

Form FRM Instructions

An individual or a family farm corporation who has an eligible agricultural business may establish a Montana farm and ranch risk management account. The account enables them to exclude deposits made into this account up to \$20,000 annually from their adjusted gross income.

To qualify for this deduction, an eligible agricultural business has to be for the production of food, feed and fiber commodities; livestock and poultry; bees, fruits and vegetables; and sod, ornamental, nursery, and horticultural crops that are raised, grown or produced for commercial purposes. Eligible agricultural business also means the raising of domestic animals and wildlife in domestication or a captive environment along with silviculture.

Account Information

- Grantor name and identification number: Provide the legal name and identification number of the grantor of the farm and ranch risk management trust that you created.
- Trustee: Provide the name and address of your trustee.
- Account number: Provide the account number assigned to the trust.

Deposits

- List all deposits and dates of each deposit that you made for the specific tax year.
- You can make your deposits during the tax year or within 3½ months after the close of the tax year.
- The trustee cannot accept any deposits in excess of the allowable deduction.
- The assets of your trust have to be cash or obligations that adequately state interest and pay interest at least annually.
- The assets of your trust cannot be commingled with other property unless they are in a common trust fund or common investment fund.

Deductions

- Net income that is attributed to agricultural business refers to the total net farm income that you reported on your Federal Schedule F or to the net farm rental income that you reported on your Federal Schedule 4835, or to the gain from the sale of draft, breeding, dairy or sporting livestock that you reported on your Federal Form 4797.
- If your deduction is for a family farm corporation, the amount of net income that you can attribute to

agricultural business is allocated based on your distributive share of the income from the entity.

- No carryover provisions are allowed. Your deduction cannot be greater than 20% of your net income that is attributed to agricultural business.

Distributions

- Your deposits have to be distributed within five years.
- Any deposits that are distributed within six months of the date of your deposit are income in the year that you reported the associated deduction. Depending on the timing of the deposit and related distribution, you may need to file an amended return to report the distribution.
- The amounts that you do not distribute within your five-year period of eligibility are considered to have been distributed on the last day of the fifth year that the deposit is made. This distribution is taxable income and is assessed a penalty of 10% of the tax due on this amount.
- If at any time within the five-year period you become disqualified because you are not engaged in an eligible agricultural business, the entire balance in the trust account is considered to be distributed and should be included as part of the current year's adjusted gross income. This distribution should be reported as an addition to federal adjusted gross income on Schedule I, Line 9 of the Montana Form 2.

If you have questions, please call us toll free at (866) 859-2254 (in Helena, 444-6900).