



# 2005 Montana Disregarded Entity Information Return

MONTANA  
DER-1  
Rev. 2-06

For calendar year 2005 or tax year beginning (MM-DD) \_\_\_ - \_\_\_ - **05** and ending (MM-DD-YY) \_\_\_ - \_\_\_ - \_\_\_

Check if Applicable: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Amended	Name of the disregarded entity		Check box if this is a change of address. <input type="checkbox"/>	FEIN or SSN: _____
	Address			
	City	State	Zip + 4	Check this box if this FEIN or SSN is the same as the owners FEIN or SSN. <input type="checkbox"/>

1. Enter your disregarded entity's business name if different from above \_\_\_\_\_
2. Enter the date that you incorporated or formed your disregarded entity \_\_\_\_\_
3. Enter the date that you registered your disregarded entity with the Montana Secretary of State \_\_\_\_\_
4. Enter the state or country where you incorporated or formed your disregarded entity \_\_\_\_\_

**5. Disregarded Entity Type (Check appropriate entity type)**

- Single Member Limited Liability Company  
 You do not have to complete Montana Form DER-1 if your single member limited liability company is owned by a full-year Montana resident during the applicable reporting period.  
 Check only one single member limited liability company owner type.
  - C. corporation
  - Individual, Estate, or Non-Grantor Trust
  - S. corporation
  - Partnership
  - Qualified Subchapter S. Subsidiary
  - Real Estate Mortgage Investment Conduit (REMIC)
  - Real Estate Investment Trust (REIT)
  - Electing IRC 761 Partnership
  - Qualified REIT Subsidiary
  - Any other single member not described above
- IRC § 761 Partnership..... Enter date of election: \_\_\_\_\_
- IRC § 1361(b)(3) Qualified Subchapter S Subsidiary..... Enter date of election: \_\_\_\_\_
- IRC § 856(i)(2) Qualified Real Estate Investment Trust Subsidiary
- IRC § 860D Real Estate Mortgage Investment Conduit (REMIC). Attach a copy of Federal Form 1066.

**Payments**

6. Enter your late file penalty (see instructions)..... 6. \_\_\_\_\_
- Disregarded Entity Backup Withholding Payment from Schedule I**  
 Enter amounts below if you withheld tax for any owners
7. Enter the total from Column E, Schedule I ..... 7. \_\_\_\_\_
  8. Enter the total from Column F, Schedule I ..... 8. \_\_\_\_\_
  9. Add line 7 and line 8, then enter the results. **This your total disregarded entity backup withholding**..... 9. \_\_\_\_\_
  10. Add line 6 and line 9, then enter the results. **This is your total payment due**..... 10. \_\_\_\_\_

**Declaration**

I, the undersigned, declare that I am authorized to sign the disregarded entity return and that the return, including all accompanying attachments, is, to the best of my knowledge and belief, true, correct and complete.

Signature \_\_\_\_\_ Title \_\_\_\_\_ Telephone Number \_\_\_\_\_ Date \_\_\_\_\_

**Schedule I**

Disregarded entity name \_\_\_\_\_ Tax period ending \_\_\_\_\_ SSN/FEIN \_\_\_\_\_

**Disregarded Entity Owner Information**

Enter the total number of owners \_\_\_\_\_

Complete columns E through G for a nonresident individual, foreign C. corporation or second-tier pass-through entity owner.

A		B			C	D	E		F	G
Name and address of owner ( Name Street Address City   State   Zip Code		Social Security Number OR Federal Employer Identification Number			Ownership %	Montana source income	C. Corporation Owner Withholding 6.75%		Other Owner Withholding 6.9%	Consent agreement or statement (enter year signed)
1.		SSN								
		FEIN								
2.		SSN								
		FEIN								
3.		SSN								
		FEIN								
4.		SSN								
		FEIN								
5.		SSN								
		FEIN								
6.		SSN								
		FEIN								
7.		SSN								
		FEIN								
Column Totals										

Use additional sheets if necessary or you may create your own schedule if you use the exact same format used here.

# Instructions for Form DER-1, Disregarded Entity Information Return

## What is a disregarded entity?

A disregarded entity is a business entity that is disregarded as a separate entity from its owner for federal income tax purposes or is a Qualified Subchapter S Subsidiary that is not treated as a separate corporation under the Internal Revenue Code.

## Who is required to file Form DER-1?

Your disregarded entity is required to file Montana Form DER-1 if the entity is engaged in business in Montana and has Montana source income.

You do not have to file Montana Form DER-1 if your disregarded entity is a single member limited liability company who has as its sole member a full-time Montana resident individual during the applicable reporting period.

## What is the due date of Form DER-1 and where do I file it?

If your Disregarded Entity is a:	Then your Form DER-1 is due:
Single Member Limited Liability Company whose single member owner is a:	
<ul style="list-style-type: none"> <li>o C. Corporation,</li> <li>o S. Corporation,</li> <li>o Qualified Subchapter S. Subsidiary,</li> <li>o Real Estate Investment Trust (REIT), or a</li> <li>o Qualified REIT Subsidiary</li> </ul>	On or before the 15 <sup>th</sup> day of the third month following the close of the owners annual accounting period.
<ul style="list-style-type: none"> <li>o Individual, Estate or Non-Grantor Trust,</li> <li>o Partnership, or a</li> <li>o Real Estate Mortgage Investment Conduit (REMIC)</li> </ul>	On or before the 15 <sup>th</sup> day of the fourth month following the close of the owners annual accounting period.
<ul style="list-style-type: none"> <li>o Electing IRC 761 Partnership</li> </ul>	On or before April 15, 2006.
<ul style="list-style-type: none"> <li>o Any other single member LLC not described above.</li> </ul>	On or before August 31, 2006.
IRC 761 Electing Partnership (Syndicate, Group, Pool, Joint Venture, or other Unincorporated Organization)	On or before August 31, 2006
Qualified Subchapter S Subsidiary as defined in IRC 1361(b)(3).	On or before August 31, 2006.
Qualified Real Estate Investment Trust Subsidiary as defined in IRC 856(i)(2) (REIT).	On or before the 15 <sup>th</sup> day of the third month after the close of parent's REIT annual accounting period.
Real Estate Mortgage Investment Conduit as defined in IRC 860D. (REMIC)	On or before the 15 <sup>th</sup> day of the fourth month following the close of the REMIC's annual accounting period.

Mail your Form DER-1 to:

Montana Department of Revenue  
P.O. Box 8021  
Helena, MT 59604-8021

## Can I obtain an extension for filing Form DER-1?

Yes you can. Your disregarded entity can obtain an automatic extension of time to file Form DER-1 if its owner has an extension. Your extended due date for Form DER-1 is the same as the federal extended due date for it's owner. If the owner is not required to file a federal information return, your disregarded entity is allowed an automatic six-month extension to file Form DER-1.

## What do I have to include with my Form DER-1?

If your disregarded entity has as its owner a nonresident individual, foreign C. corporation or a second-tier pass through entity during its tax year, it's needs to include the following with the Form DER-1:

- o Form PT-AGR, Montana Pass-through Entity Owner Tax Agreement. You are not required to include a new Form PT-AGR each year once the original form has been filed. The original Form PT-AGR remains in effect for subsequent years if the ownership of the disregarded entity remained the same as the previous year. If the ownership of the disregarded entity changes you are required to complete and include a new Form PT-AGR.
- o Form PT-STM, Montana Second-tier Pass-through Entity Owner Statements. Form PT-STM is required to be filed annually.
- o Form DER-1, Schedule I, Montana Disregarded Entity Owner Information that identifies the owner or owners of the disregarded entity, and where applicable, the amount withheld from the owner.

## I am unable to obtain a signed Form PT-AGR or PT-STM from the owner of the disregarded entity. What do I have to do?

If you are unable to obtain a signed Form PT-AGR from the non-resident individual or foreign C. corporation, or Form PT-STM from the second-tier pass-through entity owner of your disregarded entity you are required to withhold tax from the owners share of Montana source income reported on Schedule I, Column D.

If the owner is a foreign C. corporation, multiply the foreign C. corporation's Montana source income by 6.75% to determine the amount of withholding.

If the owner is a nonresident individual, or a second-tier pass-through entity, multiply the owners Montana source income by 6.9% to determine the amount of withholding.

Upon withholding from the owner's share, the disregarded entity is required to complete Form PT-WH, notifying the owner of the amount of withholding remitted to the State of Montana. The owner may use this amount as an estimated payment against their corporate license tax or individual income tax.

### What happens if I am late in filing Form DER-1?

If you file your Form DER-1 late, you will be assessed a late-file penalty. Your penalty is calculated by multiplying \$10 time the number of owners at the close of the tax year for each month or fraction of each month the Form DER-1 is not filed, not to exceed five months. For example, a single member limited liability company owned by an S. corporation files their Form DER-1 six months after it's due date, the late-file penalty would be \$50 (\$10 x 1 x 5 months). For a disregarded entity that does not have a tax year, the penalty is based on the number of owners on December 31<sup>st</sup> of the preceding year.

The late-file penalty is not imposed on your disregarded entity if it has 10 or fewer owners, and you can show that each of the owners have filed their required Montana state tax return timely, including any extension, with us and paid their entire tax liability timely.

### How do I complete Montana Form DER-1?

**Heading.** Enter the name and address of the disregarded entity that is doing business in Montana.

**Federal Employer Identification Number (FEIN) or Social Security Number (SSN).** Enter here the FEIN or SSN number of the disregarded entity. If your FEIN or SSN number is the same as the owners FEIN or SSN reported on Schedule I, check the box located below the FEIN or SSN number.

**Lines 1 through 4:** Complete lines 1 through 4 as it relates to the disregarded entity and not the owner of the disregarded entity.

**Line 5: Disregarded Entity Type:** Check only one of the five types of disregarded entities listed under line 5.

If you have checked the box indicating that you are a single member limited liability company, then identify the type of your single member ownership by checking the appropriate box that corresponds with the 10 types of owners listed under the single member limited liability company category.

If you have checked the box indicating that you are an IRC §761 partnership or an IRC §1361(b)(3) qualified subchapter S subsidiary, enter the date of your federal election in the space provided.

**Line 6: Late File Penalties.** If you are required to pay a late file penalty see "What happens if I am late

in filing Form DER-1?" discussed above.

Lines 7 and 8: Disregarded Entity Backup Withholding Payments from Schedule I. If you are required to submit backup withholding payments on behalf of your owner(s) see the discussion below under the heading Form DER-1, Schedule I.

**Payment.** Enclose your payment with your Form DER-1 and mail to Montana Department of Revenue, P.O. Box 8021, Helena, MT 59604-8021. To assure proper application of your payment make sure to include your federal employer identification number or social security number and identify the Form DER-1 in the memo section of your payment.

### Form DER-1, Schedule I.

Except for an IRC §761 partnership, your disregarded entity should have only one owner who owns 100% of the disregarded entity. Enter on line 1, columns A and B the name, address and identification number of this owner. For example; if your disregarded entity is a single member limited liability company owned by S. corporation, enter the S. corporation's name, address, and federal identification number. If your single member limited liability company is owned by an individual filing federal Schedule C, enter the name, address and social security number of the individual on line 1.

If your disregarded entity is a IRC §761 partnership enter the name, address and identification number of each owner of the IRC §761 partnership.

**Column C.** Enter the percentage of ownership for each owner. Generally, this is 100% unless the disregarded entity is an IRC§ 761 partnership.

**Column D.** Enter the total amount of Montana source income, gain, loss, deduction or credit for each owner.

**Column E through G.** Complete columns E through G only if the owner(s) is a nonresident of Montana, a foreign C. corporation or a second-tier pass-through entity.

**Column E & F:** See the discussion above on "unable to obtain a signed Form PT-AGR or PT-STM."

**Column G:** Enter the year the owner signed the PT-AGR or PT-STM in column G. You are required to submit the PT-AGR in the first year this form is signed, but not for subsequent years. Maintain a copy of the signed PT-AGR and in subsequent filing years identify the date the PT-AGR was originally signed by the owner.

However, Form PT-STM is required to be both completed and submitted annually.