



2006 Film Production Credit
15-31-901 through 15-31-911, MCA

MONTANA
FPC
Rev 11-06

Name (as it appears on your tax return) _____

Your Social Security Number or Federal Employer Identification Number _____

If this credit is a pass-through to you from a partnership or S corporation enter here the name of the partnership or S corporation, FEIN, and your percentage of ownership in the partnership or S corporation.

Name _____ FEIN _____ % of Ownership _____

Enter your Film Certification Number issued by the Montana Department of Commerce here. []

A separate Form FPC must be completed for each qualifying production for which you are applying for the film production credit.

If you are completing Form FPC as a C Corporation, S Corporation, Partnership, Limited Liability Company or Sole Proprietor filing federal Schedule C, you are required to complete the personal information above and also Parts I and II and Schedules I and II. If you are an S Corporation, Partnership or Limited Liability Company that is not filing as a C Corporation or Sole Proprietor, do not complete line 11. The employment production credit election is to be made by each owner of the pass through entity.

If you are a shareholder of an S Corporation, partner of a Partnership or member of a Limited Liability Company who is entitled to the Film Production Credit, you do not have to complete Part I below. In addition to completing your personal information above, you only need to complete Part II, lines 8 through 11.

Part I: Film Production Credit Application Fee

Your application fee is due and payable at the time your production company files Montana Form CLT-4 (Corporate License Tax Return); CLT-4S (S Corporation Information Return); PR-1 (Partnership Information Return); DER-1 (Disregarded Entity Information Return), or Form 2 (Individual Income Tax Return). You cannot offset your application fee by the amount of your Film Production Credit calculated below.

If you are applying only for the qualified expenditure credit, skip lines 1 and 2 and go to line 3 below. Complete lines 1 through 3 only if you are applying for the employment production credit or for both the employment production and the qualified expenditure credit.

- 1 Enter the total compensation you paid to Montana residents, excluding compensation paid to extras that you are choosing to treat as a qualified expenditure, that is reported on Schedule I, Column D, here. Do not include nonresident compensation..... 1 []
2 If the amount on line 1 is \$30,000 or less, enter \$500 here. If the amount in line 1 is greater than \$30,000, multiply the total number of Montana residents, excluding any extras you are choosing to treat as a qualified expenditure, reported on Schedule I, Column C, by \$75 and enter the result here 2 []
3 If you are applying only for the qualified expenditure credit, enter \$500 here. Otherwise, enter the amount from line 2 if you are applying only for the employment production credit or for both the employment production credit and the qualified expenditure credit. This is your Film Production Credit Application Fee. (See the instructions for Part I, line 3 on how to submit your application fee.) 3 []

When you file your Montana income tax return electronically, you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

Part II: Film Production Credit

4	Enter your 2006 Employment Production Credit from Schedule I, Column E, line 20 here.	4	
5	Enter your 2006 Qualified Expenditure Credit from Schedule II, line 23 here.	5	
6	Add lines 4 and 5 and enter the result here	6	

7 Is the amount on line 6 greater than \$1,000,000?

NO Enter the amount from line 4 on line 8 below and the amount from line 5 on line 9 below.

YES You are required to adjust the amount you reported on lines 4 and 5 above. If you are claiming only the employment production credit or the qualified expenditure credit, your credit is limited to \$1,000,000. If you are claiming both the employment production and the qualified expenditure credit your combined credit is limited to \$1,000,000. You may elect to adjust only one or both credits so that the total on line 6 is not greater than \$1,000,000. Enter the adjusted amounts on line 8 and 9 below.

8	Enter your 2006 employment production credit here. This cannot be greater than \$1,000,000. This is your Employment Production Credit	8	
9	Enter your 2006 qualified expenditure credit here. This cannot be greater than \$1,000,000. This is your Qualified Expenditure Credit	9	
10	Add lines 8 and 9 and enter the result here. Your combined credits cannot be greater than \$1,000,000. This is your Film Production Credit	10	

Complete line 11 only if you are a C Corporation, Sole Proprietor filing federal Schedule C, or a shareholder of an S Corporation, partner of a Partnership or member of a Limited Liability Company.

11 **Employment Production Credit Election:** You can make a one-time election to claim your Employment Production Credit as either a refundable carryover credit that is applied against your 2006 corporate license or individual income tax liability with the unused credit carried forward four succeeding tax years, or you may elect to have your credit refunded to you for tax year 2006. Check the box below for your election.

Refundable Carryover Credit Refundable Credit

The Qualified Expenditure Credit portion of your Film Production Credit must be refunded for tax year 2006 if your tax liability is less than the amount of the credit.

Where to Report Your Credit

Individuals

If you are an individual and you have elected to treat your employment production credit as a carryover credit, transfer the amount on line 8 to Form 2, Schedule V, line 25. If you have elected to treat this credit as a refundable credit, transfer the amount on line 8 to Form 2, Schedule V, line 28. Transfer the amount on line 9 to Form 2, Schedule V, line 29.

C corporations; S corporations; or Partnerships

If you are a C corporation, transfer the amount on line 10 to Form CLT-4, Schedule C, line 18.
 If you are an S corporation, transfer the amount on line 10 to Form CLT-4S, Schedule II, line 15.
 If you are a partnership, transfer the amount on line 10 to Form PR-1, Schedule II, line 15.

Schedule I, Employment Production Credit

If you have more than 19 cast and crew members participating in a qualified production in Montana, you may substitute Form FPC, Schedule I with your own list of all cast and crew participants. Your substituted Schedule I will need to be formatted similar to Form FPC, Schedule I.

When claiming the employment production credit, you cannot include the compensation listed below and used to calculate your credit as a deduction in computing your net income for corporate license tax or individual income tax purposes.

	Column A	Column B	Column C	Column D	Column E
	<p>Enter in Column A the names of all cast and crew participating in the production. (Include in Column A, all residents and nonresidents of Montana who are participating in the state certified production.)</p> <p>Enter the names alphabetically by last name, listing the Montana residents first followed by the nonresidents.</p>	<p>Enter the participant's Social Security Number in Column B.</p>	<p>If the participant is a Montana resident check here.</p>	<p>Enter in Column D the total amount of compensation paid during your tax year to each participant listed in Column A.</p>	<p>If the participant is a Montana resident and you have checked Column C, multiply the amount in Column D by .12 (12%) and enter the result here, but not more than \$6,000. (Do not enter an amount in Column E if the participant is not a Montana resident.)</p>
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20	<p>Add the amounts in Column E and enter the results here and on Part II, line 4 This is your Employment Production Credit</p>				

Schedule II, Qualified Expenditure Credit

If you have more than 21 qualified expenditures, you may substitute Form FPC, Schedule II with your own list of your expenditures. Your substituted Schedule II will need to be formatted similar to Form FPC, Schedule II.

When claiming the qualified expenditure credit, you cannot include the expenditures listed below as a deduction when computing your net income for corporate license tax or individual income tax purposes.

	Column A	Column B	Column C	Column D
	Enter in Column A the name of the business or individual to which a qualified expenditure was made.	Enter in Column B a brief description of the qualified expenditure. (i.e. lumber, lodging, meals, maintenance, etc)	Enter in Column C the date of the qualified expenditure	Enter in Column D the total amount of the qualified expenditure.
1	Enter in Line 1, column D the aggregate amount previously reported and submitted at the conclusion of principal photography. Include a copy of your previously submitted Form FPC-PP with this application.			
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22	Add the amounts in Column D and enter the result here			
23	Multiply the amount in Column D, line 22 by .08 (8%) and enter the result here and on Part II, line 5. This is your Qualified Expenditure Credit			

Form FPC General Instructions

What is a “state-certified production”?

A state certified production is a production that is certified by the Montana Department of Commerce and is produced by a production company that has a national or regional distribution plan that includes, but is not limited to, a major theatrical exhibition, film festival, television network, cable television programming, magazine advertising, or video or internet distribution.

How do I certify my production and obtain a Film Certification Number?

To certify your production you are required to file an application with the Montana Department of Commerce. You can request an application form by contacting the Montana Department of Commerce Film Office at 800-553-4563, or e-mail them at Montanafilm@visitmt.com. Once the Montana Film Office reviews your application, they will assign a certification number to your production and notify the Montana Department of Revenue.

I am applying for the employment production credit. How do I determine the amount of compensation I paid to a Montana resident when calculating my credit?

The compensation that you paid to Montana residents is considered salaries, wages, or other compensation, including related benefits. It is considered the social security wages and any other compensation that is reported on federal Form W-2. Compensation does not include amounts paid for contract labor that are reportable on federal Form 1099-MISC. The amount of compensation you pay is the amount that is paid during your tax period, which may not necessarily be on a calendar year basis.

I am applying for the qualified expenditure credit. How do I determine the amount of my qualified expenditures when calculating my credit?

The expenditures that qualify for this credit are those made by you in Montana that are directly related to your state-certified production. This includes, but may not be limited to, expenses for lodging, restaurant and food, location fees, lumber and construction materials, rental of production equipment and vehicles, and supplies and materials that will be used in the production.

The employment production credit is based on the amount of compensation that I paid to

Montana residents. How do I determine if the individual I employ is a Montana resident?

When applying for the employment production credit, your production company is required to obtain and retain a declaration of residency form, Montana Form FPC-RD for each Montana resident. See Montana Form FPC-RD for detailed information on who is a Montana resident.

As a pass-through entity, how do I report the credit information to the owners of my pass-through entity?

As a pass-through entity, such as an S Corporation, Partnership or Limited Liability Company you will complete Montana Form FPC, Parts I and II along with Schedules I and II. You will not complete the Employment Production Credit Election in Part II, line 11. This is completed by the owners of your pass-through entity. Attach Form FPC to your Montana Information Return Form CLT-4S or PR-1.

You are required to provide your owners with information on their proportionate share of the credit and expenses relating to these credits. The amount of credit and expenses allocated to each of your owners is based on the same proportion that is used to report their income or loss for state tax purposes. This information includes the owners' proportionate share of the film production credits along with their proportionate share of expenses that are required to be added back to income that are associated with the calculation of the credits.

How do I complete Montana Form FPC when I am only an owner in a pass-through entity?

As a shareholder of an S corporation, a partner of a partnership, or a member of a Limited Liability Company whose entity has qualified for the Film Production Credit, you are entitled to apply a portion of the credit that has been passed through to you against your tax liability.

You are only required to complete your personal information on page 1 of Form FPC, along with Part II, lines 8 through 11, reporting the amount of your credit and making the election to treat your employment production credit as either a refundable carryover credit or a refundable credit.

You do not have to complete Part I as an owner of a pass-through entity. The application fee is paid by the S corporation, partnership or Limited Liability Company and not by you as an owner of the pass-through entity.

Part I – Film Production Credit Application Fee

You are required to pay an application fee at the time you file Form FPC. This fee is used by the Department of Commerce and the Department of Revenue to cover the administrative costs incurred in administering this credit.

If you are applying for only the Employment Production Credit or both the employment production and the qualified expenditure credit, you will need to complete Schedule I to determine the amount of compensation you paid to Montana residents before completing lines 1 and 2. If you are applying for only the qualified expenditure credit, skip lines 1 and 2 and start at line 3.

You may elect to include the compensation you paid to Montana residents who serve as extras on your state certified production as a qualified expenditure instead of employment production expenses. If you elect to do this, do not include these individuals and the amount of compensation you paid to them in calculating the amounts on lines 1 and 2.

Line 1 – Enter the total compensation that you paid to Montana residents who worked for the state certified production. The total compensation paid is the amount of social security wages and any other compensation that is reportable to the employee on federal Form W-2. Compensation does not include contract labor that is issued and reported on Federal Form 1099-MISC.

Line 2 – If the amount of compensation you paid to Montana residents is \$30,000 or less, your application fee is \$500. If the amount of compensation is greater than \$30,000 your application fee is calculated at \$75 times the number of Montana residents, excluding extras that you have reported on Form FPC, Schedule I.

Line 3 – Your application fee is due at the time you file your Montana corporate license tax return Form CLT-4; S corporation information return Form CLT-4S; partnership return Form PR-1; or individual income tax return Form 2. When paying your application fee, please include a separate check and identify in the memo portion of the check “2006 Film Production Application Fee.” Do not include your application fee in the payment of any tax liability due on your return.

Part II – Employment Production Credit

You will need to complete Form FPC, Schedules I and II before you can complete Part II.

Schedule I Cast and Crew Participants

Column A – Enter the names of all resident and nonresident cast and crew members who were employed by the production company during the production company’s tax year. Enter the names alphabetically by last name, listing the Montana residents first followed by the nonresidents. Do not include in this list any Montana residents and their compensation that you have elected to treat as qualified expenditures. You also do not need to include nonresidents who did not perform services in Montana.

If you have more than 19 cast and crew members participating in the qualified production, you may substitute Schedule I with your own schedule. This schedule will need to be formatted similar to Schedule I.

Column C – Before you can claim the cast or crew member as a Montana resident you will first need to have the individual complete Montana Form FPC-RD Montana Declaration of Residency Form. You do not have to submit Montana Form FPC-RD with your credit application but you are required to maintain the form in your company records and provide us a copy if requested.

Column D – Enter the total amount of compensation that you paid to each individual during your tax year. For example, if your production company’s tax year is a fiscal year beginning in July and ending in June, you will report in Column D compensation paid between July and June.

Compensation paid is considered salaries, wages, or other compensation, including related benefits that are paid (Column D doesn’t refer to just Montana residents). It is considered the social security wages and any other compensation that is reported on federal Form W-2. Compensation does not include amounts paid for contract labor that are reportable on federal Form 1099-MISC.

Column E – Your employment production credit is limited to 12% of the first \$50,000 of compensation paid to each Montana resident. Multiply the amount in Column D, for Montana residents, by .12 (12%) and enter the result in Column E, but not more than \$6,000. Add the amounts in Column E and enter the result on Line 4, Part II.

Schedule II Qualified Expenditures

Line 1, Column D – If you have previously submitted to the Department of Revenue, at the completion of your principal photography, a list of qualified expenditures you do not have to recreate this list. Enter on line 1, Column D the total amount

of qualified expenditures previously submitted, and include a copy of your previously submitted document with the application.

Column A – Enter in Column A, the name of the business or individual that you paid. Do not include any expenses that you previously submitted and reported on Line 1. Refer to page 1 of the instructions for a definition of qualified expenditures.

Column B – Enter in Column B a brief description of the qualified expenditures. (i.e. lumber, lodging, meals, maintenance, etc.)

Column C – Enter in Column C the date you paid the qualified expenditure.

Column D – Enter in Column D the total amount of each individual qualified expenditure. Add the amounts of each expenditure reported in Column D and enter the total on line 22, Column D. Multiply the amount on line 22, Column D by .08 (8%) and enter the result on line 23, Column D. This is your qualified expenditure credit.

Credit Limitation

Part II, line 7 – Your film production credit is limited to \$1,000,000 for each certified production.

If you are only claiming the employment production credit and the amount on line 4 is greater than \$1,000,000 enter \$1,000,000 on line 8. If you are only claiming the qualified expenditure credit and the amount on line 5 is greater than \$1,000,000 enter \$1,000,000 on line 9. If you are claiming both the employment production and the qualified expenditure credit and the total of these two credits is greater than \$1,000,000 you may elect to adjust one or both credits so that the total on line 6 is not greater than \$1,000,000.

Line 8 – Enter your employment production credit on line 8. This amount cannot be greater than \$1,000,000.

Line 9 – Enter your qualified expenditure credit on line 9. This amount cannot be greater than \$1,000,000.

Line 10 – Add the amount on lines 8 and 9 and enter the result on line 10. This is your combined film production credit. This combined amount cannot be greater than \$1,000,000 for any one certified production.

Line 11 – Line 11 is to be completed by a C Corporation, Sole Proprietorship filing federal Schedule C, shareholder of an S Corporation, partner of a Partnership, or a member of a Limited Liability Company. An S Corporation, Partnership or Limited Liability Company cannot make the election to have their employment production credit treated as a carryover credit or a refundable credit.

You can make a one time irrevocable election to treat your employment production credit as a refundable carryover credit. This refundable carryover credit can be carried forward up to 4 succeeding tax years and applied against any further tax liabilities with the remainder refunded to you at the end of the carryforward period. Or, you may elect to treat your employment production credit as a refundable credit, refunded to you upon filing this year's tax return.

Recapture of your previous received credit. If the Department of Commerce revokes your state certification and you have claimed the tax credit, you are required to refund any amount of credit taken following the revocation of your certificate. Penalties and interest apply on this recapture of your film production credits.