



2004

Montana Small Business Corporation Booklet

Form CLT-4S - Montana S. Corporation Information and Composite Tax Return

Schedule IV - Montana S. Corporation Composite Income Tax Return

Schedule V - Pass-Through Entity Withholding Income Tax Estimated Payments



Photo by Ross Magnuson

Fiscal Year Filers - Please Note:

These are your Montana Small Business Corporation Information and Composite Return forms for tax year beginning in 2004. Retain this booklet for your 2004 filing purposes.

Make any necessary corrections to the label below and attach it to your 2004 Montana CLT-4S.

Montana Department of Revenue
Post Office Box 8021
Helena, MT 59604-8021

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

No Return

Dear Montana S. Corporation Taxpayers,

The Montana Department of Revenue is continuing our efforts to become more modern, efficient and customer-focused, with the goal of making it simpler and more convenient for taxpayers to do business with us.

The 2004 Montana S. Corporation Information and Composite Tax Return will be processed on our newly installed Integrated Revenue Information System (IRIS). With this transition to a new system, you will see several changes to the format and filing requirements of Form CLT-4S.

- The S. corporation information and composite tax return will now be filed under one return, with new schedules replacing the various forms required to be filed in the past.
- Form PT-AGR (Pass-Through Entity Owner Tax Agreement) replaces the old Form PT-NRA. Form PT-AGR incorporates both nonresident individuals and foreign C. corporation owners. For tax year 2004, Form PT-AGR replaces both Form PT-NRA and the old PT-CON. The signed PT-AGR filed with your 2004 information return will not be required to be submitted in subsequent years.
- Estimated payments made throughout 2005 by an S. corporation on behalf of participant shareholders of a composite return will now be submitted with the pass-through entity coupon PT. Please do not submit estimated payments with the individual income tax coupon IT, as was required in the past. If you need new coupons for 2005, please contact us.
- The pass-through entity will be required to submit with their information and composite tax return a copy of their federal S. Corporation or Partnership return along the federal Schedule K-1 for each owner of the pass-through entity.

As always, you may e-mail the Department of Revenue with any questions, requests, comments or suggestions. The e-mail address is jpurcell@state.mt.us.

Montana Department of Revenue.

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



PT-AGR Montana Pass-Through Entity Owner Tax Agreement
PT-STM Montana Second-Tier Pass-Through Entity Owner Statement

Table of Contents

General:

Instructions 3 through 8

Forms included in this booklet:

CLT-4S - Montana S. Corporation Information and Composite Tax Return	9 and 10
Schedule I - Multistate S. Corporation Apportionment Factors	11
Schedule II - Montana S. Corporation Tax Credits	12
Schedule III - Montana S. Corporation Shareholder Information	13
Schedule IV - Montana S. Corporation Composite Income Tax Schedule	14
Schedule V - Pass-Through Entity Withholding Estimated Payment Schedule	15
PT-WH - 2004 Back-up Withholding Statement	16

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

What's New for 2004

Montana Pass-Through Entity Owner Tax Agreement. A pass-through entity that has a nonresident individual owner or a foreign C. corporation owner at any time during the tax year must remit amounts to the Department of Revenue on behalf of the owner, if (1) the entity does not have a valid, currently effective tax agreement from the owner and (2) the owner does not participate in filing a composite return with the entity. See detailed instructions on Form PT-AGR.

Montana Second-Tier Pass-Through Entity Owner Statement. A pass-through entity that has an owner that is itself a pass-through entity (a second-tier entity) at any time during the tax year must remit amounts to the Department of Revenue on behalf of the second-tier owner, if (1) the second-tier entity does not participate in filing a composite return with the first-tier entity and (2) the first-tier entity does not obtain from the second-tier entity a statement identifying the second-tier entity's owners and providing information that establishes the second-tier entity's share of Montana source income of the first-tier entity will be fully accounted in filed Montana individual or corporation tax returns. See detailed instructions on Form PT-STM.

Schedule II - Montana Tax Credits. A pass-through entity that is entitled to a Montana tax credit must complete Schedule II identifying the credit and attach the appropriate form(s) identifying the distribution of the credit to shareholders. See detailed instructions on pages 5-6.

Schedule IV. Schedule IV replaces Form PT-CR1 (Montana Composite Income Tax Return) used for tax years 2002 and 2003. See detailed instructions on page 7.

Schedule V. Schedule V replaces Form PT-WHREM (Nonresident Individual Income Tax Estimated Payments Transmittal Document) used for tax years 2002 and 2003. Form PT-WH is no longer required to be attached to Schedule V and submitted to the Department of Revenue but must be provided to the shareholder to be used when filing the shareholder's tax return. See detailed instructions on pages 7-8.

General Information

Who Must File Form CLT-4S

An S. corporation engaged in business in Montana and who has 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 Form CLT-4S.

Electing to be a Small Business Corporation

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

Period Covered by the Return

The 2004 Form CLT-4S must be filed for the calendar year 2004 or fiscal year beginning in 2004. An S. corporation reporting for a fiscal year or filing a short-period return must enter the beginning and ending dates of the taxable year in the space provided at the top of the return.

The taxable year for Montana must be the same as used for federal income tax purposes. If an S. corporation changes its federal taxable year, it must change the Montana taxable year accordingly. A copy of the approval from the Internal Revenue Service to change accounting periods must accompany the first return that reflects the change.

Montana Source Income

An S. corporation has Montana source income if the separately and nonseparately stated income, gain, loss, deduction or credit, or items 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.

What Must be Filed

An S. corporation with only Montana resident shareholders is not required to complete Schedules IV and V, or Forms PT-AGR and PT-STM.

An S. corporation that has a shareholder who is a nonresident individual, foreign C. corporation or a second-tier pass-through entity at any time during the tax year must include with the filing of Form CLT-4S:

- Schedule IV (Montana Composite Income Tax Schedule) for eligible shareholders who elect to participate in a composite filing.
- Schedule V (Pass-through Entity Withholding Estimated Payment Schedule) for a nonresident individual, foreign C. corporation, or a second-tier pass-through entity shareholder who is not participating in the S. corporation's composite return or who has not provided the S. corporation with a signed Form PT-AGR or Form PT-STM.
- Form PT-AGR (Montana Pass-Through Entity Owner Tax Agreement) executed by the nonresident individual or foreign C. corporation agreeing to timely file, pay and be subject to personal jurisdiction of the State of Montana.
- Form PT-STM (Montana Second-Tier Pass-Through Entity Owner Statement) executed by the second-tier pass through identifying the owners of the second-tier pass-through entity and establishing that its Montana source income will be fully accounted for in filed Montana individual or corporation tax returns.

The pass-through entity is not required to attach a new Form PT-AGR or Form PT-STM each year but must attach currently effective agreements or statements for each new nonresident individual, foreign C. corporation or second-tier pass-through owner and must retain the agreements or statements of other owners as tax records.

When and Where to File

The Montana filing period is the same as your federal filing period. For a calendar year S. corporation, Form CLT-4S is due on or before March 15 following the close of the taxable year. For a fiscal year S. corporation, 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 does not have to request in writing a Montana extension of time to file when the S. corporation has been granted an extension of time to file its federal return. Montana will accept an approved six-month federal

extension upon filing with the Internal Revenue Service the Automatic Extension of Time to File a Corporation Income Tax Return (federal Form 7004). This extends the time for filing Form CLT-4S and its supporting schedules and, where applicable, Forms PT-AGR and PT-STM. An extension of time to file Montana Form CLT-4S is not an extension of time for payment of any composite tax.

Mail the Montana S. Corporation Information and Composite Tax Return to:
Montana Department of Revenue
P.O. Box 8021
Helena, MT 59604-8021

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. If the S. corporation has an outside accounting firm or individual prepare Form CLT-4S, the name, address and telephone number of the tax preparer must be included on the return.

Tax Preparer Contact

To streamline resolution questions related to the S. corporation's information return and its supporting schedules, the S. corporation may authorize the Department of Revenue to contact the tax preparer. Placing an "X" in the box authorizing the department to discuss the return with the tax preparer can significantly improve the processing of the return.

Amended Return

Use Form CLT-4S to amend an original return. Indicate at the top of the form that this represents an amended filing and check the box indicating the reason(s) for amending the return. Attach the applicable forms and statements explaining all adjustments in detail. Complete the entire Form CLT-4S and its applicable schedules using the correct amounts. 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 Form CLT-4S and given to the shareholder.

If the Internal Revenue Service changes or makes corrections to the federal Form 1120S, or the S. corporation amends the federal return, an amended Form CLT-4S must be filed within 90 days of receiving the Internal Revenue Service's notification of the corrections made to federal Form 1120S.

Instructions for Montana Form CLT-4S

Lines 1 through 10 – Enter the amounts reported on federal Form 1120S, Schedule K, Shareholders Pro Rata Share Items, lines 1 through 10.

Bonus Depreciation: The Montana corporation license tax provisions incorporate Section 167, IRC, the depreciation allowance section which is in effect with respect to the allowance of the 50% bonus depreciation for certain property. Therefore, the bonus depreciation allowed on an S. corporation's federal tax return is an allowable deduction in determining the ordinary income (loss) for Montana.

Ordinary Dividends: Enter the total amount of ordinary dividends reported on federal Form 1120S, Schedule K, line 5a. Montana taxes dividends as ordinary income and does not recognize the federal qualified dividend tax rate.

Lines 12 and 13 – Enter the amount of deductions reported on federal Form 1120S, Schedule K, Shareholders Pro Rata Share Items, lines 11 and 12.

Line 15 – Shareholders' Share of Montana Additions to Income. To compute Montana income taxable to shareholders, certain items must be added to income. A detailed schedule must be attached to the 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 15(a).
- State, local, and foreign income taxes must be added back to income. These taxes based on income or profits are reported on line 15(b). 15-31-114(1)(e), MCA.
- Report other additions on line 15(c) and attach a detailed schedule reconciling the amount of other additions.

Line 16 – Shareholders' Share of Montana Exclusions and Deductions to Income. To compute Montana income taxable to shareholders, certain items are excluded or deducted from income. A detailed schedule must be attached to the 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 are also exempt from Montana income tax. Report this amount on line 16(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 16(b). 15-32-610, MCA.
- Report other deductions on line 16(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. 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 federal Schedule D to Form CLT-4S. 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 18 – Income Apportioned to Montana. For a multistate S. corporation, multiply the amount that is reported on line 17 by the apportionment percentage that is reported on line 5 of Schedule I, Multistate S. Corporation Apportionment Factor. Enter the Montana apportioned income on line 18.

Line 19 – Income Allocated Directly to Montana. For a multistate S. corporation, any income determined to be Montana allocable income must be reported on line 19.

Line 20 – S. Corporation Information Return Late File Penalty. An S. corporation is charged a late file penalty if 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 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 the required tax returns or other reports timely and have paid all taxes when due.

Instructions for Montana Schedule I

Multistate S. Corporation Apportionment Factors

Schedule I applies only to multistate entities. All multistate entities must complete and attach Schedule I to Form CLT-4S.

In most cases, multistate S. corporations must compute Montana income taxable to shareholders by means of the apportionment factor calculated on Schedule I. 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 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 are dependent upon or contributory to the operations of the business outside the state. Every S. corporation carrying on a unitary business within and without Montana must complete Schedule I.

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 I 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 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 of Revenue, 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
 - 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 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 I and on form CLT-4S, line 18, page 1.

Instructions for Montana Schedule II

Montana S. Corporation Tax Credits. A credit claimed by an S. corporation must be attributable to its shareholders using the same proportion used to report the S. corporation's income or loss for Montana income tax purposes. Provide a detailed breakdown of how the credit is proportioned to each shareholder.

Montana Dependent Care Assistance Credit. An employer may claim a credit for the amount paid or incurred during the tax 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.

See Form DCAC for detailed instructions. Complete Form DCAC and attach it to the return.

Montana College Contribution Credit. S. corporation shareholders are allowed a credit for deductible contributions made during the tax year to the general endowment funds of the Montana University System foundations or to the general endowment funds of a private Montana college or its foundation. The credit is 10% of the contribution with a maximum credit of \$500 and is non-refundable. The college must offer a baccalaureate degree level education program. Complete Form CC and attach it to the return.

Health Insurance for Uninsured Montanans Credit. An employer is allowed a credit for a percentage of premium payments made in providing health insurance to their employees. See Form HI for detailed instructions. Complete Form HI and attach it to the return.

Montana Recycle Credit. A business is entitled to a credit for investments in depreciable equipment or machinery used to collect, process or manufacture a product from reclaimed material. See Form RYCL for detailed instructions. Complete Form DCAC and attach it to the return.

Alternative Energy Production Credit. A credit is allowed for a qualified investment of \$5,000 or more. The alternative energy system must be located in Montana. See Form AEPC for detailed instructions. Complete Form AEPC and attach it to the return.

Contractor's Gross Receipt Tax Credit. A business is allowed a credit for the public contractor's gross receipts tax paid. If the business reports its income on a percentage-of-completion basis, the credit must be pro-rated accordingly. Attach a schedule to the return showing the contractor's name, date and amount of contract, primary contractor, subcontractor and location of the job.

Alternative Fuel Credit. There is a credit for conversion of a motor vehicle to an alternative fuel. See Form AFRC for detailed instructions. Complete Form AFRC and attach it to the return.

Infrastructure Users Fee Credit. A business located in Montana may qualify for a credit for creating at least 15 jobs in the basic 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.

Qualified Endowment Credit. A business is entitled to a credit for 40% of the present value of a planned gift made during the tax year to a qualified Montana endowment or for 20% of a direct contribution to a qualified endowment. See Form QEC for detailed instructions. Complete Form QEC and attach it to the return.

Historic Building Preservation Credit. A credit equal to 25% of the federal rehabilitation credit provided for in IRS Code 26 U.S.C. 47(a)(2) is allowed on qualifying historic buildings located in Montana. Attach federal Form 3468.

Increasing Research Activities Credit. A credit is available for increasing qualified research expenses and basic research payments for research conducted in Montana. The credit is determined in accordance with IRS Code 26 U.S.C. 41, except the application percentage rate is 5% for Montana purposes. A completed form provided by the Department of Revenue must be attached to the return.

Mineral Exploration Incentive Credit. A credit may be claimed for certified expenditures of mining exploration activities (15-32-501, MCA). Certified expenditures represent costs incurred for activities in direct support of 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 Form MINE-CRED must be attached to the return. To obtain the credit, a request must be first submitted 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 provide by the Department of Revenue. The department has until September 30 to certify whether the expenses qualify for the credit.

Affordable Housing Revolving Loan Account Credit. There is a credit for contributions made during the year to the affordable housing revolving loan account established in 90-6-133, MCA. The credit is equal to 20% of the amount donated to the account with a maximum credit of \$10,000. The credit is not available if the contribution has been applied to the Qualified Endowment Credit.

Developmental Disability Account Contribution Credit. There is a credit equal to 30% of the contribution made during the year to the Montana Developmental Disability Service Account established under 53-20-171, MCA. If the credit is claimed it may not be deducted as a contribution on the return.

Empowerment Zone Credit. An employer who has a business in an empowerment zone as described in 15-30-182, MCA is entitled to a credit for each new employee at this business. The Montana Department of labor and Industry must certify the business prior to qualifying for the credit.

Instructions for Montana Schedule III

Montana S. Corporation Shareholder Information

Shareholder Information. The shareholder information Schedule III, columns A through E, must be completed for all shareholders of the S. corporation. The S. corporation must complete columns F through I for a shareholder who is a nonresident individual, foreign C. corporation or a second-tier pass-through entity.

Columns B and C. If the shareholder is an individual enter the social security number of the individual as it appears on the federal Schedule K-1. If the shareholder is a corporation, partnership, disregarded entity, trust or estate, enter the federal employer identification number of the shareholder as it appears on the federal Schedule K-1.

Column E. Enter the shareholder's share of the S. corporation's Montana source income. Montana source income is the aggregate of the 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 F. Check the yes box of the shareholder subject to the composite, consent or withholding requirements.

Column G. Enter the shareholder's share of the S. corporation's total federal income from all sources which includes the aggregate of the shareholder's federal share of income, gain, losses, deductions or other expenses of the S. corporation for federal tax purposes.

Columns H and I. See instructions under schedules IV and V.

Column J. All nonresident individuals, foreign C. corporations, and second-tier pass-through entities must complete the 2004 Montana Form PT-AGR or Form PT-STM. Prior year Form PT-CON or Form PT-NRA are not effective for tax year 2004 or subsequent years and must be replaced with the new 2004 Form PT-AGR. Enter the year 2004 in column J and attach copies of signed agreements and statements. For tax year 2005 and subsequent years an S. corporation is not required to complete and attach new agreements or statements for those owners who have signed a 2004 PT-AGR or Form PT-STM.

Instructions for Montana Schedule IV

Montana Small Business Corporation Composite Income Tax Schedule

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
- be a 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
- be a pass-through entity, also referred to as a second-tier pass-through entity and
- only have 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.

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 the 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 of the composite return, the S. corporation is responsible for

- remitting the composite tax to the department,
- 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.

Column A – Name of Eligible Participating Shareholder. List the name of the participating shareholder or member as it appears on Form CLT-4S, Schedule III.

Columns B and C – 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, Schedule III.

Column D – Federal Income from Entity. Enter the participating shareholder's share of the S. corporation's total federal income from all sources reported on the federal K-1 which includes the aggregate of the shareholder's share of income, gain, losses, deductions or other expenses of the S. corporation for federal income tax purposes.

Column E – Standard Deduction. Each eligible participating shareholder is allowed one standard deduction equal to 20% of column D, but not less than \$1,530 or more than \$3,440. For an entity that is filing on a fiscal year basis, see the general instructions for the period to be covered by the return. An individual shareholder who has filed a joint federal return with a spouse is entitled to only one standard deduction.

Column F – Exemption. Each participating shareholder is allowed one exemption of \$1,840. For an entity that is filing on a fiscal year basis, see the general instructions for the period to be covered by the return. An individual shareholder who has filed a joint federal return with a spouse is entitled to only one exemption.

Column G – Taxable Income. Subtract columns E and F from column D and enter the result in column G.

Column I – Total Montana Source 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 the shareholder's share of income, gain, losses, deductions or other expenses of the S. corporation, which are deductible only by the S. corporation and which are attributable to Montana.

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

Column K – Montana Composite Income Tax Liability. Multiply amount in column H, tax from tax table, by the ratio in column J. This is the participant's Montana composite tax liability.

Instructions for Montana Schedule V

Pass-through Entity Withholding Estimated Payment Schedule

Form PT-WH is no longer required to be submitted with Schedule V, but must be completed and sent to the shareholder listed in column A of Schedule V.

Column A – Name and Address of Shareholder. List the name and address of the shareholder as it appears on Form CLT-4S, Schedule III.

Columns B and C – Social Security Number or Federal Employer Identification Number. Enter the social security number or federal employer identification number of the shareholder as it appears on Form CLT-4S, Schedule III.

Column D – Total Montana Source Income. Enter the shareholder's share of the S. corporation's Montana source income reported on Form PT-WH, line 1. The share of Montana source income is the aggregate of the shareholder's share of income, gain, losses, deductions or other expenses of the S. corporation, which are deductible only by the S. corporation and which are attributable to Montana.

Column E – Montana Corporation Tax Withheld. If the shareholder is a foreign C. corporation, multiply the amount in column D by 6.75% and enter this amount in column E.

Column F – Montana Individual Tax Withheld. If the shareholder is a nonresident individual or a second-tier pass-through entity, multiply the amount in column D by 11% and enter the amount in column F.

**Composite Tax, Payments and Credits
Form CLT-4S, Page 2, Lines 21 through 41**

Line 21 – Total Montana Composite Income Tax. Enter the aggregate amount of the composite tax reported on Schedule III, column H

Line 22 - 2003 Overpayment Applied to 2004. Enter overpayments from 2003 that were credited to 2004.

Line 23 – 2004 Extension Payments. Enter the total Montana extension payment made for 2004.

Line 24 – 2004 Estimated Tax Payments. Enter the total Montana estimated tax payments made for 2004.

Refund or Amount Owed

Line 26 – Overpayment. If line 25 is larger than line 21, enter the difference.

Line 27 – Tax Due. If line 21 is larger than line 25, enter the difference. This is the composite tax.

Line 28 – Underpayment Interest. If the S. corporation was required to make estimated tax payments and did not remit the required amounts, underpayment interest must be paid. Calculate the underpayment interest using Worksheet I below.

Line 29 – Late File Penalty. If the S. corporation information and composite tax return (Form CLT-4S) is filed late, a late file penalty of \$50 or the amount of composite tax owing, (line 27) whichever is smaller, will be assessed. There is no late file penalty for the composite return if there was an overpayment of composite tax (line 26) and a refund is being received.

Line 30 – Late Payment Penalty. If the S. corporation information and composite tax return (Form CLT-4S) is filed late and the tax liability was not paid by the due date of the S. corporation's return, a late payment penalty must be paid. The penalty is 1.5% per month or fraction of month on the unpaid composite tax (line 27). The penalty may not exceed 18% of the tax due.

Line 31 – Interest. Interest will be assessed on any composite tax (line 27) 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.

Line 39 – Total Payment Due (Refund). Combine the amounts on lines 20, 26, 32, 35 and 38.

Line 40 – 2005 Estimated Tax Payment. All or part of the refund reported on line 39 may be refunded, or all or part of the refund may be applied to 2005 estimated tax. On line 40, enter the amount of the refund reported on line 39 that you want applied to 2005 estimated tax.

Line 41 – Refund Amount. Enter the amount of the refund reported on line 39 that you want refunded.

Worksheet I - Participant's Calculation of Underpayment Interest for Failure to Make Estimated Payments

In 2004 the S. Corporation must have paid through estimated installments the smaller of 1) 90% of the current year's total composite tax liability, after payments, or 2) an amount equal to 100% of the previous year's total composite tax liability. Payments made with extensions are not considered estimated payments. If the S. corporation does not meet one of the above two requirements, the composite tax is subject to an underpayment interest.

Short Method

- | | |
|--|---|
| <p>1. Enter the total 2004 composite tax from Schedule III, col. H. _____</p> <p>2. Enter 90% of line 1 above. _____</p> <p>3. Enter the amount credited from previous year and reported on Form CLT-4S, line 22. _____</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>5. Enter the 2003 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 and reported on Form CLT-4S, line 24. _____</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>9. Multiply line 8 by .07980 and enter the result. _____</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>11. Underpayment interest. Subtract line 10 from line 9. Enter the result here and on Form CLT-4S, line 28. _____</p> |
|--|---|



2004 Montana S. Corporation Information and Composite Tax Return

S
MONTANA
CLT-4S
Rev. 9-04

Attach a copy of federal Form 1120S and Schedule K-1's

For calendar year 2004 or tax year beginning _____, 2004; ending _____, 20_____

Check if Applicable: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Amended	Name	Check box if this is <input type="checkbox"/> a change of address.	FEIN: _____
	Address		Federal Business Code: _____
	City	State	Zip + 4
			Date: _____
			Date Qualified in Montana: _____

- Check here, if you do not need the Montana Small Business Corporation Information Return and Instructions sent to you next year.
- Check here, if you are filing Schedule V, Estimated Withholding Payments with your Montana S. Corporation Return, CLT-4S.

Shareholders' Shares of Income (Form 1120S, Schedule K)

Shareholders' Pro Rata Share Items

1. Ordinary business income (loss).....	1.		
2. Net rental real estate income (loss) (attach federal Form 8825).....	2.		
3. a. Other gross rental income (loss).....	3a.		
b. Expenses from other rental activities (attach schedule).....	3b.		
c. Other net income (loss) from other rental activities (subtract line 3b from line 3a).....	3c.		
4. Interest income.....	4.		
5. Ordinary dividends.....	5.		
6. Royalties.....	6.		
7. Net short-term capital gain (loss) (attach federal Schedule D).....	7.		
8. Net long-term capital gain(loss) (attach federal Schedule D).....	8.		
9. Net section 1231 gain (loss) (attach federal Form 4797).....	9.		
10. Other income (loss).....	10.		
11. Total lines 1 through 10.....	11.		

Shareholders' Shares of Deduction (Form 1120S, Schedule K)

12. Section 179 deduction (attach federal Form 4562).....	12.		
13. a. Contributions.....	13a.		
b. Deductions related to portfolio income (attach schedule).....	13b.		
c. Investment interest expense.....	13c.		
d. Section 59(e)(2) expenditures Type _____ Amount →	13d.		
e. Other deductions (attach schedule).....	13e.		
14. Total lines 12 and 13a through 13e.....	14.		

Shareholders' Shares of Montana Additions and Exclusions to Income

15. Add: a. Interest and dividends not taxable under the Internal Revenue Code (non-Montana).....	15a.		
b. Taxes based on income or profits.....	15b.		
c. Other additions (attach detailed breakdown).....	15c.		
Total Montana additions to income.....	15.		
16. Subtract: a. Interest on U.S. Government obligations (attach schedule).....	16a.		
b. Deduction for purchasing recycled material (attach Form RCYL).....	16b.		
c. Other deductions (attach detailed breakdown).....	16c.		
Total Montana deductions to income.....	16.		
17. Income taxable to shareholders (line 11 minus line 14 plus line 15 minus line 16).....	17.		

Shareholders' Shares of Multistate Apportionment and Allocation

18. Multistate taxpayers: Line 17 X _____ % from Montana Schedule I, line 5.....	18.		
19. Multistate taxpayers: Income allocated directly to Montana.....	19.		

Payments

S. Corporation Information Return Late File Penalty Payment

20. S. corporation late file penalty (see instructions on page 5)..... 20.

S. Corporation Composite Income Tax Payment from Schedule IV

21. Montana total composite tax (from Schedule IV, column K)..... 21.

Payments and Credits

22. 2003 overpayment applied to 2004..... 22.

23. 2004 extension payment..... 23.

24. 2004 estimated tax payments..... 24.

25. Total payments (add lines 22 through 24)..... 25.

Refund or Amount Owed

26. If line 25 is larger than line 21, enter the difference.....Overpayment 26. ()

27. If line 21 is larger than line 25, enter the difference.....Tax Due 27.

28. Underpayment interest (from Worksheet I, line 11)..... 28.

29. Late file penalty..... 29.

30. Late payment penalty..... 30.

31. Interest at 1% (.01) per calendar month..... 31.

32. Total Montana composite tax liability (add lines 27 through 31)..... 32.

S. Corporation Backup Withholding Estimated Payment from Schedule V

33. Montana corporation license tax withheld from Schedule V, column E..... 33.

34. Montana individual income tax withheld from Schedule V, column F..... 34.

35. Total S. corporation backup withholding estimated payments (add lines 33 and 34)..... 35.

S. Corporation Amended Returns Only

36. Add: Previously issued refunds..... 36.

37. Subtract: Amount paid with original return plus additional amounts paid with previously filed amended return(s)..... 37.

38. Net payments prior to amendment (line 36 minus line 37; if an overpayment enter as a negative number)..... 38.

S. Corporation Combined Payment Due (Refund)

39. Total payment due (refund) (total of lines 20, 26, 32, 35 and 38)..... 39.

40. Amount on line 39 to be applied to 2005 estimate..... 40.

41. Enter the amount on line 39 you want refunded to you..... 41.

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.

Schedule I

Entity Name	Tax period ending	FEIN
Multistate S. Corporation Apportionment Factors		

	A. Everywhere	B. Montana	C. Factor (B divided by A =C)
1. Property Factor: Use average value for real and tangible personal property			
Land.....			
Buildings.....			
Machinery.....			
Equipment.....			
Furniture and fixtures.....			
Leased property.....			
Inventories.....			
Supplies and other.....			
Property of foreign subsidiaries included in combined unitary group.....			
Property of unconsolidated subsidiaries included in combined unitary group....			
Property of pass-through entities included in combined unitary group.....			
Rents X 8.....			
Total Property			%
2. Payroll Factor:			
Compensation of officers.....			
Salaries and wages.....			
Payroll included in:			
Costs of goods sold.....			
Repairs.....			
Other deductions.....			
Payroll of foreign subsidiaries included in combined unitary group.....			
Payroll of unconsolidated subsidiaries included in combined unitary group....			
Payroll of pass-through entities included in combined unitary group.....			
Total Payroll			%
3. Sales (Gross Receipts) Factor:			
Gross sales, less returns and allowances.....			
a. Sales delivered or shipped to Montana purchasers:			
➤ Shipped from outside Montana.....			
➤ Shipped from within Montana.....			
b. Sales shipped from Montana to:			
➤ The United States Government.....			
➤ Purchasers in a state where the taxpayer is not taxable.....			
Less: Intercompany Sales.....			
c. Sales other than sales of tangible personal property (i.e. service income)..			
d. Net gains reported on federal Schedule D and federal Form 4797.....			
e. Other gross receipts (rents, royalties, interest, etc.).....			
Sales (receipts) of foreign subsidiaries included in combined unitary group.....			
Sales (receipts) of unconsolidated subsidiaries included in combined unitary group.....			
Sales (receipts) of pass-through entities included in combined unitary group.....			
Less: Other intercompany transactions.....			
Total Sales			%
4. Sum of Factors (add lines 1, 2 and 3)			%
5. Apportionment Factor Divide line 4 by the number of factors; i.e. the number (1, 2 or 3) of factors reporting greater than zero for everywhere property, payroll or sales. Enter here and on CLT-4S, page 1, line 18.....			%

Schedule II

Montana S. Corporation Tax Credits

Entity Name _____

Tax Period Ending _____ FEIN _____

Type of Credit	Amount of Credit	
1. Montana Dependent Care Assistance Creditattach Form DCAC		
2. Montana College Contribution Creditattach Form CC		
3. Health Insurance for Uninsured Montanans Creditattach Form HI		
4. Montana Recycle Credit attach Form RCYL		
5. Alternative Energy Production Creditattach Form AEPC		
6. Contractor’s Gross Receipts Tax Creditattach supporting schedule		
7. Alternative Fuel Creditattach Form AF CR		
8. Infrastructure Users Fee Credit		
9. Qualified Endowment Creditattach Form QEC		
10. Historical Buildings Preservation Creditattach Federal Form 3468		
11. Increase Research and Development Activities Creditattach Form RSCH		
12. Mineral Exploration Incentive Creditattach Form MINE-CERT		
13. Affordable Housing Revolving Loan Account Contributions Credit		
14. Developmental Disability Account Contribution Credit		
15. Empowerment Zone Credit		
Total Credits		

A credit allowed to an S. corporation must be attributable to its shareholders using the same proportion used to report the S. corporation’s income or loss for Montana income tax purposes. Provide a detailed breakdown of how the credit is proportioned to each shareholder.

To receive these credits, the shareholder must attach the applicable credit form to the individual income or corporation license tax return.

Entity name _____ Tax period ending _____ FEIN _____

Schedule III - Montana S. Corporation Shareholder Information

Complete columns F through J for a nonresident individual, foreign C. corporation or second-tier pass-through entity shareholder.

A Name and address of shareholder	Resident and nonresident individual, foreign C. corporation and second-tier pass-through entity shareholder information				Nonresident individual, foreign C. corporation and second-tier pass-through entity shareholder information				
	B Social Security Number	C Federal Employer Identification Number	D Owner %	E Montana source income	F Subject to composite, consent or withholding	G Federal income from entity (from federal Schedule K-1)	H Composite income tax (from Schedule IV, column K)	I Shareholder withholding (from Schedule V, column E or F)	J Consent agreement or statement (enter year signed)
1. _____					<input type="checkbox"/> yes				
2. _____					<input type="checkbox"/> yes				
3. _____					<input type="checkbox"/> yes				
4. _____					<input type="checkbox"/> yes				
5. _____					<input type="checkbox"/> yes				
6. _____					<input type="checkbox"/> yes				
7. _____					<input type="checkbox"/> yes				
8. _____					<input type="checkbox"/> yes				
9. _____					<input type="checkbox"/> yes				
10. _____					<input type="checkbox"/> yes				
11. _____					<input type="checkbox"/> yes				
Column totals									

Entity name _____ Tax period ending _____ FEIN _____

Schedule IV - Montana S. Corporation Composite Income Tax Schedule

Eligible Participating Shareholder: An eligible participant is a shareholder who is a nonresident individual, a foreign C. corporation, or a pass-through entity whose only Montana source income for the tax year is from this entity and from other pass-through entities who have elected to file a composite return and pay a composite tax on behalf of the eligible participating shareholder. The entity must retain an executed power of attorney signed by the eligible participating shareholder, authorizing the S. corporation to file a composite return and act on the shareholder's behalf.

A Name Number of participating shareholders	B Identification number		C Taxable income			D Montana composite income tax liability				
	Social Security Number	Federal Employer Identification Number	D Federal income from entity	E Standard deduction	F Exemption \$1840	G Taxable income (D - E - F)	H Tax from tax table	I Montana source income	J Ratio (I / D)	K Montana composite income tax (H x J)
1.										
2.										
3.										
4.										
5.										
6.										
7.										
8.										
9.										
10.										
11.										
12.										
13.										
14.										
15.										
16.										
17.										
18.										
19.										
20.										
21.										
22.										
23.										
24.										
25.										
26.										
Total										

Tax Table			
If Taxable Income is Over	But not Over	If Taxable Income is Over	But not Over
\$ 0	\$ 2,300	\$ 18,400	\$ 22,900
\$ 2,300	\$ 4,600	\$ 22,900	\$ 32,100
\$ 4,600	\$ 9,200	\$ 32,100	\$ 45,900
\$ 9,200	\$ 13,800	\$ 45,900	\$ 80,300
\$ 13,800	\$ 18,400	\$ 80,300	

Multiply by	and Subtract = Tax	Multiply by	and Subtract = Tax
X 2%	\$ 0	X 7%	\$ 483
X 3%	\$ 23	X 8%	\$ 712
X 4%	\$ 69	X 9%	\$ 1,033
X 5%	\$ 161	X 10%	\$ 1,492
X 6%	\$ 299	X 11%	\$ 2,295

Example = taxable income \$2,400 x 3% (.03) = \$72 subtract \$23 = \$49 tax

Entity name _____ Tax period ending _____ FEIN _____

Schedule V - Pass-Through Entity Withholding Estimated Payment Schedule

Nonresident individual, foreign C. corporation and second-tier pass-through entity	Identification number		Income and Backup Withholding		
A	B	C	D	E	F
Name and address Total number of shareholders subject to Schedule V _____	Social Security Number	Federal Employer Identification Number	Montana source income reported on Form PT-WH, line 1	Montana corporation tax withheld	Montana individual tax withheld
				6.75%	11%
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
13.					
Column totals (transfer to Form CLT-4S, lines 33 and 34)					
				Total (add columns E and F)	



2004 Montana Income Tax Withheld for a Nonresident Individual, Foreign C. Corporation, or Second-Tier Pass-Through Entity

Owner Information	First-Tier Pass-Through Entity's Information as shown on most recent federal return or Schedule K-1
Name	Name
Street or Other Mailing Address	Street or Other Mailing Address
City State Zip Code	City State Zip Code
Social Security Number or Federal Employer ID Number	Federal Employer ID Number
1. Owner's Montana source income reflected on the first-tier pass-through entity's information return..... \$ _____	First-Tier Pass-Through Entity Type (check only one) <input type="checkbox"/> S. Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Disregarded Entity <hr/> Taxable year of first-tier pass-through entity Beginning _____, 20____ and ending _____, 20____
2. Amount of Montana tax withheld and remitted (11% of line 1 if a nonresident individual or a second-tier pass-through entity. 6.75% of line 1 if a foreign C. corporation)..... \$ _____	

To be completed in absence of an owners participation in a composite return or submitting a signed Montana Form PT-AGR or PT-STM.

Instructions

Purpose of Form PT-WH

A first-tier pass-through entity that has a nonresident individual, foreign C. corporation, or second-tier pass through entity owner at any time during the tax year must remit amounts to the Department of Revenue on behalf of the owner as provided in 15-30-1113, Montana Code Annotated, if (1) the entity does not have a valid, currently effective tax agreement or statement from the owner and (2) the owner does not participate in filing a composite return with the entity.

Amount of Withholding

For a nonresident individual and a second-tier pass-through entity, the amount withheld is 11% of the Montana source income reflected on the entity's Montana information return. For a foreign C. corporation, the amount withheld is 6.75% of the Montana source income reflected on the entity's Montana information return.

First-Tier Pass-Through Entity filing

Transfer amounts reported on lines 1 and 2 above to Form CLT-4S, PR-1, or DER-1; Schedule V. Send Form PT-WH to its owner. Form PT-WH is not required to be submitted to the Department of Revenue with the pass-through entity information return, Schedule V.

Nonresident Individual

The amount of Montana income tax withheld is considered

an estimated payment against your Montana individual income tax liability. When completing your Montana individual income tax return, Form 2, the amount in box 2 above is claimed as an estimated payment on line 56 of your 2004 Montana Form 2. Form PT-WH must be attached to your Montana Form 2 when claiming this estimated payment.

Foreign C. Corporation

The amount of Montana income tax withheld is considered an estimated payment against your Montana corporation license tax liability. When completing your Montana corporation license tax return, Form CLT-4, the amount in box 2 above is claimed as an estimated payment on line 11b of your 2004 Montana Form CLT-4. Form PT-WH must be attached to your Montana Form CLT-4 when claiming this estimated payment.

Second-Tier Pass-Through Entity

The amount of Montana income tax withheld is considered an estimated payment on the account of the individual, estate, trust or C. corporation in which the Montana source income of the first-tier pass-through entity's income is directly or indirectly passed through and is claimed as a distributable share of a refundable credit when an individual, estate, trust or C. corporation files a Montana tax return and is subject to tax on the Montana source income.