

2001 Montana Fiduciary Income Tax Return Form FID-3

General Instructions

Who Must File

All estates and trusts except those held for educational, charitable, or religious purposes must file a fiduciary return. Either the fiduciary or the beneficiary may pay any tax due. However, the fiduciary must file the return. No distinction is made between living trusts and testamentary trusts. A copy of the federal fiduciary income tax Form 1041 must be attached. Estates and trusts are allowed one exemption deduction.

If the trustee of the estate or trust is domiciled or has nexus in Montana, all income is taxable to Montana. If the trustee is domiciled outside of Montana, then only the income that is derived from Montana sources is taxable to Montana.

When to File

You must mail your return for calendar year 2001 before midnight April 15, 2002. If you operate on a fiscal year, mail your return before midnight the 15th day of the fourth month following the close of your fiscal year.

Where to File

Send your completed and signed form to:

<u>Tax Due:</u>	or	<u>Refund/Zero Balance Due</u>
Montana Department of Revenue		Montana Department of Revenue
PO Box 6308		PO Box 6577
Helena, Montana 59604-6308		Helena, Montana 59604-6577

Make check payable to the Montana Department of Revenue.

If You File Late

The penalty is \$50 or the amount owing whichever is smaller, if you don't mail your return before midnight April 15, 2002 (or before midnight the 15th day or the fourth month following the close of your fiscal year.) Note: If you are filing a return in which you receive a refund, the late file penalty is \$0.

If You Pay Late

The penalty is 1.5% a month or fraction of a month on the unpaid tax. The penalty may not exceed 18% of the tax due.

Interest on Unpaid Tax

The interest rate is 12% per year accrued at 1% per month or fraction of a month.

Extension of Time to File

The extension of time for filing a return is not an extension of time for the payment of taxes. Taxpayers will be granted an extension of time for filing their Montana income tax return if both of the following requirements are met:

1. On or before the due date of the return, the taxpayer has applied with the Internal Revenue Service for a 4-month extension of time for filing the taxpayer's federal individual income tax return for the same year. MCA, § 15-30-144(2)(a). An additional 2-month extension of time for filing a return is automatically allowed provided that the taxpayer has applied with the Internal Revenue Service for an additional 2-month extension of time for filing the taxpayer's federal individual income tax return for the same tax year.

2. The taxpayer has paid by estimated tax payments, withholding tax, or a combination of estimated tax payments and withholding tax, 90% of the current year's tax liability or 100% of the previous year's tax liability. MCA, § 15-30-144(2)(b). A valid federal extension will not be considered valid for Montana income tax purposes unless the taxpayer has met one of the payment requirements identified in item #2 prior to April 15th. Complete Montana Worksheet-EXT "Four -Month Extension Payment Calculation" to determine if you have met the payment requirements. A Montana Individual Income Tax Payment Coupon is included with Worksheet-EXT.

Note: Taxpayers must attach copies of their four month and two month federal extension forms to their **completed** Montana tax return. Additionally, the extension indicator box on the Montana tax form must be checked. **Do not send in copies of your federal extension prior to filing your return.**

Failure to comply with these requirements will result in the denial of your extension and in the assessment of penalties.

Amended Returns

If you discover an error in a return already filed, submit an amended return using Form 2X to correct the mistake.

Estimated Tax Underpayment Penalty

In 2001 you must have paid through estimated installments or a combination of withholding and 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. If you did not meet this requirement, you may be subject to an underpayment penalty. For further instructions see Form EST-P.

Line-By-Line Instructions

Complete the name and address section. Include your federal identification number. Please check the box for: trust, estate or grantor; and resident full year/nonresident full year.

Part I—Income

Attach federal schedules

Report all income of estates or trusts no matter where it was derived during the taxable year. Total income before Montana adjustments should be the same as on the federal Form 1041.

Line 1—Enter total of all taxable interest.

Line 2—Enter dividends.

Line 3 and 4—Enter income or loss from partnerships and other estates or trusts EXCEPT for the following:

Enter dividends on line 2. Enter capital gain or loss from Schedule D, federal Form 1041 on line 7. Enter ordinary gain or loss from federal Form 4797 on line 8. (Enter partnership name and federal employer identification number(s) on an attached sheet.)

Line 5—Enter net rent and royalty income as reported on federal Form 1041. Attach schedule detailing income and expenses. Include fiduciary's share of depreciation and depletion.

Line 6—Enter net business and farm income or loss. Attach a copy of the federal Schedule C, CEZ or F.

Line 7—Enter capital gain or loss. Enter 100% of capital gain from federal Schedule D (Form 1041).

Line 8—Enter from federal Form 4797 the gain or loss from the sale or exchange of capital assets and from involuntary conversions.

Line 9—Enter other taxable income not reported elsewhere. Attach a separate sheet if necessary.

Line 10—Add lines 1 thru 9. The total should be the same as federal Form 1041.

Additions to Income

Line 11—Include interest income from non-Montana bonds and other obligations of another state or its political subdivisions if not already included on line 1. Interest on Montana bonds is not taxable.

Line 12—If you claimed federal income tax withheld or payment of estimated tax as an itemized deduction in a prior year, any refund of that tax is income in the year it is received.

Line 13—Specify other additions.

Line 14—Enter total of lines 11, 12 and 13.

Line 15—Enter total of lines 10 and 14.

Reductions of Income

Line 16—Enter interest income from bonds and other obligations of the United States included on line 1. U.S. obligations are exempt from taxation.

Line 17—Nonresidents only. Enter total income derived from sources outside Montana.

Line 18—Exempt Pension & Annuity Income
You can exempt all benefits paid by the Railroad Retirement Board, if you reported them on line 9. If you received benefits paid by railroad companies or trusts refer to the pension & annuity worksheet below.

Pension & Annuity Worksheet

1. Enter the federal total income from line 10. _____
2. Phase-out limitation _____ 30,000
3. If line 1 is smaller than line 2, enter the smaller of the pension and annuity income or \$3,600 on line 18. **Stop Here.** _____
If line 1 is larger than line 2, subtract line 2 from line 1 & enter the result. _____
4. Enter the pension and annuity income or \$3,600, whichever is smaller. _____
5. Multiply the amount on line 3 times two (x2) and enter the result. _____
6. **Pension & Annuity Exclusion.** Subtract line 5 from line 4. If the result is zero or negative, there is no retirement exclusion. If the number is positive, this is the retirement exclusion. Transfer this number to line 18 on Form FID-3. _____

Line 19—State refund.

If you included any state income tax refund on line 9, deduct it here.

Line 20—Specify other reductions.

Line 21—Enter the total of lines 16 thru 20.

Line 22—Montana Total Income.
Subtract line 21 from line 15.

Part II—Deductions

Non-resident fiduciaries are allowed deductions that are attributable or directly related to the production of Montana income.

Line 23—Enter interest expenses deductible for federal tax purposes. Note: Personal interest is no longer deductible.

Line 24—Enter taxes paid or accrued within the taxable year, including (but not limited to) federal income tax. State income tax is not deductible.

Line 25—Enter charitable contributions deductible for federal tax purposes.

Line 26—You can deduct fiduciary fees and administrative expenses claimed for federal income tax purposes if the expenses were not claimed as a deduction in the determination of Montana inheritance tax.

Line 27—Enter attorney, accountant and return preparer fees if the expenses were not claimed as a deduction in the determination of Montana inheritance tax.

Line 28—Enter casualty or theft losses deductible for federal tax purposes.

Line 29—Attach a separate sheet listing authorized deductions not deductible elsewhere on the form. (Example: Net operating losses allowed for federal income tax section 642 (d) of the Internal Revenue Code.)

Line 30—Add Lines 23 thru 29. Enter result.

Line 31—Total Adjusted Income.
Subtract line 30 from line 22.

Line 32—Income Distribution Deduction.
Enter income to be distributed to the beneficiaries for the taxable year and/or other amounts paid, credited or to be distributed for the taxable year.

The Capital Gains exclusion has been repealed.

Line 33—Net Income Before Exemption.
Subtract line 32 from line 31.

Line 34—Each Fiduciary is allowed one exemption of \$1,720. (Nonresidents must prorate) Proration amount is line 22 divided by line 10 times \$1,720.

Line 35—Taxable Income of Fiduciary.
Subtract line 34 from line 33.

Line 36—Taxable Income from line 35, page 1.

Tax Computation

Line 37—Tax Liability. Residents and nonresidents enter the amount of tax from the tax table.

Line 38—Tax on lump-sum distributions (which haven't been included in adjusted gross income).

Enter 10% of the federal tax on lump-sum distributions. Attach a copy of federal Forms 4972 and/or 5544, and your 2000 Form 1041.

Line 39—Subtotal. Add lines 37 and 38.

Line 40—Credits from Form 2A. Enter your total credit amount from line 109, Form 2A, Schedule II. See page 4 of instructions for information on credits.

Line 41—Subtract line 40 from line 39. The total on line 41 cannot be less than zero.

Line 42—Investment Credit Recapture. Enter from Form RIC. (Note: Even though you may not have a tax liability on line 37 you must add line 42.)

Line 43—Total Tax. Add lines 41 and 42.

Line 44—Enter the amount of payments made on 2001 estimated Montana fiduciary income tax.

Line 45—Enter the amount of Montana income tax withheld as shown on withholding tax statements.

Line 46—Total payments. Add lines 44 and 45.

Refund or Balance Due.

Line 47—Amount Overpaid. If line 46 is larger than line 43, subtract line 43 from line 46. You can choose to have all or part of this amount refunded to you (line 48). The remainder, if any, can be applied to your estimated tax for 2002 (line 49). A refund or credit will be made only if the overpayment is \$1 or more.

Line 48—Refund. Enter the amount from line 47 that you want refunded.

Line 49—Applied to 2002 Estimated Tax. Subtract line 48 from line 47. This is the amount that will be applied to your estimated tax for 2002.

Line 50—Balance Due. If line 43 is larger than line 46, subtract line 46 from line 43. This is the amount you owe. If the balance due is less than \$1 payment is not required.

If a return is filed without full remittance of all tax, penalties and/or interest due, you are advised to make regular payments pending contact by the department's collection staff.

Part III—Schedule of Distribution to Beneficiaries

This must list the name, social security number(s), and the beneficiaries share of the capital gains and/or share of income. If there are more than 11 beneficiaries, attach a separate schedule.

Signature: The fiduciary or a representative must sign and date the return; identify any person, firm or corporation who prepares the return on the line "Signature of preparer other than fiduciary;" and include address with zip code.

Form 2A Schedule II Credits Credits Against Tax

(Please request forms for credits from Department of Revenue, at 1-406-444-6900.)

Line 93—College Contribution Credit. See Form CC for instructions.

You may be entitled to a credit for deductible contributions made during 2001 to a general endowment fund of the Montana university system foundations or to a general endowment fund of a private college or its foundation. The credit is 10% of the contribution with a maximum of \$500 and is not refundable. To be eligible for the credit the college must offer a baccalaureate degree level education program.

NEW

Line 94—Qualified Endowment Credit - Individual taxpayers are allowed a credit in an amount equal to 50% of the present value of a planned gift made during the tax year to a qualified Montana endowment. The maximum credit is \$10,000 per taxpayer. The credit may not exceed the taxpayer's tax liability for the year in which the contribution was made. The credit is non-refundable and may not be carried back or forward. The value of the gift used in calculating this credit may not be claimed as a contribution on the Montana itemized deduction schedule. A planned gift is an irrevocable contribution made using any of the following techniques: charitable remainder unitrust, charitable lead unitrusts, charitable gift annuities, charitable life estate agreements, paid-up life insurance policies, charitable remainder annuity trusts, charitable lead annuity trusts, deferred charitable gift annuities or pooled income fund trusts.

A qualified Montana endowment means a permanent, irrevocable fund that is held by a Montana organization that is tax exempt under IRC Section 501(c)(3) or is a bank or trust company that is holding the fund on behalf of tax-exempt organization. The affordable housing revolving loan account that is established in MCA, § 90-6-133 is considered a qualified endowment for the purpose of this credit.

Taxpayers are advised to make sure the above criteria is met before making contributions.

Attach verification of planned gift to a qualifying endowment. Documentation must identify date of gift, method of giving (i.e. cash, trust, etc) amount of gift, recipient and donor. If you are a fiscal year filer, contact the Department of

Revenue.

Line 95—Elderly Care Credit. See Form ECC for instructions. You may be eligible to receive a credit for paying certain expenses of an elderly family member who is 65 or older or who has been determined disabled for social security purposes.

Line 96—Credit Allowed for Income Tax Paid Other States or Countries. Only resident estates or trusts may claim this credit.

If the estate or trust is a Montana resident and the adjusted gross income includes income from a source in another state or country, you are entitled to a credit for income tax paid to the other state or country.

Compute the credit on Schedule V, Form 2A-Page 3 and enter the amount on line 96, Schedule II, Form 2A. The credit claimed must be supported by a copy of your income tax return filed with the other state or country. A separate computation must be made for each state or country for which a credit is claimed. The total credit you take must not exceed your tax liability on line 39.

NEW

Line 97—Contractor's Gross Receipts Tax Credit.

You are allowed a credit against Montana income tax liability for the public contractor's gross receipts tax you paid. You may claim the credit for the taxable year within which your net income from contracts subject to the gross receipts tax is reported. If you report your income from contracts on a percentage of completion basis, the credit must be allocated accordingly. The allowable credit is the actual gross receipts tax paid (after taking the personal property tax credit) not in excess of your tax liability. Attach a schedule to return providing:

- Contractor's name
- Date and amount withheld
- Sub-contractor
- Primary contractor
- Location of job

Line 98—Qualified Investment Credit.

You can claim a credit of 5% of your 2001 federal investment tax credit.

The property you claim for credit must have been in service in Montana and used in the production of Montana income.

To take the credit, complete Schedule VI, Form 2A-Page 3, and attach a copy of Federal Form 3468 which shows a computation of the federal credit. No investment credit is allowed for rehabilitation property.

Credit for the taxable year can not exceed \$500. No unused portion of the credit earned in 2001 can be carried back or forward to other years.

Investment tax credit carryover from tax years prior to 1983 has expired.

If the property is used both inside and outside the state, the credit is prorated according to the number of days the property is used in Montana and the length of time owned during the year.

Line 99—Credit for Installation of Geothermal System. Only residents of Montana can claim this credit.

See complete instructions on Form ENRG-B which must be completed and attached to claim this credit. Installation must be located in Montana.

Line 100—Credit For Energy Conservation Installations.

Form ENRG-C must be completed and attached to claim this credit. Installation must be located in Montana.

Line 101—Credit for Wind-Powered Generation Equipment.

You must use Form 2 WPC to claim the state credit. Installation must be located in Montana.

Line 102—Recycling Credit.

Credit for investments in depreciable equipment or machinery to collect, process or manufacture a product from reclaimed material. Please complete and attach Form RCYL to claim this credit. Installation must be located in Montana.

Line 103—Alternative Fuel Credit.

You must complete and attach Form AFCR to claim this credit.

Line 104—Montana Capital Company Credit. (Carryovers Only)

You can claim an income tax credit for investments in Montana capital companies certified by the Montana Department of Commerce. Attach a detailed explanation of your claim for the credit.

Line 105—Dependent Care Assistance Credit (DCAC).An employer may claim a credit against personal income taxes for amounts paid or incurred during the taxable year for dependent care assistance provided to employees. This assistance may be in the form of:

- Acquiring, constructing, reconstructing, renovating, or improving real property for the primary use as a day care facility.
- Providing dependent care assistance to employees that meet the requirements of IRS code. 26 U.S.C. 129(d)(2) through (d)(6).
- Providing information and referral services to assist employees within the state in obtaining dependent care.

Complete and attach Form DCAC from the Department of Revenue.

Line 106—Credit for Health Insurance for Uninsured Montanans. This credit is available to employers who make disability insurance available to employees. See Form HI for details.

Line 107—Infrastructure Users Fee Credit - This provides a tax credit for new businesses located in Montana which create at least 50 jobs in the primary sector of the economy of a local community. The credit is calculated based on the infrastructure fees paid by the new business to the local government. Call the Department of Revenue for additional information.

Line 108— Credit for the Preservation of Historic Buildings - Contact the Department of Revenue for Details.

Line 109— Credit for Increasing Research Activities A credit is available for increases in qualified research expenses and basic research payments for research conducted in Montana. The credit is determined in accordance with Section 41 of the IRC, 26, U.S.C. 41, except the applicable percentage rate is 5% for Montana purposes. A completed form provided by the department must be attached to the return. Any unused credit cannot be refunded in the year reported, but may be carried back 2 years and carried forward 15 years.

Line 110— Mineral Exploration Incentive Credit - A credit may be claimed for certified expenditures of mining exploration activities (MCA, §15-32-501), not to exceed 50% of the tax liability. Certified expenditures represent costs incurred for activities in direct support of exploration activity conducted at a specific exploration activity conducted at a specific exploration site. The credit applies to activities associated with both new mines and mines that are being reopened. A completed copy of the form provided by the department must be attached to the return.

To obtain the credit, the taxpayer must first submit a request that details the work done and the expenses incurred. This must be done within 60 days following the end of the calendar year on a form provided by the department. The department then has until September 30 to certify whether the expenses qualify for the credit.

NEW

Line 111— Affordable Housing Revolving Loan Account Credit - You may be entitled to a tax credit for contributions made during the year to the affordable housing revolving loan account established in MCA, § 90-6-133. A taxpayer is allowed a tax credit in an amount equal to 20% of the amount donated by an individual to the affordable housing revolving loan account. The maximum credit that may be claimed is \$10,000 and may not exceed your income tax liability. There are no carryover provisions allowed for this credit. You are not entitled to this credit if you have claimed the full amount of the contribution as an itemized deduction or have taken the contribution as a Qualified Endowment Credit on Line 94.

Line 112— Total Credits. Add Lines 93 through 111.

To obtain necessary forms or tax return assistance, call (406) 444-6900, or TDD (hearing impaired) (406) 444-2830.