

2001
Montana Small Business Corporation License Tax Booklet
Form CLT-4S

FISCAL YEAR FILERS - Please Note:

These are your Montana Small Business Corporation Tax Forms for your fiscal year beginning in 2001. Retain this booklet for your 2001 filing purposes.

**Make any necessary corrections to the label below and attach to your
2001 Montana CLT-4S**

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

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MONTANA DEPARTMENT
OF REVENUE

No Return

Dear Montana Corporate Taxpayer:

The Montana Department of Revenue is continuing our efforts to become more modern, efficient and customer-focused. Our goal is to make it simpler and more convenient for taxpayers to do business with us. That includes making it easier for you to file your corporate tax return. If you have ideas on how we can improve our service, please feel welcome to contact our offices.

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.

Sincerely,

Kurt Alme
Director
Department of Revenue

Table of Contents	Page
General:	
Instructions	3-4
Forms:	
CLT-4S	5-8

Important Numbers	
Assistance and Help Line	(406) 444-6900
Forms Request	(406) 444-6900
Fax Number	(406) 444-2900

Instructions for Filing the Montana Small Business Corporation Tax Return - Form CLT- 4S

Subject To Tax

Every corporation engaged in business in the State of Montana, unless expressly exempted by the Department of Revenue under Montana Code Annotated (MCA), §15-31-102(1), must file an annual return. Small business corporations electing and qualifying under MCA, §15-31-201 must file an annual return.

When to File

For calendar year taxpayers, the return is due on or before May 15th. For fiscal year taxpayers, the return is due on or before the 15th day of the fifth month after the close of the taxable year.

A corporation shall be allowed an automatic extension of time up to six months following the date prescribed for the filing of its tax return (MCA, §15-31-111(3)(a)). No application for extension is necessary.

Where to File

Mail returns to:

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

Electing to be a Small Business Corporation

For Montana purposes, a Small Business Corporation means a corporation that has made a valid election under subchapter S of Chapter 1 of the Internal Revenue Code. A copy of the federal return (Form 1120S), including all federal schedule K-1's, must be attached to the Montana form CLT-4S.

Montana Taxable Income

All shareholders, including non-residents, must report their percentage of the corporation's income and deductions derived from Montana sources to the Montana Department of Revenue, Individual Income Tax Division.

Line 1 - Ordinary Income (Loss): The taxable income reported on line 21 of your federal return (Form 1120S) must be entered on line 1 of your Montana return (Form CLT-4S).

Lines 2 through 6: The income reported on your federal 1120S; Schedule K, lines 2 through 6; must be reported on lines 2 through 6 of your Montana form CLT-4S.

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

Lines 8 through 11: The deductions reported on your federal 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; enter the total on line 12.

Line 13: Montana Additions: In order to compute Montana taxable income, certain items must be added to income. The Montana Corporation License Tax and other state, local, and foreign income taxes must be added back to income (MCA, §15-31-114(1)(e)). These taxes, based on income or profits, are reported on line 13(a).

A detailed breakdown of other additions to income must be attached to the CLT-4S and reported on line 13(b).

Line 14 - Montana Reductions: In order to compute Montana taxable income, certain items must be deducted from income.

Deductions allowable in computing your Montana taxable income are reported on line 14. A detailed schedule must be attached

to the return. Examples are:

- The amount of contributions made by a small business to its independent liability fund (MCA, § 33-27-117(1)).
- A portion of an investment made in a building for the purpose of conserving energy (MCA, § 15-32-103). In order to qualify, the building must be used in the taxpayer'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 (MCA, § 15-31-114(1)(b)(i)). Attach a copy of the Federal Schedule D to your CLT-4S.
- Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation (MCA, § 15-32-510)
- An additional 10% deduction for the purchase of recycled material as computed on Form RCYL-CT, Part IV. (MCA, § 15-32-610) A copy of form RCYL-CT must be attached to your return.

Line 15 - Income Taxable to Shareholders: The Montana income taxable to shareholders is the sum of the following:
(7 - 12 + 13 - 14); enter the total income on line 15.

Line 16 - Income Apportioned to Montana: For multistate taxpayers, multiply the amount reported on line 15 by the apportionment percentage from line 5 of Schedule K. Enter income apportionable to Montana on line 16.

Line 17 - Income Allocated Directly to Montana: For multistate taxpayers, any income determined to be Montana allocable income must be reported on line 17.

Instructions for Schedule K

In most cases, multistate taxpayers must compute their Montana taxable income by means of the apportionment factor calculated on 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 used by most states with a corporate tax based on net income.

When a 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. A business 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. Schedule K must be fully completed by every corporation carrying on a unitary business within and without the state.

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, schedule K must be completed even in a case where a taxpayer uses an alternative method of determining Montana taxable income.

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

Property Factor (Line 1, Schedule K): MCA, §15-31-306, defines the property factor as a fraction, the numerator being the average value of the taxpayer'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 taxpayer'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 taxpayer 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 of Revenue, the average value of owned property shall be determined by averaging the values at the beginning and ending of the tax period.

Property rented by the taxpayer 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.

Payroll Factor (Line 2, Schedule K): MCA, §15-31-308, defines the payroll factor as a fraction, the numerator being the total amount paid in Montana during the tax period by the taxpayer 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.

MCA, §15-31-309, states that payroll is paid in Montana if:

- the individual's service is performed entirely within the state;
- the 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
 - the base of operations or, if there is no base of operations, the place from which the service is directed or controlled is in the state; or
 - the base of 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 this state.

Sales Factor (Line 3, Schedule K): The term "sales" means all gross receipts of the taxpayer exclusive of nonbusiness income. MCA, §15-31-310, defines the sales factor as a fraction, the numerator being the total sales of the taxpayer in Montana during the tax period and the denominator being the total sales of the taxpayer everywhere during the tax period.

Sales of tangible personal property are in the state if:

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

Sales, other than sales of tangible personal property, are in this 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.

Sum of Factors (Line 4, Schedule K): Add lines 1, 2, and 3; enter the sum of the factors on line 4.

Apportionment Factor (Line 5, Schedule K): Divide line 4 by the number of factors present. For example, if the taxpayer reports only a sales factor and a property factor, but does not have payroll (in Montana or anywhere) to report a payroll factor; then the taxpayer would divide line 4 by 2 (the total of the existing factors), rather than 3.

Enter the apportionment factor on line 5 of Schedule K and on line 16, page 1.

Shareholder Information

The shareholder information schedule on page 2 must be completed with each shareholder's name, social security number, and ownership percentage.



2001 Montana Small Business Corporation Tax Return

MONTANA
CLT-4S
Rev. 8-01

For calendar year 2001 or tax year beginning _____, 2001; ending _____, 20____

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

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 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	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. Taxes based on income or profits 13a.			
b. Other additions (Attach Detailed Breakdown) 13b.			
Total Montana Additions to Income	13		
14. Subtract: Montana Reductions (Attach Detailed Breakdown)	14		
15. Income taxable to shareholders (line 7 - line 12 + line 13 - line 14)	15		
16. Multistate Taxpayers: line 15 X _____% from Schedule K, line 5	16		
17. Multistate Taxpayers: Income allocated directly to Montana	17		

Check here, if you DO NOT need the Montana Small Business Corporation Tax Return and Instructions sent to you next year.

A Copy of Your Federal Form 1120S Must be Attached

NOTICE

Pass-through entity changes for tax years beginning after December 31, 2001.

A partnership, S-corporation, limited liability company or other pass-through entity with a nonresident shareholder, partner or member must remit taxes for any nonresident for whom the entity has not filed either a composite return or the nonresident's agreement to file and pay taxes.

A partnership, S-corporation, limited liability company or other pass-through entity who fails to file an information return will be assessed a late file penalty of \$10 multiplied by the number of partners, shareholders, or members for each month the return is late, not to exceed 5 months. This penalty does not apply to a pass-through entity that has 10 or fewer partners, shareholders, or members whom have filed their return and paid their tax.

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			
Equipment			
Furniture and fixtures			
Inventories			
Supplies and other			
Rents X 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)			%

Shareholder Information (See Page 4 of Instructions):		
Name	Social Security #	Ownership %
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		

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 Corporation License Tax law and Regulation.

Signature of officer _____ Date _____

Name of person or firm preparing return _____ Date _____

Title _____ Telephone number _____

Address and Zip Code _____ Telephone number _____