – Adjustments to Everywhere Income and Montana Source Income

Montana Adjustments to Everywhere Income.

Some items of income and deductions may have a different treatment under Montana law than the federal treatment. Income exempt federally may be taxable by Montana and vice versa. Similarly, deductions allowable on the federal return may not be allowed in computing Montana income. An estate or trust may also be able to claim a deduction or subtraction not allowable federally.

Schedule I is organized in three columns. Report on column A the Montana net adjustments to federal income. These are the adjustments the fiduciary must recognize before any income distribution deduction. They must be net of fiduciary expenses using the same method to allocate fiduciary expenses for federal tax purposes.

Report on column B the net adjustments to Distributable Net Income (DNI) and on column C the net adjustments to actual distribution. When DNI and actual distribution are the same column B and C will be the same.

Report on lines 1 through 3 the everywhere adjustments for each column and on lines 4 through 6 the Montana source adjustments. See below for a list of adjustments required by Montana law.

All fields on Schedule I are aggregates of Montana adjustments. To calculate these aggregates, use Worksheet I provided in these instructions and attach a copy with the return. Enter a brief description of the type of adjustment in the first column. Enter the gross amount of the adjustment in the next column. Report any fiduciary expenses associated with the item in the third column. Insert additional lines if necessary.

Column A is the result of the gross Montana adjustments minus the fiduciary expenses.

Column B represents the net amount of the item remaining with the trust.

Column C reports any portion of the item included in beneficiary distributions. These amounts should also be reported on the K-1(s) issued to beneficiaries.

The adjustments listed below are the most common for fiduciaries. Please refer to the Individual Income Tax, Form 2 instructions for additional information for these adjustments.

Other adjustments are received from pass-through entities. Refer to your Montana schedules K-1 received for amounts and codes. If you received Schedules K-1 from pass-through entity that are not filing in Montana, you may have to request more information from that entity to identify Montana adjustments to federal adjusted total income.

Additions

Interest and Mutual Fund Dividends from State, County, or Municipal Bonds from Other States. Enter the interest and mutual fund dividend income that the estate or trust received from bonds and obligations of another state, territory, or political subdivision of another state (county, municipality, district, etc.).

State, local and foreign income taxes based on income and profits. This includes all state, local and foreign taxes reported on federal Form 1041, Page 1, line 11 and pass-through entity taxes paid by a partnership or S corporation to any state, including Montana, and deducted for federal tax purposes. Refer to state Schedules K-1 information received to aggregate the pass-through entity tax addition.

Taxes paid by an S corporation. If you are a shareholder in an S corporation that is required to pay a federal income tax on its income, include on this line the amount of your income that has been reduced by the federal income taxes paid by your S corporation. Refer to your federal Schedule K-1 to determine the amount of income that you must include as an addition to your federal taxable income.

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

Dividends Not Included in Federal Total Income. Enter the amount of any dividends that the estate or trust received that are not already included in total federal income. Do not include qualified dividends since these are already in the total ordinary dividends reported on federal Form 1041, line 2a.

Other additions. Include a detailed statement.

Subtractions

Exempt Interest and Mutual Fund Dividends from Federal Bonds, Notes, and Other Obligations.

If you received interest on United States government obligations and mutual fund dividends attributable to that interest, you may subtract these amounts if they are included in your federal adjusted total income.

U.S. obligations that are exempt include:

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

Interest on obligations that are only guaranteed by the U.S. government are not tax exempt.

You cannot subtract the interest or mutual fund dividends attributable to Government National Mortgage Association (Fannie Mae) bonds, Federal National Mortgage Association (Fannie Mae), or Federal Home Loan Mortgage Corporation (FHLMAC) securities.

Recoveries of amounts deducted in earlier years included in federal taxable income that did not reduce Montana income tax. If you are required to include in your federal taxable income any recovery of amounts that were refunded to you after you claimed the deduction of the expense on a prior federal income tax return, and if this previous deduction did not reduce your Montana income tax liability in the year of that deduction, you can subtract the amount of this recovery from your federal taxable income.

Subtraction for working military retirees and military survivor benefits. Montana resident working military retirees may be eligible to subtract a portion of their military retirement income from Montana taxable income.

Also, beneficiaries receiving military survivor benefits under the U.S. Department of Defense's Survivor Benefit Plan can exempt up to 50% of their military survivor benefits. Eligible beneficiaries include spouses, eligible children, or an "insurable interest" as defined by the U.S. Department of Defense.

See the instructions for Form 2 and Form WMRE for more information. If you claim this subtraction, you must include Form WMRE with your return.

Subtraction for Federal Taxable US Railroad Retirement Board Benefits. Enter all taxable and nontaxable pensions and annuities, including Tier II Railroad Retirement benefits included in the FID-3 Federal Adjusted Total Income, line 1. However, do not include any nontaxable rollovers and your cost or net investment.

Worksheet I – Schedule I Montana Adjustments

Adjustment Description	Gross Montana Adjustments	Fiduciary Expenses	A Net Adjustments to Federal Income	B Adjustments to Distributable Net Income	C Adjustments to Actual Distributions
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Adjustments to Everywhere Income

Additions					
1 Total Additions					
Subtractions					
2 Total Subtractions					
3 Total of Additions and Subtractions to Everywhere Income					

Adjustments to Montana Source Income

Additions					
4 Total Additions					
Subtractions					
5 Total Subtractions					
6 Total of Additions and Subtractions to Montana Source Income					

Schedule II – Tax on Montana Source Income

Unless all income is distributed currently, estates and trusts which checked either the “Nonresident” or “Resident part-year” boxes under “Residency Status” must complete Schedule II to determine the ratio of their Montana source income to income from all sources. One ratio is computed to apply to net long-term capital gains and a separate ratio for all other income.

To complete Schedule II, use Worksheet II in these instructions and attach a copy with your return.

Calculation lines for Schedule II.

Line 12. Line 12 is the ordinary income nonresident ratio that will reduce the fiduciary resident tax on ordinary income.

Line 13. Line 13 is the tax as a resident from the tax calculation on Page 3, line 12.

Line 14. Line 14 is the nonresident fiduciary tax on ordinary income resulting from the reduction of the tax as a resident by the nonresident ratio.

Line 16. Line 16 is the net long term capital gains nonresident ratio that will reduce the fiduciary resident tax on net long term capital gains.

Line 17. Line 17 is the net long term capital gains resident tax from Page 3, line 11.

Line 18. Line 18 is the nonresident fiduciary tax on net long term capital gains resulting from the reduction of the net long term capital gains tax as a resident by the nonresident ratio.

Line 19. Add the nonresident taxes from lines 14 and 18 and report the total on Page 3, line 13.

Column C and F of the worksheet correspond to Columns A and B of the Schedule.

Worksheet II helps you determine the items of everywhere and Montana source income that are not distributed currently and that are taxable at the fiduciary level. Report on Column A, lines 1 through 11 and line 15, the total income received by the fiduciary before any income distribution deduction. That column should reflect federal Form 1041 Page 1. Report Montana adjustments from schedule I on line 9.

Report on column B the items of income and adjustments distributed to beneficiaries.

On column C, report the difference between column A and B.

On column D, report the Montana source items of income, adjustments from Schedule I, and excess business losses add-back received by the fiduciary before any income distribution deduction. On column E, report the Montana source items distributed to the beneficiaries. On column F, report the difference between column D and column E.

Worksheet II – Schedule II Income Allocation and Nonresident Tax Schedule

Resident trusts complete columns A, B, and C. Nonresident trusts complete all columns

	Everywhere Income of the Fiduciary			Montana Source Income of the Fiduciary		
	A Total Income	B Distributed to Beneficiaries	C Montana Everywhere Income of the Fiduciary	D Montana Source Income	E Montana Source Income Distributed	F Montana Source Income of the Fiduciary
1 Interest income						
2 Ordinary dividends						
3 Net short-term capital gains						
4 Unrecaptured section 1250 gains						
5 Other portfolio and nonbusiness income						
6 Ordinary business income						
7 Net rental real estate income						
8 Other rental income						
9 Adjustments from Schedule I, Column D (See instructions)						
10 Montana source excess business loss (income add back)						
11 Totals						
15 Net long-term capital gains						

Schedule III – Credit for Income Taxes Paid to Another State or Country

Resident and part-year resident estates and trusts are allowed a credit for income taxes paid to another state or country. The credit is a nonrefundable single-year credit and is limited to an income tax liability paid on net income that is also taxed by Montana. It cannot reduce the Montana tax liability below zero. No unused credit amount can be carried forward.

If the estate or trust paid tax to another state or country based on income subject to the Montana tax rates for ordinary income, complete lines 1 through 10. If the estate or trust paid tax to another state or country based on income subject to the Montana net long-term capital gains tax rates, complete lines 11 through 20.

If the estate or trust had income from a state that has no income tax, do not complete this schedule for that income.

If the estate or trust is required to file an income tax return in more than one state or country and it is entitled to the credit, complete a separate Schedule III for each state or country in which an income tax return was filed and tax was paid on the income that is also taxed to Montana. Additionally, credits may exist for both the S portion of an ESBT and the S portion of a non-ESBT reported on the same return. The fiduciary will need to complete a separate schedule for each state or country to which the estate or trust has paid an income tax liability. Complete a separate schedule for each state or country to which the S portion of an ESBT has paid an income tax liability.

The fiduciary cannot combine payments on one schedule. If more than one schedule is used, enter the total of line 21 from all schedules for estates and non-ESBTs on line 22 of the first schedule and on page 3, line 4.

Important: You are not entitled to this credit if the other state or country in which you filed an income tax return has allowed you a credit against the taxes that they have imposed on your net income because you are also subject to tax on the same income by Montana.

Shareholders of an S corporation or Partners in a Partnership. If the estate or trust is a shareholder of an S corporation or a partner in a partnership, and the S corporation or partnership pays an income tax, excise tax, or franchise tax that was measured by and imposed on net income to another state (including composite tax paid on your behalf) or country, you can claim a credit for your share of these income taxes paid by the entity.

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

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

“Sourced and Taxable.” In the instructions that follow, “sourced and taxable” means any income included in your Montana taxable income that must be reported to another state or foreign country in accordance with the other state's or country's rules, and that is not subject to an exemption. If the income is partially exempt, only the part that is non-exempt can be used for the calculation of this credit. On a practical level, income that is sourced and taxable to another state is found on the line after state specific additions and subtractions to federal adjusted gross income. In general, this line is labeled for the state-specific adjusted gross income.

Taxes Paid to Another Country. The estate or trust is not entitled to a Montana tax credit for taxes paid to a foreign country when a federal foreign tax credit is claimed. You cannot claim this credit and deduct the foreign tax from your Montana adjusted gross income.

Specific Line Instructions

If the estate or trust is a part-year resident, the fiduciary must allocate income using Form FID-3, Schedule II, before completing this worksheet. Only income sourced to Montana as a resident qualifies for the credit.

Do not include any amounts distributable and taxable to the beneficiaries.

Montana Ordinary Income Tax

Complete lines 1 through 10 to compute the credit for taxes paid by the estate or trust to another state or country for income taxed at the Montana ordinary income rates.

Do not include any net long-term capital gains in the calculation in this section. These are generally the amounts reported on form 1041, Schedule D, line 18a.

Line 1. This amount may differ from what you calculated as your total taxable income on the other state's form.

For example, a trust had rental income in both Utah and Montana during the year. The trust's total rental income was \$50,000, with \$10,000 earned in Utah. Enter only the Utah sourced rental income of \$10,000 on line 1. Do not include income on this line that is not taxable in Montana.

Line 2. Enter the total income sourced and taxable to the other state or country. See "sourced and taxable" above to find the appropriate amount of income on another state's return.

Line 3. Compute the ordinary income sourced to Montana and taxable to the estate or trust. For trusts classified as a resident for the full year, enter the total income from form 1041, line 9 excluding net long-term capital gains on line 3a. Enter any expenses directly related to the income and included in Form 1041, lines 10 through 15b on line 3b.

Line 4 – Tax Paid to Another State or Country. Enter the actual tax liability paid by you or on your behalf to the other state or country. This amount comes from either a fiduciary tax return you filed, or a composite tax return filed on your behalf by a partnership or S corporation.

Important: Do not include any penalties and interest paid to the other state or country.

Line 5 – Montana ordinary income tax. Residents enter the amount on line 12 from the Fiduciary Income Tax calculation on page 3 of Form 2. Part-year residents enter the amount from Schedule II, line 13.

Line 7. If the estate or trust claimed a credit for taxes paid to another country for federal tax purposes, the estate or trust cannot claim a state credit for taxes paid to another country.

Montana Net Long-term Capital Gains tax

Line 11. Enter the net long-term capital gains sourced and taxable to Montana. For a resident trust, this is all taxable net long-term capital gains. For trusts that are part-year residents, this is the capital gains recognized while considered a resident of Montana.

Line 12. Enter all net long-term capital gains sourced and taxable to another state or country and enter the state's abbreviation.

Line 14. Enter the actual tax liability paid by you or on your behalf to the other state or country. This amount comes from either a fiduciary tax return you filed, or a composite tax return filed on your behalf by a partnership or S corporation.

Important: Do not include any penalties and interest paid to the other state or country.

Line 15. Residents enter the amount on line 11 from the Fiduciary Income Tax calculation on page 3 of Form 2. Part-year residents enter the amount from Schedule II, line 18.

Schedule IV – ESBT S Portion Income Tax

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

If the trust is a shareholder in an S Corporation that receives Montana source income.

S corporations receiving Montana source income must file Form PTE and issue a Montana Schedule K-1 (PTE). If the trust is a resident trust and it is a shareholder in an S corporation that does not receive any Montana source income, contact the S corporation representative to receive information about items subjects to Montana adjustments. In this case we highly recommend the S corporation files a Montana return.

Line 1 – Total Federal Adjusted ESBT Income. Enter total federal adjusted ESBT income as determined on the separate statement prepared for the federal estate and trust income tax return. Include the federal statement and federal Schedules K-1 received from S corporations with the Montana tax return.

Schedule V – Reporting of Special Transactions and Amended Return Information

Part I – Reporting of Special Transactions

Complete this part only if the estate or trust filed any of the federal income tax forms described below.

Form 8918 – Material Advisor Disclosure Statement

Form 8824 – Like-Kind Exchanges

Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships

Form 8886 – Reportable Transaction Disclosure Statement

Mark the appropriate boxes indicating which forms you filed with the Internal Revenue Service. If you answered any statements “Yes,” the fiduciary must include a copy of the applicable form.

Part II – Amended Return.

Check the appropriate boxes.

When amending a return, check the appropriate boxes reflecting the reasons why you are amending your return. In the table, provide information about the lines you corrected that result in a change to your taxable income or to the credits you are claiming.

Line 2 and 3 – Montana adjustments to ESBT Income. If the ESBT received Montana Schedules K-1 (PTE), include the amounts from Part 3, column I, line 1 and 2 on the respective lines.

Line 13. Resident tax on net long-term capital gains. This is the Montana income tax liability on net long-term capital gains.

Note: Resident trusts leave lines 14 through 16 blank and skip to line 17. Nonresident and part-year resident trusts complete lines 14 through 16.

Line 17 Resident tax on ordinary income. This is the Montana income tax liability on ordinary income.

If the ESBT Taxable Income is			
More Than	But Not More Than	Multiply the Taxable Income By	And Subtract
\$0	\$20,500	4.7% (0.010)	\$0
	More than \$20,500	5.9% (0.059)	\$246

Note: Resident trusts leave lines 18 through 21 blank and skip to line 22. Nonresident and part-year resident trusts complete lines 14 through 21.

Line 23 – Nonrefundable tax credits. Enter any nonrefundable tax credits received from the S corporations. See Montana Schedules K-1 Part VI.

Line 24 Endowment Credit recapture. If during the tax year, a charitable gift attributable to a Endowment Credit claimed in a prior year is recovered, report the amount of credit used as a recapture tax.

FAQs – Frequently Asked Questions

The answers to these questions are identified by number on pages 17-25.

Filing Requirements

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

Filing and Payment Options

- 9 What options does a fiduciary have to file the estate and trust tax return electronically?
- 10 What options does a fiduciary have to pay the estate’s or trust’s Montana taxes electronically?
- 11 If a fiduciary files the tax return electronically, what information must it send in and what documents does it have to retain?
- 12 If a fiduciary files the tax return by mail, what address does the fiduciary use?

Amended Returns

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

Estimated Payments and Interest

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

Specific Situations

- 17 Are there special filing instructions for a specific entity type?
- 18 How should a fiduciary report excess distributions or an unused net operating loss carryover upon the termination of an estate or trust?
- 19 How does a fiduciary determine if income is sourced to Montana?
- 20 Where can a fiduciary find definitions applicable to estates and trusts?
- 21 When does the estate or trust need a new FEIN?

Tax Records

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

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

The fiduciary of a resident estate or trust must file a Form FID-3 (Montana Income Tax Return for Estates and Trusts). The fiduciary of a nonresident estate or trust must file a Form FID-3 (Montana Income Tax Return for Estates and Trusts) if the estate or trust files federal Form 1041 and receives Montana source income or if at least one of the beneficiaries, receiving current or future distributions, is a resident of Montana during the tax year.

A fiduciary includes a guardian, trustee, executor, administrator, receiver, conservator, or any person acting in a position of trust or fiduciary capacity for any other person or group of persons.

2 Is the estate or trust a resident of Montana?

Resident Estate

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

Resident Trust

A trust is a resident trust if it establishes a sufficient connection to Montana.

Several factors are considered to determine whether a trust has a sufficient connection to Montana and include, but are not limited to, the testator’s, grantor’s, settlor’s, or creator’s domicile; the location where the trust was created; the location of trust property; the

beneficiaries' domicile; the trustees' domicile; and the location of the trust's administration. Examples of resident trusts include, but are not limited to:

- any trust that designates Montana as its principal place of administration;
- any trust that is primarily administered by a trustee or representative who is a Montana resident or whose principal place of business is located in Montana; any irrevocable trust created by, or consisting of property of, a Montana resident on the date the trust or portion of the trust became irrevocable and has at least one income beneficiary who, for all or some portion of the trust's current taxable year, was a Montana resident;
- any trust created by the will of a decedent who was a Montana resident at the time of the decedent's death; or
- any trust created by, or caused to be created by, a court as a result of the death of an individual when:
 - property was transferred to an irrevocable inter vivos trust as a result of a decedent's death;
 - the decedent was a Montana resident at the time of the decedent's death; and
 - the trust has at least one income beneficiary who, for all or some of the trust's current taxable year, was a Montana resident.

Generally speaking, the "principal place of administration" of a trust is the usual place where its day-to-day activities are carried on by the trustee or person who is primarily responsible for the administration of the trust. If the principal place of administration of the trust cannot be identified under that standard, and assuming that the trust agreement does not identify a different location, then it is determined as follows:

- if the trust has a single trustee, the principal place of administration of the trust is the trustee's residence or usual place of business; or
- if the trust has more than one trustee, the principal place of administration of the trust is the residence or usual place of business

of any of the cotrustees as agreed upon by them. If not agreed upon by the cotrustees, the principal place of administration of the trust is the residence.

Nonresident Estate or Trust

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

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

Refer to the instructions for Schedule II – Tax on Montana Source Income on page 12.

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

The 2024 Form FID-3 must be filed for the calendar year 2024 or the fiscal year beginning in 2024. If the tax return is for a fiscal year, or a short tax year (less than 12 months), enter the taxable year in the space at the top of Form FID-3.

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

Mark the "Final return" box on Form FID-3 if the estate or trust ceased to exist during tax year 2024.

Important: Fiscal year filers need to use the 2023 Form FID-3 if the estate's or trust's taxable year began in the 2023 calendar year.

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

Unless the tax return is filed electronically, a fiduciary must include a complete copy of federal Form 1041 and all related forms and schedules. If a fiduciary is claiming a credit for taxes paid to another state, the fiduciary

is required to include a copy of the returns from the other state. If the fiduciary files the return electronically and cannot attach the federal forms and schedules or the other state or country's income tax return, retain copies so they can be provided to the department upon request.

5 Who must sign the tax return?

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

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

6 When is the estate and trust tax return due?

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

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

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

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

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

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

Important: An extension of time to file is not an extension to pay the taxes due. If the estate's or trust's entire 2024 tax liability is not paid by the original due date, interest and late pay penalties will be assessed on the outstanding balance.

If a fiduciary would like to make an extension payment, calculate the difference between the amount of tax you think the estate or trust will owe and payments already made, including amounts withheld on behalf of the estate or trust.

If a fiduciary would like to make an extension payment, the fiduciary can pay by the following methods:

- electronic payment from a checking or savings account or a credit/debit card payment using our TransAction Portal (TAP) at <https://tap.dor.mt.gov>.
- an ACH credit scheduled through your bank if it supports this process
- the Montana Estate or Trust Tax Payment Voucher, available at MTRevenue.gov or call us at (406) 444-6900.

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

If a fiduciary marks the box, we can discuss any concerns that we might have with the 2024 estate and trust tax return – a missing schedule, for example – with the tax preparer. If the fiduciary does not mark the box, we cannot discuss the tax return with anyone but the fiduciary unless a power of attorney allows us to discuss the return with someone else. If yes is marked, the fiduciary is authorizing us to call the tax preparer to answer any questions that arise while we are processing the 2024 tax return.

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

- request that the tax preparer give us any information that is missing from the return;
- respond to the tax preparer's call to us for information about the processing of the return or the status of refunds or payments; and
- discuss certain notices from us about math errors, offsets and return preparation.

Note: The department will only send notices directly to the fiduciary, not to the tax preparer.

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

Please be aware that this authorization cannot be revoked. The authorization automatically ends no later than the due date, without regard to extensions, for filing next year's (2025) tax return. This is April 15, 2026, for most estates and trusts.

If the fiduciary wants to expand or change the tax preparer's authorization (for example, to verify any estimated payments it will be making in the future), the fiduciary can use Form POA (Power of Attorney, Authorization to Disclose Tax Information). Form POA is available at [MTRevenue.gov](https://mtrrevenue.gov).

9 What options does a fiduciary have to file the estate and trust 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 use department approved software. For more information on electronic filing, visit [MTRevenue.gov](https://mtrrevenue.gov) or irs.gov.

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

Electronic payment options are available at [MTRevenue.gov](https://mtrrevenue.gov). Fiduciaries can pay the estate's or trust's 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.
- An ACH credit scheduled through your bank if it 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 [MTRevenue.gov](https://mtrrevenue.gov).

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

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

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

Mail the Income Tax Return for Estates and Trusts to:

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

13 How does a fiduciary amend the tax return?

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

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

If the IRS changes or makes corrections to the federal Form 1041 or if the fiduciary amends the estate's or trust's federal tax return, the fiduciary must amend the return within 180 days of the final determination date. The final determination

date is the date in which all appeal rights have been waived or exhausted, by agreement, or, if appealed, by a final decision with respect to which all appeal rights have been waived.

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

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

- Use the correct Form FID-3 for the year being amended. Forms are available at [MTRevenue.gov](https://www.mtrevenue.gov).
- Enter the name of the estate or trust, and the fiduciary’s name, current address, FEIN and other requested information in the top portion of Form FID-3.
- Mark the “Amended return” box at the top of Form FID-3.
- Complete the entire Form FID-3 and its applicable schedules using the corrected amounts. Do not forget to complete Schedule V, Part II, to provide reasons for amending your return. Include a copy of the original Form FID-3.
- Include the applicable forms and statements explaining all of the adjustments in detail. If the reason for filing the amended return is because of changes the fiduciary or the IRS made to the federal Form 1041, include a copy of the amended federal return or IRS notice.
- Complete and provide a corrected Montana Schedule K-1 along with a copy of the amended Form FID-3 to the beneficiaries. If the original Form FID-3 was electronically filed through the joint federal/state program, then an amended Form FID-3 can be e-filed as long as the software supports amended filing.

15 Is a fiduciary required to make estimated tax payments?

A fiduciary for an estate or trust is required to make estimated tax payments in the tax year if one of the net income tax liability on the estate’s

or trust’s taxable income for the tax year was \$500 or more.

If the fiduciary expects to owe (after subtracting any Montana income tax withheld, mineral royalty tax withheld and tax credits) \$500 or more for the tax year complete the worksheets in the Prepaying Income Tax Guide to determine if there is a requirement to pay estimated tax for 2025. This publication is available at [MTRevenue.gov](https://www.mtrevenue.gov) or call us at (406) 444-6900. The fiduciary can also pay electronically. For payment options visit [MTRevenue.gov](https://www.mtrevenue.gov).

16 What is the interest rate on unpaid taxes?

The current interest rate is 8 percent. 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.

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

Decedent’s Estate

Do not use a decedent’s SSN for an estate. If the FEIN is not available at the time of filing, enter “applied for” and the application date in the box provided.

§ 645 Election

A § 645 election allows a qualified revocable trust to be treated and taxed as part of the related estate during the election period. If the election is made for federal income tax purposes, it also applies for Montana. Enclose a copy of the federal Form 8855 or the letter making the election.

Electing Small Business Trust (ESBT)

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

Special rules apply when computing the ESBT’s tax liability. The activity from an ESBT, which is treated as a separate trust, is reported on Schedule IV (Electing Small Business Trust Tax Calculation). The tax liability of an ESBT is determined on Schedule IV and combined with the tax liability of the remainder

(non-ESBT portion) of the trust on Form FID-3, Fiduciary Income Tax Calculation, line 18.

Bankruptcy Estates

A bankruptcy estate of an individual must file Form FID-3, but complete only the heading portion and report the amount of tax computed on the attached copy of the Montana tax return.

Married couples who file a joint bankruptcy petition may file a joint tax return. A joint bankruptcy estate is limited to one personal exemption in computing the amount of tax due. A married couple cannot use the filing status of married filing separately on the same return to determine their separate Montana income tax liabilities for a bankruptcy estate. If a married couple does not file a joint return, but both spouses are filing for bankruptcy individually, then each spouse will complete a separate Form FID-3 and a separate individual Montana income tax return. Credits and payments that are applicable to the bankruptcy estate are reported on Form FID-3.

Grantor Type Trusts

The fiduciaries of grantor trusts are required to file informational tax returns and send copies to

the grantors/owners that are required to report the income, deductions and credits on their Montana income tax return.

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

Example: The John Doe Trust is a grantor type trust. During the year, the trust sold 100 shares of ABC stock for \$1,010 (it had a basis of \$10) and 200 shares of XYZ stock for \$10 (it had a \$1,020 basis). The trust does not report these transactions on federal Form 1041 or Form FID-3. Instead, a schedule is included with Form 1041 and Form FID-3 showing each stock transaction separately and in the same detail as John

Doe (grantor and owner) needs to report on his Schedule D (Form 1040). The trust may not net the capital gains and losses, nor may it issue John Doe a Schedule K-1 showing a \$10 long-term capital loss.

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

To identify the beneficial owner of partnership and S corporations distributive share of income, losses, deductions, and credits, including flow-through pre-payments such as pass-through withholding, mineral royalty withholding, and pass-through entity tax, the trustee should request the lower tier pass-through entity to complete the beneficial ownership section on the Schedule K-1 it issues the trust.

Qualified Funeral Trusts

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

A fiduciary of more than one qualified funeral trust may file the Form FID-3 reporting all the QFTs included on the composite federal return, rather than a separate return for each trust. However, the applicable tax due is computed on the combined taxable income of all the included QFTs. A fiduciary of more than one QFT that does not wish to file a composite Montana FID-3, can still file a single return if it files electronically and includes the detail of the calculation of the tax for each QFT with its return. The fiduciary will have to mark the box "Qualified Funeral Trust," leave lines 1 through 35 blank, and report the tax on line 36.

Qualified Subchapter S Trust (QSST)

In a QSST, Income allocated to S corporation stock held by the trust is treated as owned by the income beneficiary of the portion of the

trust that owns the stock. A QSST (as defined in IRC § 1361(d)(3)) follows reporting rules that are similar to the one for grantor type trusts. Likewise, the trustee should request the S corporation to identify its beneficial owners on the Montana Schedule K 1 it issues.

Pooled Income Funds

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

- the calculation of the yearly rate of return;
- the computation of the deduction for distributions to the beneficiaries; and
- the computation of any charitable deduction. If filing for a pooled income fund, complete only the heading portion of Form FID-3 and check the “Pooled Income Fund” box. Do not show any dollar amounts on the form itself; show dollar amounts only on the supporting statement.

Include the supporting statements and a complete copy of federal Form 5227 with Form FID-3.

Other

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

Split-Interest Trusts

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

If filing for a split-interest trust, complete only the heading portion of Form FID-3 and mark the “Other” box. Do not show any dollar amounts on the form itself; show dollar amounts only on the supporting statement. Include the supporting statements for the form, along with a complete copy of the federal Form 5227. Qualified Settlement Fund or Designated Settlement Fund Except as otherwise provided in Regulations § 1.468B-5(b), for purposes of Subtitle F of the Internal Revenue Code, a qualified settlement fund is treated as a corporation, and any tax imposed under

Regulations § 1.468B-2(a) is treated as a tax imposed by § 11. See Regulation § 1.468B-2(k) for more information. A designated settlement fund is taxed in the same manner as a qualified settlement fund.

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

Common Trust Funds

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

Exempt Trusts

Exempt trusts filing federal Form 990-T (Exempt Organization Business Income Tax Return) to report unrelated business income must file a Montana Form CIT (Montana Corporate Income Tax Return) and pay any applicable tax to Montana.

18 How should a fiduciary report excess distributions or an unused net operating loss carryover upon the termination of an estate or trust?

A deduction is allowed to the beneficiaries succeeding to the property of the estate or trust if, upon termination, the estate or trust has one of the following:

- a capital loss carryover
- deductions (other than the charitable deductions) in excess of gross income for its final year
- a net operating loss

To the extent these deductions are Montana sourced, report the Montana sourced portion of the deduction to the beneficiary on Montana Schedule K-1, part 5, line 3.

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

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

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

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

- Income held for future distribution to a non-contingent beneficiary who is a resident of Montana during the tax year.
- Interest and dividend income received by a nonresident trust or estate is generally not Montana source income.

Exception: Interest income from the sale, exchange or other disposition of property located in Montana at the time of the sale is Montana source income.

- Rents and royalties from real property are Montana source income if the property is located in Montana.
- Rents and royalties from tangible personal property are sourced to Montana to the extent the property is used in Montana. The use of tangible personal property in Montana is determined by multiplying the rents and royalties derived from the property by a fraction. The numerator is the number of days the property is physically located and is used in Montana during the tax period. The denominator is the number of days the property is used everywhere during the tax period.
- Patent and copyright royalties are sourced to Montana to the extent the patent or copyright is used in Montana. A patent

is used in Montana to the extent that it is employed in production, fabrication, manufacturing, or other processing in Montana, or to the extent that a patented product is produced in Montana. A copyright is used in Montana to the extent that the printing or other publication originates in Montana.

- Gains and losses from the sale, exchange, or other disposition of real or tangible personal property are Montana source income if the property is located in Montana at the time of the sale, exchange, or other disposition. Gains or losses from the sale, exchange or other disposition of intangible personal property are not sourced to Montana.
- Income from S corporations, partnerships, and other fiduciaries paid to the estate or trust may be sourced to Montana. This information is on the Montana Schedule K-1 from the S corporation, partnership, or other fiduciary.
- Other income that is not listed above and is derived from Montana sources is sourced to Montana. This includes compensation for services performed in Montana (for example, wages received by an estate for services performed in Montana by the decedent).

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

Information, including definitions, about any of the following estates or trusts, can be found in the federal Form 1041 instructions (U.S. Income Tax Return for Estates and Trusts).

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

21 When does the estate or trust need a new FEIN?

Estates

A fiduciary must obtain a new FEIN if either of the following statements is true:

- A trust is created with funds from the estate.
- The estate operates a business after the owner's death.

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

Trusts

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

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

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

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

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

Estates and trusts should keep all tax records for at least as long as the statute of limitations is in effect for the tax period. The statute of limitations is three years from the date the return is filed. Omitting a significant amount of income may extend the statute of limitations for an additional two years. Estates and trusts should keep property records and carryover information even longer.