

Montana 2003 Package X - Part V

Contains Pass Through Entity Forms

Partnership
Small Business Corporation
DER-1



2003

Montana Partnership Booklet

Form PR-1	Montana Partnership Information Return
Form PT-CR1	Montana Composite Income Tax Return
Form PT-NRA	Montana Nonresident Income Tax Agreement
Form PT-WH	Statement of Montana Income Tax Withheld for Nonresident Individual



Photo by Ross Magnuson

Fiscal Year Filers - Please Note:

These are your Montana Partnership Information Return Forms for your tax year beginning in 2003. Retain this booklet for your 2003 filing purposes.

**Make any necessary corrections to the label below and
attach it to your 2003 Montana PR-1.**

Montana Department of Revenue
Post Office Box 5805
Helena, MT 59604-5805

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

No Return

Dear Montana Partnership Taxpayers,

The 2001 and 2003 Montana Legislature changed the way a partnership files an information return. These changes have minimal affect on a resident partner, but change the requirements for a partnership that has a nonresident individual, foreign C. corporation or another pass-through entity as a partner.

As a result, the department has provided you with a newly designed partnership booklet incorporating these changes to include a composite income tax return, nonresident income tax agreement, and a nonresident individual income tax withholding statement.

Providing these forms to the partnership in one booklet will make it easier for you to file your 2003 tax returns. As you use this booklet look for changes that may improve our service next year. Please feel free to contact our office with your suggestions.

You may contact the Department of Revenue by e-mail with any questions, requests, comments or suggestions. The e-mail address is jpurcell@state.mt.us. You can download our forms at www.discoveringmontana.com/revenue.

Montana Department of Revenue

Table of Contents	Page
General:	
Instructions	3 through 6
Forms:	
PR-1	7
PT-CR1	10
PT-WH	13
PT-NRA	14

Important Numbers	
Assistance and Help Line	(406) 444-6900
Forms Request	(406) 444-6900
Fax	(406) 444-6642

If you wish to order forms and instructions, call (406) 444-6900 or download from our website at www.discoveringmontana.com/revenue.

What's New for 2003

- **Nonresident Income Tax Agreement.** For tax years beginning after December 31, 2002 the Montana Nonresident Income Tax Agreement Form PT-NRA is not required to be completed annually by a nonresident individual partner. A Nonresident Income Tax Agreement PT-NRA completed in 2003 and submitted with your 2003 information return is in effect for all subsequent years the nonresident individual remains a partner of the partnership. The previous agreement, Form PT-CON signed for tax years beginning prior to January 1, 2003 is not valid for tax years 2003 and subsequent years. See detailed instructions on page 14.

For tax years beginning after December 31, 2003 an income tax agreement will be required for certain foreign corporations (Form PT-FCA), and pass-through entities who are partners, shareholders or members of an S. corporation, partnership, or disregarded entity (Form PT-PTS).

- **Composite Return Eligible Participant.** For tax years beginning after December 31, 2002 a nonresident individual, a foreign C. corporation, or certain pass-through entities that are partners in a partnership may elect to participate in the filing of a composite PT-CR1. See detailed instruction on page 5.
- **Extensions.** For tax years beginning after December 31, 2002, a partnership is granted an automatic paperless extension to file Form PR-1 upon approval from the Internal Revenue Service to file federal Form 1065.
- **Partner Withholding.** For tax years beginnings after December 31, 2002 the partnership must remit the Montana Form PT-WH at the time of filing Form PR-1 for a nonresident individual who does not elect to participate in the filing of a composite return or completes a Montana Nonresident Income Tax Agreement, Form PT-NRA. See detailed instructions on page 13.

General Information

Who Must File Form PR-1

All partnerships engaged in business in the State of Montana and who have Montana source income must file an annual Montana Partnership Information Return, Form PR-1. A copy of the Federal Form 1065, including all federal schedule K-1's, must be attached to the Montana Form PR-1.

Montana Source Income

All partners of a partnership have Montana source income if the income, gain, loss, deduction, or credit or item of income, gain, loss, deduction or credit is derived from a trade, business, occupation, or profession carried on in Montana, or is derived from the sale or other transfer or the rental, lease, or other commercial exploitation of property located in Montana. If the partner is a resident of the state of Montana, all income, gain, loss, deduction or credit or items of income, gain, loss deduction or credit of the partnership as reported on Federal Schedule K-1 as reported on Federal Schedule K-1 is considered Montana source income.

What Must be Filed

A partnership that has nonresident individual partners in tax year 2003 must also file with the Montana Form PR-1:

- Form PT-CR1, Montana Composite Income Tax Return for eligible partners who elect to participate in a composite filing.
- Form PT-NRA, Montana Nonresident Income Tax Agreement, completed for tax year 2003 and subsequent years, for those nonresident individual shareholders who agree to file a Montana individual income tax return, Form 2.
- Form PT-WH, Statement of Montana Income Tax Withheld for Nonresident Individuals, for those nonresident individual partners who do not participate in a composite filing or complete the nonresident individual income tax agreement Form PT-NRA.

When and Where to File

Your Montana filing period is the same as your federal filing period. For a calendar year partnership, the Montana Form PR-1 is due on or before April 15th following the close of the taxable year. For a fiscal year partnership, the Montana Form PR-1 is due on or before the 15th day of the 4th month following the close of the tax year.

A partnership is allowed an automatic paperless extension of time to file Form PR-1 upon approval of an extension to file Federal Form 1065. This extends the time for filing Form PR-1, and where applicable, Forms PT-CR1, PT-NRA and PT-WH to the date approved for filing Federal Form 1065.

For returns without payments, including refund request, mail to:
Montana Department of Revenue
P.O. Box 5805
Helena, MT 59604-5805

For returns with payments, mail to:
Montana Department of Revenue
P.O. Box 6308
Helena, MT 59604-6308

Who Must Sign the Return?

Form PR-1 must be signed and dated by one general partner or LLC member who is duly authorized to sign the return. Form PR-1 is not considered complete unless it is signed.

Amended Return

If an error is made or there is a need to change the original PR-1 information return, file an amended Montana PR-1 and attach a copy of the original PR-1. If the amended return results in a change to income, or a change in the distribution of any income or other information provided any partner, an amended federal Schedule K-1 must also be filed with the amended Montana PR-1 and given to the partner.

If the Internal Revenue Service changes or makes corrections to the Federal Form 1065, the partnership must file an amended Montana information return within 90 days of receiving the Internal Revenue Service's notification of the corrections made to the federal form 1065.

Instructions for Montana Form PR-1

Line 1 – Ordinary Income (Loss). The taxable income on line 1 of your Federal Form 1065, Schedule K must be entered on line 1 of your Montana information return PR-1.

Lines 2 through 7 – The income reported on your Federal Form 1065, Schedule K, lines 2 through 7, must be reported on line 2 through 7 of your Montana Form PR-1. Include the total ordinary dividends from Federal Schedule K, line 4b and the entire year amount of net short-term and long-term capital gain (loss) from Federal Schedule K, lines 4d(2) and 4e(2) and the net section 1231 gain (loss) from Federal Schedule K, lines 6a and 6b.

Line 8 – Add the ordinary income reported on line 1 and lines 2 through 7 and enter the total on line 8.

Line 9 through 12 – The deductions reported on your Federal Form 1065, Schedule K, lines 8 through 11 must be reported on lines 9 through 12 of your Montana Form PR-1.

Line 13 – Add lines 9 through 12 and enter the total on line 13.

Line 14 – Montana Additions. To compute Montana income, certain items must be added to income. A detailed schedule must be attached to your return. Examples are:

- State, county and municipal interest and dividends not taxable under the Internal Revenue Code. Interest and dividends from Montana bonds are not taxable. Report this amount on line 14(a).
- State, local, and foreign income taxes must be added back to income. These taxes based on income or profits are reported on line 14(b). 15-31-114(1)(e), MCA.
- Report other additions on line 14(c) and attach a detailed schedule reconciling the amount of other additions.

Line 15 – Montana Reductions. To compute Montana income, certain items must be deducted from income. A detailed schedule must be attached to your return. Examples are:

- Interest income received on obligations of the United States Government is exempt from Montana income tax if the following conditions are met:
 - The instrument must be a written document.
 - The obligation must bear interest.
 - The obligation must contain a binding promise by the United States to pay specific sums at specific dates.
 - The instrument must contain specific congressional authorization that pledges the full faith and credit of the United States in support of the promise to pay.If any one of these conditions are not met, the interest from the obligation is taxable to Montana. Obligations that are taxable include GNMA's and FNMA's. Mutual fund dividends derived from qualified U.S. Government interest is also exempt from Montana income tax. Report this amount on line 15(a).
- An additional 10% deduction for the purchase of recycled material as computed on Form RCYL, part IV. A copy of Form RCYL must be attached to your return. Report this amount on line 15(b). 15-32-610, MCA.
- Report other deductions on line 15(c) and attach a detailed schedule reconciling the amount of other deductions.
 - The amount of contributions made by a small business to its independent liability fund. 15-31-117, MCA.
 - A portion of an investment made in a building for the purpose of conserving energy. In order to qualify, the building must be used in the entity's business and the result of the investment must be a substantial reduction in the amount of energy needed to render the building usable.
 - Current year capital losses must be deducted in the year incurred. Attach a copy of the federal schedule D

to your PR-1 information return. 15-31-114(1)(b)(i), MCA.

- Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation. 15-32-510, MCA.

Line 17 – Income Apportioned to Montana. For a multistate partnership, multiply the amount that is reported on line 16 by the apportionment percentage that is reported on line 5 of Montana Schedule K. Enter the Montana apportioned income on line 17.

Line 18 – Income Allocated Directly to Montana. For a multistate partnership, any income determined to be Montana allocable income must be reported on line 18.

Line 19 – Partnership Information Return Late File Penalty. A penalty is charged if the partnership information return Form PR-1 is filed after the due date, including extensions, unless the entity can show reasonable cause for not filing on time. The penalty is \$10 multiplied by the number of the entity's partners at the close of the tax year for each month or fraction of a month, not to exceed five months, that the entity fails to file the information return. The late file penalty is not imposed on an entity that has ten or fewer partners if the partners have filed their required tax returns or other reports timely with the department and have paid all taxes when due.

Instructions for Montana Schedule K Apportionment Factors for a Multistate Partnership

In most cases, multistate partnership must compute Montana taxable income by means of the apportionment factor calculated on Montana Schedule K. The apportionment factor is the standard UDITPA (Uniform Division of Income for Tax Purposes Act) three-factor formula of property, payroll, and sales.

When a partnership is engaged in a unitary business within and without the State of Montana, the net income assignable to Montana must be determined using the apportionment factor. A partnership is unitary when the operations of the business within the state is dependent upon or contributory to the operations of the business outside the state. Every partnership carrying on a unitary business within and without the state must fully complete the Montana Schedule K.

If the determination of income attributable to Montana is made on some basis other than the apportionment method, a full and detailed description of the operation and an explanation of the method proposed must accompany the return. However, the Montana Schedule K must be completed even in a case where a partnership uses an alternative method of determining Montana taxable income.

A detailed explanation of the apportionment factor calculation is as follows:

Line 1 – Property Factor. The property factor is defined as a fraction, the numerator being the average value of the partnership's real and tangible personal property owned or rented and used in Montana in the production of business income during the tax period and the denominator being the average value of all the partnership's real and tangible personal property owned or rented and used in the production of business income during the tax period.

Property owned by the partnership is valued at its original cost. Real and tangible personal property 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 business income to be apportioned, but it does not include money, accounts receivable, or other intangible property, real property held for investment or nonbusiness purposes or idle property of any nature.

Migratory property must be included in the numerator of the factor to the extent utilized in Montana.

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

Property rented by the partnership must be valued at eight times the net annual rental rate. Rental expenses may not be averaged. The rental expenses for the current year must be used in the property factor.

Line 2 – Payroll Factor. The payroll factor is defined as a fraction, the numerator being the total amount paid in Montana during the tax period by the partnership for compensation attributable to the production of business income and the denominator being the total amount paid everywhere during the tax period for compensation attributable to the production of business income.

Payroll is paid in Montana if:

- Individual's service is performed entirely within the state;
- Individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or
- Some of the service is performed in the state and
 - Based on operations, or, if there is no operations, the place from which the service is directed or controlled is in the state; or
 - Based on operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in the state.

Line 3 – Sales Factor. "Sales" mean all gross receipts of the partnership exclusive of nonbusiness income. Sales factor is defined as a fraction, the numerator being the total sales of the partnership in Montana during the tax period and the denominator being the total sales of the partnership everywhere during the tax period.

Sales of tangible personal property are considered to be in the state if

- the property is delivered or shipped to a purchaser, other than the United States Government, or
- the sale of the partnership is not taxable in the state of the purchaser.

Sales, other than sales of tangible personal property considered to be in the state if

- the income-producing activity is performed in this state, or
- the income-producing activity is performed both in and outside this state and the greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

Line 4 – Sum of Factors. Add lines 1, 2, and 3 and enter the sum on line 4.

Line 5 – Apportionment Factor. Divide line 4 by the number of factors present. For example, if the partnership reports only a sales factor and a property factor, but does not have payroll to report a payroll factor, in Montana or world wide, then the partnership would divide the sum of the factors, line 4 by 2, the total of the existing factors, rather than 3. Enter the apportionment factor on line 5 of Montana Schedule K and on line 17, page 1 of the Form PR-1.

Shareholder Information. The partner information schedule of Form PR-1 must be completed with the partner's name, address, social security number or federal employer identification number, ownership interest, and total Montana source income. For a partner who is a nonresident individual, foreign C. corporation or a pass-through entity who in itself has any partner, shareholder, member or other owner that is a nonresident individual, foreign C. corporation or a pass-through entity complete the columns titled composite return on forms PT-NRA, and PT-WH as required.

Instructions for Montana Form PT-CR1

A partnership may elect to file a composite return and pay a composite tax on behalf of a participating partner. To be eligible to participate in the filing of a composite return a partner must be a

- nonresident individual or
- foreign C. corporation who is a corporation that is not engaged in or doing business in Montana as provided in 15-31-101, MCA, or
- pass-through entity, also referred to as a "second-tier pass-through entity" that itself has any partner, shareholder, member or other owner that is a nonresident individual, foreign C. corporation or pass-through entity and,
- who only has Montana source income from the partnership or from other partnerships or S. corporations in which an election has been made to participate in the filing of a composite return.

A partner who is a resident individual, corporation, partnership, trust, estate cannot participate in the filing of a Montana composite return.

A partnership can include a partner in the filing of a composite return only upon receipt of a power of attorney executed and signed by an eligible partner. The power of attorney authorizes the partnership to act on behalf of the participating partner. Do not submit the Power of Attorney with your return, but retain it as authorization from the partner and for use in subsequent years.

Upon receipt of a signed power of attorney and filing the composite return, the partnership is responsible for

- remitting to the department the composite tax,
- paying any additional tax, penalty and interest associated with the composite return,
- representing the participants in any appeals, claims for refunds, hearing, or court proceeding, and
- making quarterly estimated payments, computed separately for each participant.

Complete the schedule on page 2 of Form PR-CR1 before completing page 1 of Form PR-CR1.

Column A, Page 2 – Name and Address of Participating Partner. List the name and address of the participating partner or member as it appears on Form PR-1.

Column B, Page 2 – Social Security Number or Federal Employer Identification Number. Enter the social security number or federal employer identification number of the participating partner as it appears on Form PR-1.

Column C, Page 2 – Federal Income from Entity. Enter the participating partner's share of the partnership's income from all sources as determined for federal income tax purposes.

Column D, Page 2 – Standard Deduction. Each eligible participating partner is allowed a standard deduction equal to 20% of Column C, but not less than \$1,480 or more than \$3,330.

Column E, Page 2 – Exemption. Each participating partner is allowed one exemption of \$1,780.

Column F, Page 2 – Taxable Income. Subtract columns D and E from column C and enter the result in column F.

Column H, Page 2 – Montana Total Income. Enter the participating partner's share of the partnerships Montana source income. The share of Montana source income is the aggregate of partner's share of income, gain, losses, or deductions or other expenses of the partnership, which are deductible only by the partnership and which are attributable to Montana.

Column I, Page 2 – Ratio. Divide Montana total income in column H by the federal income from the partnership reported in column C. Carry to four decimal places. Do not enter more than 1.000.

Column J, Page 2 – Montana Tax Liability. Multiply amount in Column G, tax from tax table, by the ratio in Column I. This is the participant's Montana composite tax liability.

Lines 1 through 7, Page 1 – Enter column totals from page 2 of Form PT-CR1.

Payments and Credits

Line 8, Page 1 – Payment of 2003 estimated tax, amounts credited from previous year. Enter your total Montana estimated tax payments for 2003. Include overpayments from 2002 that were credited to 2003.

Line 9, Page 1 – Payment made with extension. Enter your total Montana extension tax payment for 2003.

Line 10, Page 1 – Total payments. Enter the sum of lines 8 and 9.

Refund or Balance Due

Line 11, Page 1 – Amount Overpaid. If line 10 is larger than line 7, enter the difference. You can choose to have all or part of this amount applied to your 2004 estimated tax by entering the amount on line 12, or you can have all or part of this amount refunded to you by entering the amount in line 13. Only overpayments of more than \$1 will be refunded.

Line 12, Page 1 – Enter the amount from line 11 that you want applied to estimated tax for year 2004.

Line 13, Page 1 – Enter the amount from line 11 that you want refunded to you.

Line 14, Page 1 – Tax Due. If line 7 is larger than line 10, enter the difference. This is your composite tax.

Line 15, Page 1 – If you were required to make estimated tax payments and did not remit the required amounts, you must pay an underpayment penalty. Complete worksheet I below to calculate the penalty.

Line 16, Page 1 – If you file your composite return late, you may have a late file penalty of \$50 or the amount of tax owing, whichever is smaller. There is no late file penalty if you are receiving a refund.

Line 17, Page 1 – If you file your composite return late or do not pay by the due date of the partnership's return, you must pay a late pay penalty. The penalty is 1.5% per month or fraction of month on the unpaid tax. The penalty may not exceed 18% of the tax due.

Line 18, Page 1 – Interest will be assessed on any tax not paid by the due date of the partnership's return. Interest is 12% per year accrued at 1% per month or fraction of a month.

Worksheet I - Calculation of Underpayment Penalty for Failure to Make Estimated Payments

In 2003 you must have paid through estimated installments the smaller of 1) 90% of your current year's tax liability after credits, or 2) an amount equal to 100% of your previous year's total tax liability. Payments made with extensions are not considered estimated payments. If you do not meet this requirement, you may be subject to an underpayment penalty.

Short Method

- | | |
|---|---|
| <p>1. Enter your 2003 composite tax from line 7 on Form PT-CR1. _____</p> | <p>8. Total underpayment for the year. Subtract line 7 from line 6. If zero or less, stop here. You do not owe the underpayment penalty. _____</p> |
| <p>2. Enter 90% of line 1 above. _____</p> | <p>9. Multiply line 8 by .07980 and enter the result. _____</p> |
| <p>3. Enter your total amount credited from previous year reported on PT-CR1, line 8. _____</p> | <p>10. If the amount on line 8 was paid on or after the due date of the information return, enter zero. If the amount on line 8 was paid before the due date of the information return multiply: Amount on line 8 x number of days paid before the due date of the information return x .0003288. _____</p> |
| <p>4. Subtract line 3 from line 1. If the result is \$500 or less, do not complete the rest of the form. You do not owe the underpayment penalty. _____</p> | <p>11. Underpayment interest penalty. Subtract line 10 from line 9. Enter the results here and on Form PT-CR1, line 15. _____</p> |
| <p>5. Enter your 2002 composite tax. _____</p> | |
| <p>6. Enter the smaller of line 2 or line 5. _____</p> | |
| <p>7. Enter the amount from line 3 plus any estimated payments made. _____</p> | |



2003 Montana Partnership Information Return

A copy of your Federal Form 1065 and Schedule K-1's must be attached

P
MONTANA
 PR-1
 Rev. 8-03

For calendar year 2003 or tax year beginning _____, 2003; ending _____, 20____

Check if Applicable: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Multistate <input type="checkbox"/> Partnership <input type="checkbox"/> Amended	Name _____ Address _____ City _____ State _____ Zip + 4 _____	Check box if this is <input type="checkbox"/> a change of address.	FEIN: _____ Federal Business Code: _____ Date Registered in Montana: _____
Reporting Method: Cash _____ Accrual _____ Other (please specify) _____			

Are you filing the forms below with your Montana Partnership Return, PR-1?

	Yes	No
Form PT-CR1 - Montana Composite Income Tax Return	<input type="checkbox"/>	<input type="checkbox"/>
Form PT-NRA - Montana Nonresident Income Tax Agreement	<input type="checkbox"/>	<input type="checkbox"/>
Form PT-WH - Nonresident Individual Withholding	<input type="checkbox"/>	<input type="checkbox"/>

1. Ordinary income (loss) from trade or business activities (Form 1065, Schedule K, line 1)	1.		
2. Net income (loss) from rental real estate activities (Form 1065, Schedule K)	2.		
3. a. Gross income from other rental activities (Form 1065, Schedule K) 3a.			
b. Expenses from other rental activities (Form 1065, Schedule K) 3b.			
Net income (loss) from other rental activities (subtract line 3b from line 3a)	3.		
4. Portfolio income (loss): (Form 1065, Schedule K)			
a. Interest income 4a.			
b. Ordinary dividends 4b.			
c. Royalty income 4c.			
d. Net short-term capital gain/(loss) (attach Federal Schedule D, Form 1065) 4d.			
e. Net long-term capital gain/(loss) (attach Federal Schedule D, Form 1065) 4e.			
f. Other portfolio income (loss) 4f.			
Total portfolio income	4.		
5. Guaranteed payments to partners (Form 1065, Schedule K)	5.		
6. Net gain (loss) under section 1231 (other than due to casualty or theft) (attach Form 4797)	6.		
7. Other income (loss)	7.		
8. Total lines 1 through 7	8.		
9. Charitable contributions (attach schedule)	9.		
10. Section 179 expense deduction (attach Form 4562)	10.		
11. Deductions related to portfolio income/(loss) (you must itemize)	11.		
12. Other deductions (attach schedule)	12.		
13. Total lines 9 through 12	13.		
14. Add: a. Interest and dividends not taxable under the Internal Revenue Code (non-Montana) 14a.			
b. Taxes based on income or profits 14b.			
c. Other additions (attach detailed breakdown) 14c.			
Total Montana additions to income	14.		
15. Subtract: a. Interest on U.S. Government Obligations (attach Schedule) 15a.			
b. Deduction for purchasing recycled material (attach Form RCYL) 15b.			
c. Other deductions (attach detailed breakdown) 15c.			
Total Montana deductions to income	15.		
16. Income taxable to partners (line 8 - line 13 + line 14 - line 15)	16.		
17. Multistate taxpayers: Line 16 X _____% from Montana Schedule K, line 5	17.		
18. Multistate taxpayers: Income allocated directly to Montana	18.		
Payments			
19. Partnership return late file penalty (see instructions)	19.		

Check here, if you do not need the Montana Partnership Information Return and Instructions sent to you next year.

Schedule K Apportionment Factors for Multistate Taxpayers

	A. Everywhere	B. Montana	C. Factor
--	---------------	------------	-----------

1. Property Factor: (B divided by A = C)
 Use average value for real and tangible personal property

Land			
Buildings			
Machinery and equipment			
Furniture and fixtures			
Inventories			
Supplies and other			
Rents multiplied by 8			
Total Property			%

2. Payroll Factor:

Compensation of officers			
Salaries and wages			
Payroll included in:			
Cost of goods sold			
Repairs			
Other deductions			
Total Payroll			%

3. Sales (Gross Receipts) Factor:

Gross sales, less returns			
Other (attach schedule)			
Total Sales			%

4. Sum of Factors (add lines 1, 2, and 3) %

5. Apportionment Factor (1/3 of line 4; if less than 3 factors exist, see instructions) %
 (Enter here and on line 16, page 1)

Declaration

The return must be signed by a partner of the partnership. I, the undersigned partner of the partnership for which this return is made, hereby declare that this return, including all accompanying schedules and statements, is to the best of my knowledge and belief, a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana statutes and regulations.

Signature of Partner Date

Name of Person or Firm Preparing Return Date

Title Telephone Number

Address

Zip Code

Telephone Number

Check here to authorize the Montana Department of Revenue to discuss your return with the individual/preparer listed above.

Montana Partnership Information FEIN# _____

Complete columns d, e, and f for a nonresident individual, foreign C. corporation as defined in the instructions for Montana Form PR-CR1, or a pass-through entity that itself has any partners, shareholders, members or other owners that is a nonresident individual, foreign C. corporation, or pass-through entity.

	a.	b.	c.	d.	e.	f.
Names and Addresses of Partners	SSN or FEIN	Owner-ship %	Total Montana source income	Check if included in composite return	Check if PT-NRA is signed	Check if PT-WH is filed
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				

If there are more than 12 partners, photocopy and attach additional pages as needed. A computer printout in the same format is acceptable.



2003 Montana Composite Income Tax Return

C
MONTANA
PT-CR1
Rev. 8-03

For calendar year 2003 or tax year beginning _____, 2003; ending _____, 20_____

Check if Applicable: ____ Initial Return ____ Final Return ____ Amended Return	Entity Name	FEIN: _____
	Address	Federal Business Code: _____
	City State Zip + 4	

Entity: S. corporation Partnership LLC LLP Disregarded Entity
 Information Return Filed: S. Corporation (CLT-4S) Partnership (PR-1) Disregarded Entity (DER-1)

1. Federal income from entity (Page 2, Column C)	1.		
2. Standard deduction (Page 2, Column D)	2.		
3. Exemption (Page 2, Column E)	3.		
4. Taxable income (Page 2, Column F)	4.		
5. Tax from tax table (Page 2, Column G)	5.		
Payments and Credits			
6. Montana total income (Page 2, Column H)	6.		
7. Montana total tax (Page 2, Column J)	7.		
Refund or Amount Owed			
8. Payment of 2003 estimated tax, amounts credited from previous year	8.		
9. Payment made with extension	9.		
10. Total payments (Line 8 and Line 9)	10.		
11. If line 10 is larger than line 7, enter the difference. Overpayment =	11.		
12. Amount on line 11 to be applied to 2004 estimate 12. <input type="text"/>			
13. Enter the amount on line 11 you want refunded to you (Refunds more than \$1.00 will be issued.) Refund =	13.		
14. If line 7 is larger than line 10, enter the difference (If you owe, see instructions for this line.) Tax Due =	14.		
15. Underpayment penalty (See Worksheet I)	15.		
16. Late filing penalty	16.		
17. Late payment penalty	17.		
18. Interest 1% (.01) per month	18.		
19. Total of lines 14 through 18 (attach a separate check with payment coupon, IT-Comp)	19.		

Name, address and telephone number of tax preparer _____

May the Department of Revenue discuss this return with the tax preparer shown above? Yes No

I declare under penalty of false swearing that the information in this return and attachments is true, correct and complete.

Your Signature is Required

Date

Daytime Telephone Number

Form PT-CR1 must be signed and dated by the president, vice president, treasure, assistant treasure, chief accounting officer, general partner, LLC member or any other officer duly authorized to sign the return. Form PT-CR1 is not considered to be complete unless it is signed.

Tax Table				Tax Table			
If Taxable Income is:				If Taxable Income is:			
Over	But not over	Multiply by	and Subtract =Tax	Over	But not over	Multiply by	and Subtract = Tax
\$ 0	..... \$ 2,200	..... X ... 2 %	.....\$ 0	\$17,800	..... \$22,200	.....X ... 7 %	.....\$ 466
\$ 2,200	..... \$ 4,400	..... X ... 3 %	..... \$ 22	\$22,200	..... \$31,100	.....X ... 8 %	.....\$ 688
\$ 4,400	..... \$ 8,900	..... X ... 4 %	.....\$ 66	\$31,100	..... \$44,500	.....X ... 9 %	.....\$ 999
\$ 8,900	..... \$13,300	..... X ... 5 %	.....\$155	\$44,500	..... \$77,800	.....X ...10 %	.....\$ 1,444
\$13,300	..... \$17,800	..... X ... 6 %	.....\$288	\$77,800	.....	.....X ...11 %	.....\$ 2,222

Example = taxable income \$2,400 x 3% (.03) = \$72 subtract \$22 = \$50 tax

Questions? Please call (406) 444-6900 or TDD (406) 444-2830 for hearing impaired.

Montana Composite Income Tax Return

Name of Entity	Federal Employer Identification Number									
Number of nonresident individuals, foreign C. corporations or pass-through entities participating in this filing.										
Column A Name and Address of Shareholder, Partner or Member	Column B Social Security Number	Column C Federal Income from Entity	Column D Standard Deduction	Column E Exemption \$1,780	Column F Taxable Income	Column G Tax from Tax Table	Column H Montana Total Income	Column I Ratio	Column J Montana Tax Liability	
Enter total of columns here and on Page 1 of Form PT-CR1										

If there are more than six qualifying nonresident individuals, foreign C. corporations or pass-through entities participating in filing of the composite return, photocopy and attach additional pages as needed. A computer printout in the same format is acceptable.



Nonresident Individual Income Tax Estimated Payments Transmittal Document

Name and address of entity		Federal Employer Identification Number				
Number of PT-WH's attached						
Name	Address	City, State, Zip	SSN or FEIN	Montana source income from PT-WH, Line 1	Montana income tax withheld from Form PT-WH, Line 2	
Total						

Declaration

I, the undersigned officer of the corporation or partner of the partnership for which this transmittal document is made, hereby declare that this document, including all accompanying form PT-WH's, is to the best of my knowledge and belief a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana statutes and regulations.

Signature of Officer _____ Date _____ Signature of Preparer _____ Date _____
 Title _____ Phone _____ Address _____ Phone _____ Zip Code _____



Statement of Montana Income Tax Withheld for Nonresident Individual

Nonresident Individual's Name and Mailing Address			Entity's Name and Mailing Address		
Name			Name		
Street or Other Mailing Address			Street or Other Mailing Address		
City	State	Zip Code	City	State	Zip Code
Social Security Number		Spouse's Social Security Number	Federal Employer Identification Number		
1. Nonresident individual's share of Montana source income reflected on the entity's information tax return..... \$ _____			Type of Entity (check only one)		
2. Amount of Montana income tax withheld and remitted (11% of the amount on line 1). See instructions..... \$ _____			<input type="checkbox"/> S. Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Limited Liability Partnership <input type="checkbox"/> Disregarded Entity		
			Taxable year of entity Beginning _____, 20____ and ending _____, 20____		

To be filed in the absence of Form PT-NRA, a nonresident income tax agreement, or participation in a composite return.
Nonresident individual - Attach a copy to the Montana Form 2. **Entity** - Attach a copy and payment to your information return and transmittal, Form PT-WHREM.

Instructions

Who Must File Form PT-WH

Every S. corporation, partnership, limited liability company, limited liability partnership, or disregarded entity must complete the Statement of Montana Income Tax Withholding for Nonresident Individual, Form PT-WH, for each nonresident individual partner, shareholder or member, who does not complete a Montana Nonresident Income Tax Agreement Form PT-NRA or elects to participate in the filing of a composite income tax return. Do not file Form PT-WH for partners, shareholders or members other than individuals.

Amount of Withholding

The amount withheld is 11% of the nonresident individual's share of Montana source income reflected on the entity's information return. The amount on line 1 entries from each Form PT-WH should equal the amount entered on the Montana Partnership Return of Income, Form PR1; or the Montana S. Corporation Income Tax Return, Form CLT-4S as each individual owner's total Montana source income.

Nonresident Individual

The nonresident individual taxpayer named on this Form PT-WH is required to file a Montana Individual Income Tax Return, Form 2, with the Montana Department of Revenue. The amount entered on line 2, Form PT-WH,

will be allowed as a credit against the nonresident individual's Montana income tax liability and is claimed as a Montana estimated tax payment on Montana Form 2. Attach a copy of Form PT-WH to your Form 2 in the space otherwise provided for attaching Federal Form W-2.

When and Where to File

The Form PT-WH and remittance must be filed with the entity's Montana information tax return, Form CLT-4S, PR-1 or DER-1. Complete Form PT-WHREM transmittal document and attach Form PT-WH with your payment.

Payment

To assure the proper application of your payment remit a separate check with your transmittal document PT-WHREM. Include on the memo line of your check the form name PT-WHREM and the federal identification number of the partnership, S. corporation or disregarded entity making the payment. Do not attach Forms PT-WHREM and PT-WH to your information return (Forms CLT-4S, PR-1 or DER-1 or if filing a composite return, PT-CR1) but include the PT-WHREM and PT-WH in the mailing of your information return.



Montana Nonresident Individual Income Tax Agreement

Form with fields for: Type of Pass-through Entity, Type of Information Return Filed, Nonresident Individual's Name and Mailing Address, Entity's Name and Mailing Address, Social Security Number, Federal Employer Identification Number, and Entity information return year.

I declare that I am a nonresident of Montana and hereby agree that I will timely file a Montana individual income tax return, Form 2, and pay any income tax due; and I will include in my Montana adjusted gross income the portion of the above named entity's income attributable to my interest in the said entity for the current year in which this agreement is signed and all subsequent years that I am a partner, shareholder or member of said entity.

Signature of nonresident, partner, shareholder or member
Date
Form PT-NRA is not valid unless signed and dated by the nonresident individual.

Instructions

This agreement is required to be attached to the entity's Montana information return only in the first year this agreement is signed. This signed agreement is binding on the nonresident partner, shareholder, or member for all subsequent years the nonresident partner, shareholder, or member maintains ownership in the entity and is in compliance with the terms of this agreement.

Who may file. Any nonresident individual taxpayer who has Montana source income derived from an S. corporation, partnership, limited liability company, limited liability partnership, or disregarded entity may complete a Montana Nonresident Income Tax Agreement, Form PT-NRA, if the taxpayer was a nonresident of Montana during any part of the entity's tax year.

When and where to file. Form PT-NRA must be completed by the nonresident individual and delivered to the entity prior to the filing of the entity's Montana information return. The due date for the Montana information return for partnerships is the 15th day of the fourth month following the close of the taxable year.

If Form PT-NRA is filed. The nonresident individual who has filed the Form PT-NRA is required to timely file a Montana individual income tax return, Form 2. Such return must report and pay tax on the nonresident individual's share of the entity's Montana income attributable to the interest in the entity during the taxable year as well as any other Montana source income the nonresident individual has earned.

If Form PT-NRA is not filed. If a Form PT-NRA is not filed with the entity's information return for new nonresident owners and the nonresident individual has not elected to participate in the filing of a composite return, the entity is required to remit 11% of the nonresident's share of the entity's income derived from or attributable to Montana sources.

If the entity has filed Form PT-WH and withheld tax on all the Montana income attributable to the nonresident, this withholding is considered an estimated payment on the account of the nonresident individual and does not relieve the nonresident individual of the requirements to file a Montana individual income tax return.



Montana Department of
REVENUE

2003

Montana Small Business Corporation Booklet

Form CLT-4S Montana Small Business Corporation Information Return
Form PT-CR1 Montana Composite Income Tax Return
Form PT-NRAMontana Nonresident Income Tax Agreement
Form PT-WH Statement of Montana Income Tax Withheld for Nonresident Individual



Photo by Ross Magnuson

Fiscal Year Filers - Please Note:

These are your Montana Small Business Corporation Information Return Forms for your tax year beginning in 2003. Retain this booklet for your 2003 filing purposes.

**Make any necessary corrections to the label below and
attach it to your 2003 Montana CLT-4S.**

Montana Department of Revenue
Post Office Box 5805
Helena, MT 59604-5805

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

No Return

Dear Montana S. Corporation Taxpayers,

The 2001 and 2003 Montana Legislature changed the way an S. corporation files an information return. These changes have minimal affect on a resident shareholder, but changes the requirements for an S. corporation that has a nonresident individual, foreign C. corporation or another pass-through entity as a shareholder.

As a result, the department has provided you with a newly designed S. corporation booklet incorporating these changes to include a composite income tax return, nonresident individual income tax agreement, and a nonresident individual income tax withholding statement.

Providing these forms to the S. corporation in one booklet will make it easier for you to file your 2003 tax returns. As you use this booklet look for changes that may improve our service next year. Please feel free to contact our office with your suggestions.

You may contact the Department of Revenue by e-mail with any questions, requests, comments or suggestions. The e-mail address is jpurcell@state.mt.us. You can download our forms at www.discoveringmontana.com/revenue.

Montana Department of Revenue

Table of Contents	Page
General:	
Instructions	3 through 6
Forms:	
CLT-4S	7
PT-CR1	10
PT-WH	13
PT-NRA	14

Important Numbers	
Assistance and Help Line	(406) 444-6900
Forms Request	(406) 444-6900
Fax	(406) 444-6642

If you wish to order forms and instructions, call (406) 444-6900 or download from our website at www.discoveringmontana.com/revenue.

What's New for 2003

- **Nonresident Income Tax Agreement.** For tax years beginning after December 31, 2002 the Montana Nonresident Income Tax Agreement Form PT-NRA is not required to be completed annually by a nonresident individual shareholder. A Nonresident Income Tax Agreement PT-NRA completed in 2003 and submitted with your 2003 information return is in effect for all subsequent years the nonresident individual remains a shareholder of the S. corporation. The previous agreement, Form PT-CON signed for tax years beginning prior to January 1, 2003 is not valid for tax years 2003 and subsequent years. See detailed instructions on page 14.

For tax years beginning after December 31, 2003 an income tax agreement will also be required for certain foreign corporations (Form PT-FCA), and pass-through entities who are partners, shareholders or members of an S. corporation, partnership, or disregarded entity (Form PT-PTS).

- **Composite Return Eligible Participant.** For tax years beginning after December 31, 2002 a nonresident individual, a foreign C. corporation, or certain pass-through entities that are shareholders in a S. corporation may elect to participate in the filing of a composite return, Form PT-CR1. See detailed instruction on page 5.
- **Extensions.** For tax years beginning after December 31, 2002, an S. corporation is granted an automatic paperless extension to file Form CLT-4S upon approval from the Internal Revenue Service to file federal Form 1120S.
- **Shareholder Withholding.** For tax years beginning after December 31, 2002, the S. corporation must remit the Montana Form PT-WH at the time of filing Form CLT-4S for a nonresident individual who does not elect to participate in the filing of a composite return, Form PT-CR1 or completes a Montana Nonresident Income Tax Agreement , Form PT-NRA. See detailed instructions on page 13.

General Information

Who Must File Form CLT-4S

All S. corporations engaged in business in the State of Montana and who have Montana source income must file an annual Montana S. Corporation Information Return, Form CLT-4S. A copy of Federal Form 1120S, including all federal schedule K-1's, must be attached to the Montana Form CLT-4S.

Electing to be a Small Business Corporation

For Montana purposes, a small business corporation means a corporation that has a valid election under section 1362 of the Internal Revenue Code (26 U.S.C. 1362) in effect.

Montana Source Income

All shareholders of an S. corporation have Montana source income if the separately and nonseparately stated income, gain, loss, deduction, or credit or item of income, gain, loss, deduction or credit is derived from a trade, business, occupation, or profession carried on in Montana, or is derived from the sale or other transfer or the rental, lease, or other commercial exploitation of property located in Montana. If the shareholder is a resident of the state of Montana, all separately and nonseparately stated income, gain, loss, deduction or credit or items of income, gain, loss deduction or credit of the S. corporation as reported on Federal Schedule K-1 is considered Montana source income.

What Must be Filed

An S. corporation that has nonresident individual shareholders, in tax year 2003 must also file with the Montana Form CLT-4S:

- Form PT-CR1, Montana Composite Income Tax Return for eligible shareholders who elect to participate in a composite filing.
- Form PT-NRA, Montana Nonresident Income Tax Agreement, completed for tax year 2003 and subsequent years, for those nonresident individual shareholders who agree to file a Montana individual income tax return, Form 2.
- Form PT-WH Statement of Montana Income Tax Withheld for Nonresident Individuals for those nonresident individual shareholders who do not participate in a composite filing or complete the nonresident individual income tax agreement Form PT-NRA.

When and Where to File

Your Montana filing period is the same as your federal filing period. For a calendar year S. corporation, the Montana Form CLT-4S is due on or before March 15th following the close of the taxable year. For a fiscal year S. corporation, the Montana Form CLT-4S is due on or before the 15th day of the 3rd month following the close of the tax year.

An S. corporation is allowed an automatic paperless extension of time to file Form CLT-4S upon approval of an extension to file Federal Form 1120S. This extends the time for filing Form CLT-4S, and where applicable, Forms PT-CR1, PT-NRA and PT-WH to the date approved for filing Federal Form 1120S.

For returns without payments, including refunds request, mail to:
Montana Department of Revenue
P.O. Box 5805
Helena, MT 59604-5805

For returns with payments, mail to:
Montana Department of Revenue
P.O. Box 6308
Helena, MT 59604-6308

Who Must Sign the Return?

Form CLT-4S must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other officer duly authorized to sign the return. Form CLT-4S is not considered to be complete unless it is signed.

Amended Return

If an error is made or there is a need to change the original CLT-4S information return, file an amended Montana CLT-4X and attach an amended CLT-4S and a copy of the original CLT-4S. If the amended return results in a change to income, or a change in the distribution of any income or other information provided any shareholder, an amended federal Schedule K-1 must also be filed with the amended Montana CLT-4X and given to the shareholder.

If the Internal Revenue Service changes or makes corrections to the Federal Form 1120S, the S. corporation must file an amended Montana information return within 90 days of receiving the Internal Revenue Service's notification of the corrections made to the Federal Form 1120S.

Instructions for Montana Form CLT-4S

Line 1 – Ordinary Income (Loss). The taxable income on line 21 of your Federal Form 1120S must be entered on line 1 of your

Montana information return CLT-4S.

Lines 2 through 6 – The income reported on your Federal Form 1120S, Schedule K, lines 2 through 6, must be reported on line 2 through 6 of your Montana Form CLT-4S. Include the total ordinary dividends from Federal Schedule K, line 4b(2) and the entire year amount of net short-term and long-term capital gain (loss) from Federal Schedule K, lines 4d(2) and 4e(2) and the entire year net section 1231 gain (loss) from 5(b).

Line 7 – Add the ordinary income reported on line 1 and lines 2 through 6 and enter the total on line 7.

Line 8 through 11 – The deductions reported on your Federal Form 1120S, Schedule K, lines 7 through 10 must be reported on lines 8 through 11 of your Montana Form CLT-4S.

Line 12 – Add lines 8 through 11 and enter the total on line 12.

Line 13 – Montana Additions. To compute Montana income, certain items must be added to income. A detailed schedule must be attached to your return. Examples are:

- State, county and municipal interest and dividends not taxable under the Internal Revenue Code. Interest and dividends from Montana bonds are not taxable. Report this amount on line 13(a).
- State, local, and foreign income taxes must be added back to income. These taxes based on income or profits are reported on line 13(b). 15-31-114(1)(e), MCA.
- Report other additions on line 13(c) and attach a detailed schedule reconciling the amount of other additions.

Line 14 – Montana Reductions. To compute Montana income, certain items must be deducted from income. A detailed schedule must be attached to your return. Examples are:

- Interest income received on obligations of the United States Government is exempt from Montana income tax if the following conditions are met:
 - The instrument must be a written document.
 - The obligation must bear interest.
 - The obligation must contain a binding promise by the United States to pay specific sums at specific dates.
 - The instrument must contain specific congressional authorization that pledges the full faith and credit of the United States in support of the promise to pay.

If any one of these conditions are not met, the interest from the obligation is taxable to Montana. Obligations that are taxable include GNMA's and FNMA's. Mutual fund dividends derived from qualified U.S. Government interest is also exempt from Montana income tax.

- Report this amount on line 14(a).
- An additional 10% deduction for the purchase of recycled material as computed on Form RCYL, part IV. A copy of Form RCYL must be attached to your return. Report this amount on line 14(b). 15-32-610, MCA.
- Report other deductions on line 14(c) and attach a detailed schedule reconciling the amount of other deductions.
 - The amount of contributions made by a small business to its independent liability fund. 15-31-117, MCA.
 - A portion of an investment made in a building for the purpose of conserving energy. In order to qualify, the building must be used in the entity's business and the result of the investment must be a substantial reduction in the amount of energy needed to render the building usable.
 - Current year capital losses must be deducted in the year incurred. Attach a copy of the federal schedule D

to your CLT-4S information return. 15-31-114(1)(b)(i), MCA.

- Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation. 15-32-510, MCA.

Line 16 – Income Apportioned to Montana. For a multistate S. corporation, multiply the amount that is reported on line 15 by the apportionment percentage that is reported on line 5 of Montana Schedule K. Enter the Montana apportioned income on line 16.

Line 17 – Income Allocated Directly to Montana. For a multistate S. corporation, any income determined to be Montana allocable income must be reported on line 17.

Line 18 – S. Corporation Information Return Late File Penalty. A penalty is charged if the S. corporation information return, Form CLT-4S is filed after the due date, including extensions, unless the entity can show reasonable cause for not filing on time. The penalty is \$10 multiplied by the number of the entity's shareholders at the close of the tax year for each month or fraction of a month, not to exceed five months, that the entity fails to file the information return. The late file penalty is not imposed on an entity that has ten or fewer shareholders if the shareholders have filed their required tax returns or other reports timely with the department and have paid all taxes when due.

Instructions for Montana Schedule K Apportionment Factors for a Multistate S. Corporation

In most cases, multistate S. corporations must compute Montana taxable income by means of the apportionment factor calculated on Montana Schedule K. The apportionment factor is the standard UDITPA (Uniform Division of Income for Tax Purposes Act) three-factor formula of property, payroll, and sales.

When an S. corporation is engaged in a unitary business within and without the State of Montana, the net income assignable to Montana must be determined using the apportionment factor. An S. corporation is unitary when the operations of the business within the state is dependent upon or contributory to the operations of the business outside the state. Every S. corporation carrying on a unitary business within and without the state must fully complete the Montana Schedule K.

If the determination of income attributable to Montana is made on some basis other than the apportionment method, a full and detailed description of the operation and an explanation of the method proposed must accompany the return. However, the Montana Schedule K must be completed even in a case where an S. corporation uses an alternative method of determining Montana taxable income.

A detailed explanation of the apportionment factor calculation is as follows:

Line 1 – Property Factor. The property factor is defined as a fraction, the numerator being the average value of the S. corporation's real and tangible personal property owned or rented and used in Montana in the production of business income during the tax period and the denominator being the average value of all the S. corporation's real and tangible personal property owned or rented and used in the production of business income during the tax period.

Property owned by the S. corporation is valued at its original cost. Real and tangible personal property 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 business income to be apportioned, but it does not include money, accounts receivable, or other intangible property, real property held for investment or nonbusiness purposes or idle property of any nature.

Migratory property must be included in the numerator of the factor to the extent utilized in Montana.

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

Property rented by the S. corporation must be valued at eight times the net annual rental rate. Rental expenses may not be averaged. The rental expenses for the current year must be used in the property factor.

Line 2 – Payroll Factor. The payroll factor is defined as a fraction, the numerator being the total amount paid in Montana during the tax period by the S. corporation for compensation attributable to the production of business income and the denominator being the total amount paid everywhere during the tax period for compensation attributable to the production of business income.

Payroll is paid in Montana if:

- Individual's service is performed entirely within the state;
- Individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or
- Some of the service is performed in the state and
 - Based on operations, or, if there is no operations, the place from which the service is directed or controlled is in the state; or
 - Based on operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in the state.

Line 3 – Sales Factor. "Sales" mean all gross receipts of the S. corporation exclusive of nonbusiness income. Sales factor is defined as a fraction, the numerator being the total sales of the S. corporation in Montana during the tax period and the denominator being the total sales of the S. corporation everywhere during the tax period.

Sales of tangible personal property are considered to be in the state if

- the property is delivered or shipped to a purchaser, other than the United States Government, or
- the sale by the S. corporation is not taxable in the state of the purchaser.

Sales, other than sales of tangible personal property are considered to be in the state if

- the income-producing activity is performed in this state, or
- the income-producing activity is performed both in and outside this state and the greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

Line 4 – Sum of Factors. Add lines 1, 2, and 3 and enter the sum on line 4.

Line 5 – Apportionment Factor. Divide line 4 by the number of factors present. For example, if the S. corporation reports only a sales factor and a property factor, but does not have payroll to report a payroll factor in Montana or world wide, then the S. corporation would divide the sum of the factors, line 4 by 2, the total of the existing factors, rather than 3. Enter the apportionment factor on line 5 of Montana Schedule K and on line 16, page 1 of the form CLT-4S.

Shareholder Information. The shareholder information schedule of Form CLT-4S must be completed with the shareholder's name, address, social security number or federal employer identification number, ownership interest, and total Montana source income. For a shareholder who is a nonresident individual shareholder, foreign C. corporation or a pass-through entity who in itself has any partner, shareholder, member or other owner that is a nonresident individual, foreign C. corporation or a pass-through entity complete the columns titled composite return on forms PT-NRA and PT-WH as required.

Instructions for Montana Form PT-CR1

An S. corporation may elect to file a composite return and pay a composite tax on behalf of a participating shareholder. To be eligible to participate in the filing of a composite return a shareholder must be a

- nonresident individual or
- foreign C. corporation who is a corporation that is not engaged in or doing business in Montana as provided in 15-31-101, MCA, or
- pass-through entity, also referred to as a "second-tier pass-through entity" that itself has any partner, shareholder, member or other owner that is a nonresident individual, foreign C. corporation or pass-through entity and,
- who only has Montana source income from the S. corporation or from other partnerships or S. corporations in which an election has been made to participate in the filing of a composite return.

A shareholder who is a resident individual, corporation, partnership, trust, estate cannot participate in the filing of a Montana composite return.

An S. corporation can include a shareholder in the filing of a composite return only upon receipt of a power of attorney executed and signed by an eligible shareholder. The power of attorney authorizes the S. corporation to act on behalf of the participating shareholder. Do not submit the Power of Attorney with your return, but retain it as authorization from the shareholder and for use in subsequent years.

Upon receipt of a signed power of attorney and filing the composite return, the S. corporation is responsible for

- remitting to the department the composite tax,
- paying any additional tax, penalty and interest associated with the composite return,
- representing the participants in any appeals, claims for refunds, hearing, or court proceeding, and
- making quarterly estimated payments, computed separately for each participant.

Complete the schedule on page 2 of Form PR-CR1 before completing page 1 of Form PR-CR1.

Column A, Page 2 – Name and Address of Participating Shareholder. List the name and address of the participating shareholder or member as it appears on Form CLT-4S.

Column B, Page 2 – Social Security Number or Federal Employer Identification Number. Enter the social security number or federal employer identification number of the participating shareholder as it appears on Form CLT-4S.

Column C, Page 2 – Federal Income from Entity. Enter the participating shareholder's share of the S. corporation's income from all sources as determined for federal income tax purposes.

Column D, Page 2 – Standard Deduction. Each eligible participating shareholder is allowed a standard deduction equal to 20% of Column C, but not less than \$1,480 or more than \$3,330.

Column E, Page 2 – Exemption. Each participating shareholder is allowed one exemption of \$1,780.

Column F, Page 2 – Taxable Income. Subtract columns D and E from column C and enter the result in column F.

Column H, Page 2 – Montana Total Income. Enter the participating shareholder's share of the S. corporation's Montana source income. The share of Montana source income is the aggregate of shareholder's share of income, gain, losses, or deductions or other expenses of the S corporation, which are deductible only by the S. corporation and which are attributable to Montana.

Column I, Page 2 – Ratio. Divide Montana total income in column H by the federal income from the S. corporation reported in column C. Carry to four decimal places. Do not enter more than 1.000.

Column J, Page 2 – Montana Tax Liability. Multiply amount in Column G, tax from tax table, by the ratio in Column I. This is the participant's Montana composite tax liability.

Lines 1 through 7, Page 1 – Enter column totals from page 2 of Form PT-CR1.

Payments and Credits

Line 8, Page 1 – Payment of 2003 estimated tax, amounts credited from previous year. Enter your total Montana

estimated tax payments for 2003. Include overpayments from 2002 that were credited to 2003.

Line 9, Page 1 – Payment made with extension. Enter your total Montana extension tax payment for 2003.

Line 10, Page 1 – Total payments. Enter the sum of lines 8 and 9.

Refund or Balance Due

Line 11, Page 1 – Amount Overpaid. If line 10 is larger than line 7, enter the difference. You can choose to have all or part of this amount applied to your 2004 estimated tax by entering the amount on line 12, or you can have all or part of this amount refunded to you by entering the amount in line 13. Only overpayments of more than \$1 will be refunded.

Line 12, Page 1 – Enter the amount from line 11 that you want applied to estimated tax for year 2004.

Line 13, Page 1 – Enter the amount from line 11 that you want refunded to you.

Line 14, Page 1 – Tax Due. If line 7 is larger than line 10, enter the difference. This is your composite tax.

Line 15, Page 1 – If you were required to make estimated tax payments and did not remit the required amounts, you must pay an underpayment penalty. Complete worksheet I below to calculate the penalty.

Line 16, Page 1 – If you file your composite return late, you may have a late file penalty of \$50 or the amount of tax owing, whichever is smaller. There is no late file penalty if you are receiving a refund.

Line 17, Page 1 – If you file your composite return late or do not pay by the due date of the S. corporation's return, you must pay a late pay penalty. The penalty is 1.5% per month or fraction of month on the unpaid tax. The penalty may not exceed 18% of the tax due.

Line 18, Page 1 – Interest will be assessed on any tax not paid by the due date of the S. corporation's return. Interest is 12% per year accrued at 1% per month or fraction of a month.

Worksheet I - Calculation of Underpayment Penalty for Failure to Make Estimated Payments

In 2003 you must have paid through estimated installments the smaller of 1) 90% of your current year's tax liability after credits, or 2) an amount equal to 100% of your previous year's total tax liability. Payments made with extensions are not considered estimated payments. If you do not meet this requirement, you may be subject to an underpayment penalty.

Short Method

1. Enter your 2003 composite tax from line 7 on Form PT-CR1. _____
2. Enter 90% of line 1 above. _____
3. Enter your total amount credited from previous year reported on PT-CR1, line 8. _____
4. Subtract line 3 from line 1. If the result is \$500 or less, do not complete the rest of the form. You do not owe the underpayment penalty. _____
5. Enter your 2002 composite tax. _____
6. Enter the smaller of line 2 or line 5. _____
7. Enter the amount from line 3 plus any estimated payments made. _____
8. **Total underpayment for the year.** Subtract line 7 from line 6. If zero or less, stop here. You do not owe the underpayment penalty. _____
9. Multiply line 8 by .07980 and enter the result. _____
10. If the amount on line 8 was paid on or after the due date of the information return, enter zero. If the amount on line 8 was paid before the due date of the information return multiply: Amount on line 8 x number of days paid before the due date of the information return x .0003288. _____
11. Underpayment interest penalty. Subtract line 10 from line 9. Enter the results here and on Form PT-CR1, line 15. _____



2003 Montana Small Business Corporation Information Return

A copy of your Federal Form 1120S and Schedule K-1's must be attached

S

MONTANA
CLT-4S
Rev. 8-03

For calendar year 2003 or tax year beginning _____, 2003; ending _____, 20_____

Check if Applicable: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Multistate Corporation Amended	Name _____ Address _____ City _____ State _____ Zip + 4 _____	Check box if this is <input type="checkbox"/> a change of address.	FEIN: _____ Federal Business Code: _____ Incorporated in State of: _____ Date: _____ Date Qualified in Montana: _____
Reporting Method: Cash _____ Accrual _____ Other (please specify) _____			

Are you filing the forms below with your Montana S. Corporation Return, CLT-4S?

- | | Yes | No |
|--|--------------------------|--------------------------|
| Form PT-CR1 - Montana Composite Income Tax Return | <input type="checkbox"/> | <input type="checkbox"/> |
| Form PT-NRA - Montana Nonresident Income Tax Agreement | <input type="checkbox"/> | <input type="checkbox"/> |
| Form PT-WH - Nonresident Individual Withholding | <input type="checkbox"/> | <input type="checkbox"/> |

1. Ordinary income (loss) from trade or business activities (Form 1120S, page 1, line 21)	1.		
2. Net income (loss) from rental real estate activities	2.		
3. a. Gross income from other rental activities 3a.			
b. Expenses from other rental activities (attach schedule) 3b.			
Net income (loss) from other rental activities (subtract line 3b from line 3a)	3.		
4. Portfolio income (loss):			
a. Interest income 4a.			
b. Dividend income 4b.			
c. Royalty income 4c.			
d. Net short-term capital gain/(loss) (attach Federal Schedule D) 4d.			
e. Net long-term capital gain/(loss) (attach Federal Schedule D) 4e.			
f. Other portfolio income (loss) 4f.			
Total portfolio income	4.		
5. Net gain (loss) under section 1231 (other than due to casualty or theft) (attach Form 4797)	5.		
6. Other income (loss)	6.		
7. Total lines 1 through 6	7.		
8. Charitable contributions (attach schedule)	8.		
9. Section 179 expense deduction (attach Form 4562)	9.		
10. Deductions related to portfolio income/(loss) (you must itemize)	10.		
11. Other deductions (attach schedule)	11.		
12. Total lines 8 through 11	12.		
13. Add: a. Interest and dividends not taxable under the Internal Revenue Code (non-Montana) 13a.			
b. Taxes based on income or profits 13b.			
c. Other additions (attach detailed breakdown) 13c.			
Total Montana additions to income	13.		
14. Subtract: a. Interest on U.S. Government Obligations (attach schedule) . . 14a.			
b. Deduction for purchasing recycled material (attach Form RCYL) 14b.			
c. Other deductions (attach detailed breakdown) 14c.			
Total Montana deductions to income	14.		
15. Income taxable to shareholders (line 7 - line 12 + line 13 - line 14)	15.		
16. Multistate taxpayers: line 15 X _____% from Montana Schedule K, line 5	16.		
17. Multistate taxpayers: Income allocated directly to Montana	17.		
Payments			
18. S. corporation late file penalty (see instructions)	18.		

Check here, if you do not need the Montana Small Business Corporation Information Return and Instructions sent to you next year.

Schedule K	Apportionment Factors for Multistate Taxpayers		
	A. Everywhere	B. Montana	C. Factor
1. Property Factor:			(B divided by A = C)
Use average value for real and tangible personal property			
Land			
Buildings			
Machinery and equipment			
Furniture and fixtures			
Inventories			
Supplies and other			
Rents multiplied by 8			
Total property			%
2. Payroll Factor:			
Compensation of officers			
Salaries and wages			
Payroll included in:			
Cost of goods sold			
Repairs			
Other deductions			
Total payroll			%
3. Sales (Gross Receipts) Factor:			
Gross sales, less returns			
Other (attach schedule)			
Total sales			%
4. Sum of factors (add lines 1, 2, and 3)			%
5. Apportionment factor (1/3 of line 4; if less than 3 factors exist, see instructions)			%
(Enter here and on line 16, page 1)			%

Declaration

The return must be signed by one of the following: president, vice-president, treasurer, assistant treasurer, or chief accounting officer. I, the undersigned officer of the corporation for which this return is made, hereby declare that this return, including all accompanying schedules and statements, is to the best of my knowledge and belief, a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana statutes and regulations.

Signature of Officer	Date	Name of Person or Firm Preparing Return	Date
Title	Telephone Number	Address	
		Telephone Number	

Check here to authorize the Montana Department of Revenue to discuss your return with the individual/preparer listed above.

Montana Small Business Corporation Information FEIN# _____

Complete columns d, e, and f for a nonresident individual, foreign C. corporation as defined in the instructions for Montana Form PR-CR1, or a pass-through entity that itself has any partners, shareholders, members or other owners that is a nonresident individual, foreign C. corporation, or pass-through entity.

	a.	b.	c.	d.	e.	f.
Names and Addresses of Shareholders	SSN or FEIN	Owner-ship %	Total Montana source Income	Check if included in composite return	Check if PT-NRA is signed	Check if PT-WH is filed
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				
		%				

If there are more than 12 shareholders, photocopy and attach additional pages as needed. A computer printout in the same format is acceptable.



2003 Montana Composite Income Tax Return

C
MONTANA
PT-CR1
Rev. 8-03

For calendar year 2003 or tax year beginning _____, 2003; ending _____, 20_____

Check if Applicable: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Amended Return	Entity Name	FEIN: _____
	Address	Federal Business Code: _____
	City State Zip + 4	

Entity: S. corporation Partnership LLC LLP Disregarded Entity
 Information Return Filed: S. Corporation (CLT-4S) Partnership (PR-1) Disregarded Entity (DER-1)

1. Federal income from entity (Page 2, Column C)	1.	
2. Standard deduction (Page 2, Column D)	2.	
3. Exemption (Page 2, Column E)	3.	
4. Taxable income (Page 2, Column F)	4.	
5. Tax from tax table (Page 2, Column G)	5.	
6. Montana total income (Page 2, Column H)	6.	
7. Montana total tax (Page 2, Column J)	7.	
Payments and Credits		
8. Payment of 2003 estimated tax, amounts credited from previous year	8.	
9. Payment made with extension	9.	
10. Total payments (Line 8 and Line 9)	10.	
Refund or Amount Owed		
11. If line 10 is larger than line 7, enter the difference. Overpayment =	11.	
12. Amount on line 11 to be applied to 2004 estimate 12. <input type="text"/>		
13. Enter the amount on line 11 you want refunded to you (Refunds more than \$1.00 will be issued.) Refund =	13.	
14. If line 7 is larger than line 10, enter the difference (If you owe, see instructions for this line.) Tax Due =	14.	
15. Underpayment penalty (See Worksheet I)	15.	
16. Late filing penalty	16.	
17. Late payment penalty	17.	
18. Interest 1% (.01) per month	18.	
19. Total of lines 14 through 18 (attach a separate check with payment coupon, IT-Comp).	19.	

Name, address and telephone number of tax preparer _____

May the Department of Revenue discuss this return with the tax preparer shown above? Yes No

I declare under penalty of false swearing that the information in this return and attachments is true, correct and complete.

_____ Your Signature is Required	_____ Date	_____ Daytime Telephone Number
-------------------------------------	---------------	-----------------------------------

Form PT-CR1 must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, general partner, LLC member or any other officer duly authorized to sign the return. Form PT-CR1 is not considered to be complete unless it is signed.

Tax Table			
If Taxable Income is:		If Taxable Income is:	
Over	But not over	Over	But not over
\$ 0	\$ 2,200	\$17,800	\$22,200
.....
X ... 2 %	X ... 3 %	X ... 7 %	X ... 8 %
.....\$ 0	.....\$ 22	.....\$ 466	.....\$ 688
\$ 2,200	\$ 4,400	\$22,200	\$31,100
.....
X ... 4 %	X ... 5 %	X ... 9 %	X ... 10 %
.....\$ 66	.....\$155	.....\$ 999	.....\$1,444
\$ 4,400	\$ 8,900	\$31,100	\$44,500
.....
X ... 6 %	X ... 6 %	X ... 10 %	X ... 11 %
.....\$288	.....\$288	.....\$2,222	.....\$2,222
\$ 8,900	\$13,300	\$44,500	\$77,800
.....
X ... 6 %	X ... 6 %	X ... 11 %	X ... 11 %
.....\$288	.....\$288	.....\$2,222	.....\$2,222

Example = taxable income \$2,400 x 3% (.03) = \$72 subtract \$22 = \$50 tax

Montana Composite Income Tax Return

Name of Entity	Federal Employer Identification Number									
Number of nonresident individuals, foreign C. corporations or pass-through entities participating in this filing.										
Column A Name and Address of Shareholder, Partner or Member	Column B Social Security Number	Column C Federal Income from Entity	Column D Standard Deduction	Column E Exemption \$1,780	Column F Taxable Income	Column G Tax from Tax Table	Column H Montana Total Income	Column I Ratio	Column J Montana Tax Liability	
Enter total of columns here and on Page 1 of Form PT-CR1										

If there are more than six qualifying nonresident individuals, foreign C. corporations or pass-through entities participating in filing of the composite return, photocopy and attach additional pages as needed. A computer printout in the same format is acceptable.



Nonresident Individual Income Tax Estimated Payments Transmittal Document

Name and address of entity				Federal Employer Identification Number	
Number of PT-WH's attached					
Name	Address	City, State, Zip	SSN or FEIN	Montana source income from PT-WH, Line 1	Montana income tax withheld from Form PT-WH, Line 2
Total					

Declaration

I, the undersigned officer of the corporation or partner of the partnership for which this transmittal document is made, hereby declare that this document, including all accompanying form PT-WH's, is to the best of my knowledge and belief a true, correct and complete return, made in good faith for the income period stated, pursuant to the Montana statutes and regulations.

Signature of Officer _____ Date _____ Signature of Preparer _____ Date _____

Title _____ Phone _____ Address _____ Phone _____ Zip Code _____



Statement of Montana Income Tax Withheld for Nonresident Individual

Nonresident Individual's Name and Mailing Address			Entity's Name and Mailing Address		
Name			Name		
Street or Other Mailing Address			Street or Other Mailing Address		
City	State	Zip Code	City	State	Zip Code
Social Security Number		Spouse's Social Security Number	Federal Employer Identification Number		
1. Nonresident individual's share of Montana source income reflected on the entity's information tax return..... \$ _____			Type of Entity (check only one) <input type="checkbox"/> S. Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Limited Liability Partnership <input type="checkbox"/> Disregarded Entity		
2. Amount of Montana income tax withheld and remitted (11% of the amount on line 1). See instructions..... \$ _____			Taxable year of entity Beginning _____, 20____ and ending _____, 20____		

To be filed in the absence of Form PT-NRA, a nonresident income tax agreement, or participation in a composite return. Nonresident individual - Attach a copy to the Montana Form 2. **Entity** - Attach a copy and payment to your information return and transmittal, Form PT-WHREM.

Instructions

Who Must File Form PT-WH

Every S. corporation, partnership, limited liability company, limited liability partnership, or disregarded entity must complete the Statement of Montana Income Tax Withholding for Nonresident Individual, Form PT-WH, for each nonresident individual partner, shareholder or member, who does not complete a Montana Nonresident Income Tax Agreement Form PT-NRA or elects to participate in the filing of a composite income tax return. Do not file Form PT-WH for partners, shareholders or members other than individuals.

Amount of Withholding

The amount withheld is 11% of the nonresident individual's share of Montana source income reflected on the entity's information return. The amount on line 1 entries from each Form PT-WH should equal the amount entered on the Montana Partnership Return of Income, Form PR1; or the Montana S. Corporation Income Tax Return, Form CLT-4S as each individual owner's total Montana source income.

Nonresident Individual

The nonresident individual taxpayer named on this Form PT-WH is required to file a Montana Individual Income Tax Return, Form 2, with the Montana Department of Revenue. The amount entered on line 2, Form PT-WH,

will be allowed as a credit against the nonresident individual's Montana income tax liability and is claimed as a Montana estimated tax payment on Montana Form 2. Attach a copy of Form PT-WH to your Form 2 in the space otherwise provided for attaching Federal Form W-2.

When and Where to File

The Form PT-WH and remittance must be filed with the entity's Montana information tax return, Form CLT-4S, PR-1 or DER-1. Complete Form PT-WHREM transmittal document and attach Form PT-WH with your payment.

Payment

To assure the proper application of your payment remit a separate check with your transmittal document PT-WHREM. Include on the memo line of your check the form name PT-WHREM and the federal identification number of the partnership, S. corporation or disregarded entity making the payment. Do not attach Forms PT-WHREM and PT-WH to your information return (Forms CLT-4S, PR-1 or DER-1 or if filing a composite return, PT-CR1) but include the PT-WHREM and PT-WH in the mailing of your information return.



Montana Nonresident Individual Income Tax Agreement

<p>Type of Pass-through Entity (check only one)</p> <p><input type="checkbox"/> S. Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Disregarded Entity</p> <p><input type="checkbox"/> Limited Liability Company <input type="checkbox"/> Limited Liability Partnership</p>	<p>Type of Information Return Filed (check only one)</p> <p><input type="checkbox"/> S. Corporation, CLT-4S <input type="checkbox"/> Disregarded Entity, DER-1</p> <p><input type="checkbox"/> Partnership, PR-1</p>
<p>Nonresident Individual's Name and Mailing Address</p> <p>Name _____</p>	<p>Entity's Name and Mailing Address</p> <p>Name _____</p>
<p>Street or Other Mailing Address _____</p>	<p>Street or Other Mailing Address _____</p>
<p>City _____ State _____ Zip Code _____</p>	<p>City _____ State _____ Zip Code _____</p>
<p>Social Security Number _____</p>	<p>Federal Employer Identification Number _____</p>
<p>Spouse's Social Security Number _____</p>	<p>Entity information return year (check only one)</p> <p><input type="checkbox"/> Calendar year</p> <p><input type="checkbox"/> Fiscal year beginning month _____</p> <p style="padding-left: 150px;">ending month _____</p>

I declare that I am a nonresident of Montana and hereby agree that I will timely file a Montana individual income tax return, Form 2, and pay any income tax due; and I will include in my Montana adjusted gross income the portion of the above named entity's income attributable to my interest in the said entity for the current year in which this agreement is signed and all subsequent years that I am a partner, shareholder or member of said entity. This agreement shall be binding upon my heir's representatives, assigned successors, executors, and administrators.

Signature of nonresident, partner, shareholder or member

Date

Form PT-NRA is not valid unless signed and dated by the nonresident individual.

Instructions

This agreement is required to be attached to the entity's Montana information return only in the first year this agreement is signed. This signed agreement is binding on the nonresident partner, shareholder, or member for all subsequent years the nonresident partner, shareholder, or member maintains ownership in the entity and is in compliance with the terms of this agreement. The department has the authority to rescind this agreement due to noncompliance by the nonresident partner, shareholder or member and require the entity to either obtain a power of attorney from the nonresident partner, shareholder or member to participate in the filing of a composite return or remit to the department 11% of the nonresident individual share of Montana source income as reflected on the entity's information return.

Who may file. Any nonresident individual taxpayer who has Montana source income derived from an S. corporation, partnership, limited liability company, limited liability partnership, or disregarded entity may complete a Montana Nonresident Income Tax Agreement, Form PT-NRA, if the taxpayer was a nonresident of Montana during any part of the entity's tax year.

When and where to file. Form PT-NRA must be completed by the nonresident individual and delivered to the entity prior to the filing of the entity's Montana information return. The due date for the Montana information return for partnerships is the 15th day of the fourth month following the close of the taxable year. The due date for the Montana information return of an S. corporation is the 15th day of the third month following the close of the taxable year. The due date for the Montana information return of a disregarded entity is the due date of the individual or entity in which the income, gain, loss, deduction or credit is reported for federal income tax purposes.

If Form PT-NRA is filed. The nonresident individual who has filed the Form PT-NRA is required to timely file a Montana individual income tax return, Form 2. Such return must report and pay tax on the nonresident individual's share of the entity's Montana income attributable to the interest in the entity during the taxable year as well as any other Montana source income the nonresident individual has earned. A nonresident individual must report his or her total income, notwithstanding the source of the income and is entitled to full exemptions and deductions in arriving at Montana taxable income. The Montana tax liability is based on multiplying the ratio of Montana source income to total income from all sources. (See Montana Form 2 instruction booklet for further details).

If Form PT-NRA is not filed. If a Form PT-NRA is not filed with the entity's information return for new nonresident owners and the nonresident individual has not elected to participate in the filing of a composite return, the entity is required to remit 11% of the nonresident's share of the entity's income derived from or attributable to Montana sources. The withholding is to be remitted with the Statement of Montana Income Tax Withholding for Nonresident Individual, Form PT-WH, and the entity's Montana information return. When the nonresident files an individual income tax return Form 2, the remittance submitted by the entity on Form PT-WH is considered an estimated payment and is allowed as a credit against the nonresidents Montana income tax liability.

If the entity has filed Form PT-WH and withheld tax on all the Montana income attributable to the nonresident, this withholding is considered an estimated payment on the account of the nonresident individual and does not relieve the nonresident individual of the requirements to file a Montana individual income tax return.



2003 Montana Disregarded Entity Information Return

MONTANA
DER-1
Rev. 10-03

For calendar year 2003 or tax year beginning _____, 2003; ending _____, 20____

Check if Applicable: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Multistate Entity	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Name</td> <td style="width: 40%;">Check box if this is <input type="checkbox"/> a change of address.</td> </tr> <tr> <td colspan="2">Address</td> </tr> <tr> <td>City</td> <td>State Zip + 4</td> </tr> </table>	Name	Check box if this is <input type="checkbox"/> a change of address.	Address		City	State Zip + 4	FEIN or SSN: <hr/>
Name	Check box if this is <input type="checkbox"/> a change of address.							
Address								
City	State Zip + 4							

Are you filing the forms below with your Montana Disregarded Entity Return, DER-1?

	Yes	No
Form PT-CR1 Montana Composite Income Tax Return	<input type="checkbox"/>	<input type="checkbox"/>
Form PT-NRA Montana Nonresident Income Tax Agreement	<input type="checkbox"/>	<input type="checkbox"/>
Form PT-WH Nonresident Individual Withholding	<input type="checkbox"/>	<input type="checkbox"/>

Assumed business name registered with Montana Secretary of State: _____

Date registered with the Montana Secretary of State: _____

State or country where incorporated or formed: _____

Date incorporated or formed: _____

Disregarded Entity Type (Check appropriate entity type)

- Single Member Limited Liability Company
Note: If the sole member of a single limited liability company is an individual who has been a full-year Montana resident during the applicable reporting period, it is not necessary to file Form DER-1.

- IRC § 761 Partnership
 Date of IRC § 761 election: _____
 Internal Revenue Service Center where the election is filed: _____

- IRC § 1361(b)(3) Qualified Subchapter S Subsidiary
 Date of IRC 1361(b)(3) election: _____
 Internal Revenue Service Center where the election is filed: _____

- IRC § 856(i)(2) Real Estate Investment Trust (Qualified REIT Subsidiary)

- IRC § 860D Real Estate Mortgage Investment Conduit (REMIC). Attach a copy of Federal Form 1066.

Payments

Disregarded Entity late file penalty (see instructions)..... _____

Montana Disregarded Entity Owner Information

FEIN or SSN _____

	a.	b.	c.
Names and addresses of owner(s),	SSN or FEIN	Ownership%	Total Montana source income, gain, loss, deduction or credit.
		%	
		%	
		%	
		%	
		%	
		%	
		%	
		%	
		%	
		%	

If there are more than 12 names, photocopy and attach additional pages as needed. A computer printout in the same format is acceptable.

Instructions for Form DER-1, Disregarded Entity Information Return

Who Must File an Information Return

Every disregarded entity engaged in business in the State of Montana and having Montana source income must file an annual disregarded entity information return, Form DER-1, unless you are a single member limited liability company whose sole member is an individual who has been a full-year Montana resident during the applicable reporting period.

Montana Taxable Income

All owners, including nonresidents, must report their percentage of the disregarded entity's income and deductions derived from Montana sources to the Montana Department of Revenue. A resident owner must report Montana source income attributable to the disregarded entity on his or her Montana individual income tax return (Form 2). A nonresident individual owner must:

- Elect to have the disregarded entity file a composite return (Form PT-CR1) and pay a composite tax on his or her behalf; or
- Sign a consent agreement (Form PT-NRA) agreeing to file a Montana individual income tax return (Form 2); or
- In absence of the election to participate in a composite return or signing the consent agreement, the disregarded entity must withhold 11% of the nonresident owner's share of Montana source income as reported on the entity's disregarded entity return. This withholding is remitted by the disregarded entity and reported on Form PT-WH.

When to File

Filing due dates for Form DER-1 are as follows:

- **Single member limited liability company whose single member is a:**
 - C corporation** Form DER-1 is due on or before the 15th day of the third month following the close of the C corporation's annual accounting period.
 - S. corporation** Form DER-1 is due on or before the 15th day of the third month following the close of the S corporation's annual accounting period.
 - Qualified Subchapter S Subsidiary** Form DER-1 is due on or before the due date of the parent S corporation's information return.
 - Real Estate Investment Trust (REIT)** Form DER-1 is due on or before the 15th day of the third month after the close of the REIT's annual accounting period.
 - Qualified REIT Subsidiary** Form DER-1 is due on or before the due date of the parent REIT's information return.
 - Individual, Estate or Non-Grantor Trust** Form DER-1 is due on or before the 15th day of the fourth month following the close of the annual accounting period of the individual, estate, or trust.
 - Partnership** Form DER-1 is due on or before the 15th day of the fourth month following the close of the partnership's annual accounting period.
 - Real Estate Mortgage Investment Conduit (REMIC)** Form DER-1 is due on or before the 15th day of the fourth month after the close of the REMIC's annual accounting period.
 - Electing IRC 761 Partnership** Form DER-1 is due on or before April 15, 2004.
 - Any other single member not described above** Form DER-1 is due on or before August 31, 2004.
- **IRC 761 Electing Partnership (Syndicate, Group, Pool, Joint Venture, or other Unincorporated Organization).**
Form DER-1 is due on or before August 31, 2004.
- **Qualified Subchapter S Subsidiaries** (as defined in IRC 1361(b)(3)).
Form DER-1 is due on or before August 31, 2004.
- **Qualified Real Estate Investment Trust Subsidiaries** (as defined in IRC 856(i)(2)).
Form DER-1 is due on or before the due date of its parent REIT's information return.
- **Real Estate Mortgage Investment Conduit (REMIC as defined in IRC 860D).**
Federal Form 1066, Real Estate Mortgage Investment conduit Income Tax Return is required to be filed on or before the due date (including extensions) for filing its federal return.

What Must be Filed

A disregarded entity that has nonresident individual owners, in tax year 2003 must also file with the Montana Form DER-1:

- Form PT-CR1, Montana Composite Income Tax Return for eligible owners who elect to participate in a composite filing.
- Form PT-NRA, Montana Nonresident Income Tax Agreement, completed for tax year 2003 and subsequent years, for those nonresident individual owners who agree to file a Montana individual income tax return, Form 2.
- Form PT-WH Statement of Montana Income Tax Withheld for Nonresident Individuals for those nonresident individual owners who do not participate in a composite filing or complete the nonresident individual income tax agreement Form PT-NRA.

A disregarded entity is allowed an automatic paperless extension of time to file Form DER-1 upon approval of an extension to file a federal return. This extends the time for filing Form DER-1, and where applicable, Forms PT-CR1, PT-NRA and PT-WH to the date approved for filing the disregarded entity's federal return. If no federal return is required a six-month extension is allowed from the due date of the DER-1.

Montana Disregarded Entity Owners Information

List the name, address, and social security or federal identification number and ownership percentage of each owner, member or partner during the tax period. If a Qualified Subchapter S Subsidiary or a Qualified Real Estate Investment Trust, provide the name, address and federal identification number of the S corporation or REIT parent.

Provide the amount of the total Montana source income, gain, loss, deduction or credit for each owner, member or partner listed.

Late-File Penalty for failure to file Montana Form DER-1 by the original due date, including extensions

The late-file penalty is calculated by multiplying \$10 times the number of the pass-through entity's partners, shareholders, members, or other owners at the close of the tax year for each month or fraction of each month the information return is not filed, not to exceed five months. For example, if a pass-through entity had 20 members at the close of its tax year and filed its information return six months after it was due, the late-filing penalty would be \$1,000 ($\$10 \times 20 \times 5$). For a disregarded entity that does not have a tax year, the number of partners, shareholders, members, or other owners will be determined as of the preceding December 31st.

The late-file penalty is not imposed on pass-through entities having 10 or fewer partners, shareholders, members or other owners if the entity can show that each of the owners have filed their required tax return timely, including extensions, to the department and have paid all taxes when due.

2004 Declaration and Payment of Estimated Tax

If you expect to owe on your composite return at least \$500 additional tax, you may need to make estimated tax payments in 2004. Contact the department to obtain Form IT-EST, estimated tax payment information and vouchers.

Where to File

For returns without payments, including refund requests, mail to:

Montana Department of Revenue
P.O. Box 5805
Helena, MT 59604-5805

For returns with payments, mail to:

Montana Department of Revenue
P.O. Box 6308
Helena, MT 59604-6308