



MONTANA 2007

Partnership Booklet

Dear Montana Business Taxpayer:

Your Montana Department of Revenue is committed to providing the best possible tax services to the citizens and businesses of our great state. We promise to do the best we can

- to provide you with the most accurate and timely assistance to help your business file its tax returns, and
- to ensure that all citizens and businesses pay their fair share of Montana taxes—no more and no less.

We thank you for filing and paying Montana taxes. By paying taxes, your business supports public services that help make Montana a great place to live, work and conduct commerce. On the inside cover of this booklet, you'll find charts that show how your tax dollars contribute to Montana's quality of life through education at all levels, modern infrastructure, public order, community health and safety, and other important public services. We also recognize that businesses like yours help make Montana a great state through your support for a wide range of community projects and services, both public and private.

Finally, we continue to work for you. Please let us know how we are doing—so that we can do an even better job for you—by completing the improvement survey attached to the instruction booklet. For your convenience, it is addressed with postage paid. In addition, you may contact us with any questions or requests by sending an email message to DORFormsDesignTeam@mt.gov or by calling (406) 444-6900.

Thank you for helping make our tax system work for all Montanans and for all the businesses that participate in our economy!

Best regards,

Dan Bucks

Director, Montana Department of Revenue

Montana Department of Revenue
PO Box 8021
Helena, MT 59604-8021

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Forms included in this booklet:

PR-1 Montana Partnership Information and Composite Tax Return
 Schedule I Multi-state Partnership Apportionment Factors
 Schedule II Montana Partnership Tax Credits
 Schedule III Montana Partnership Information
 Schedule IV Montana Partnership Composite Income Tax Schedule
 Schedule V Pass-through Entity Withholding Payment Schedule
 Schedule VI Reporting of Special Transactions

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Listed below are additional forms that are not included in this booklet that we may require you to file with your Montana Form PR-1:

PT-WH 2007 Backup Withholding Statement
 PT-AGR Montana Pass-through Entity Owner Tax Agreement
 PT-STM Montana Second Tier Pass-through Entity Owner Statement

Please call (406) 444-6900 to request forms and instructions, e-mail dorforms@mt.gov, download from mt.gov/revenue, or mail your request to Montana Department of Revenue, PO Box 8021, Helena, Montana 59604-8021.

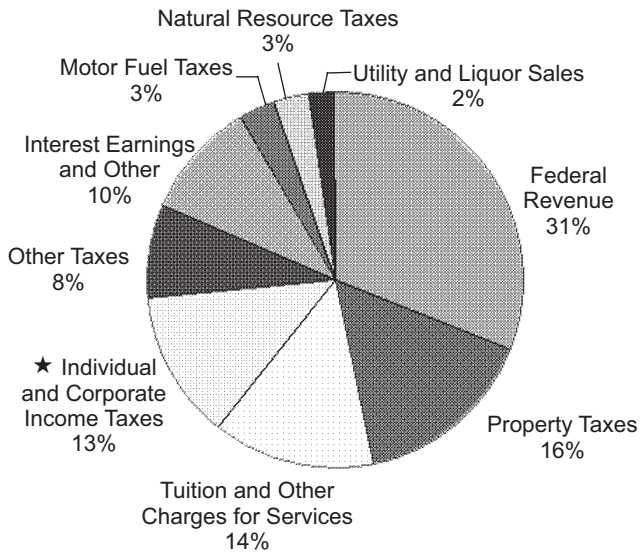
Fiscal Year Filers - Please Note:

This booklet contains your Montana Partnership Information and Composite Return forms for the tax year beginning in 2007. Retain it for your 2007 filing purposes.

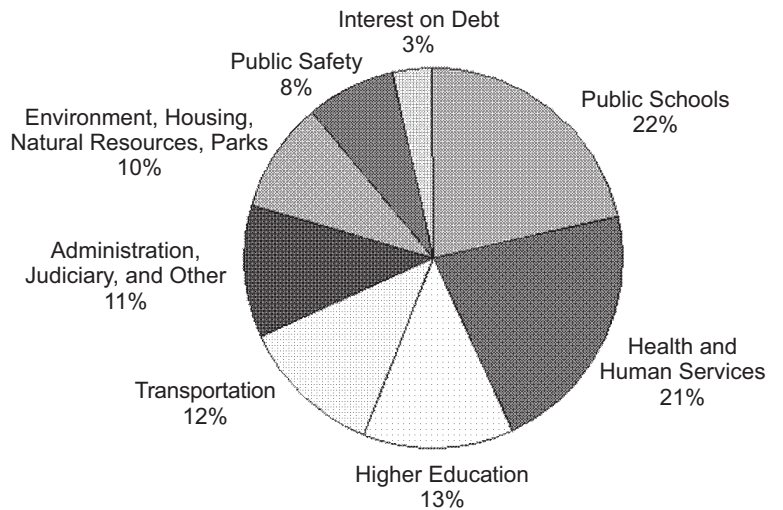
Your Tax Dollars at Work

The first chart shows the sources of revenue for both state and local governments in Montana for 2005, the most recent year for which totals are compiled. The second chart shows state and local spending.

What are Montana's Public Revenues?



Where Do Your Public Dollars Go?



★ Where Your Income Tax Dollar Goes

Education	49%
Health and Human Services	21%
Public Safety and Corrections	11%
Transfers to Local Governments	7%
General Government Operations	7%
Other	5%
Total Spending	100%

Important Numbers

These are not toll free numbers

Help Line(406) 444-6900
 Forms Request.....(406) 444-6900
 For the Hearing Impaired(406) 444-2830

The table above shows where your individual and corporate income tax dollars—about 13% of total state and local revenues—were spent in 2006.

Updates for 2007

Penalty for Late Payment of Taxes - Effective for tax years beginning on or after January 1, 2007, the penalty for not paying a tax when due decreases from 1.5% to 1.2% per month, or a fraction of a month, with a maximum penalty of 12% (formerly 18%).

Interest on Unpaid Income Tax Liabilities - The 8% interest rate which became effective January 1, 2007 for individual income tax, including composite income tax, will continue to be in effect through December 31, 2008. The daily accrual interest rate for all unpaid income taxes depends on the rate set by the Internal Revenue Service and may fluctuate each year, but will never be less than 8%.

Amended Tax Returns - If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. In order to receive the waiver, simply check the "Amended Return" box on the tax form and pay the tax and applicable interest in full. By checking this box, you are requesting a waiver of the late payment penalty.

General Information

Who has to file Form PR-1?

A partnership that is engaged in business in Montana and has Montana source income has to file an annual Montana Partnership Information Tax Return (Form PR-1). When you file Form PR-1, please attach a copy of your federal Form 1065, including all federal Schedule K-1(s).

Montana Source Income

Montana source income includes the separately and non-separately stated income, gain, loss, deduction or credit, or items of income, gain, loss, deduction or credit that you have derived from a trade, business, occupation or profession carried on in Montana or that was derived from the sale or other transfer, or the rental, lease, or other commercial exploitation of property located in Montana.

Tax Period or Year Covered by the Tax Return

The 2007 Form PR-1 must be filed for the calendar year 2007, or the fiscal year beginning in 2007. If the tax return is for a fiscal year or a short tax year (less than 12 months) enter the taxable year in the space at the top of Form PR-1.

Check the box "Final Return" at the top of the tax return if the partnership ceased to exist during the 2007 tax year.

Accounting Method and Period

The taxable year for Montana must be the same as the year used for federal income tax purposes. If the partnership changes its federal taxable year, it must change its Montana taxable year accordingly. A copy of the approval from the Internal Revenue Service to change your

accounting period must accompany the first tax return that reflects the change.

What has to be filed?

If your partnership is made up of only Montana resident partners, you are not required to complete Schedules IV and V, or Forms PT-AGR and PT-STM.

Additional filing requirements are listed below for those partnerships that have a partner who is a nonresident individual, a foreign C corporation or a pass-through entity at any time during the tax year. A nonresident individual is a person who did not consider Montana as home at any time during the tax year even though they may have lived and worked in Montana temporarily during the tax year. A foreign C corporation is a C corporation that is not engaged in or doing business in Montana. A pass-through entity is an S corporation, partnership, or disregarded entity. These requirements are:

- Form PT-AGR (Montana Pass-through Entity Owner Tax Agreement) executed by the nonresident individual or foreign C corporation that agrees to timely file, pay and be subject to personal jurisdiction of the State of Montana. The partnership is not required to attach a new Form PT-AGR each year but it has to attach currently effective agreements for each new nonresident partner. It also needs to retain these agreements along with its tax records.
- Schedule IV (Montana Partnership Composite Income Tax Schedule) for eligible partners who elect to participate in a composite filing.
- Schedule V (Pass-through Entity Backup Withholding Schedule) for a partner who is not participating in the partnership's composite tax return or who has not provided the partnership with a signed Form PT-AGR.

A partnership that has a partner who is a pass-through entity (partnership, S corporation, or disregarded entity) that itself has a nonresident individual, foreign C corporation or another pass-through entity as a partner at any time during the tax year has to include with its filing:

- Form PT-STM (Montana Second Tier Pass-through Entity Owner Statement). It must be executed by the second tier pass-through entity that identifies the owners of the second tier pass-through entity and establishes that its Montana source income will be fully accounted for in Montana individual or corporation tax returns that are filed by the owners of the second tier pass-through entity.

We require Form PT-STM to be filed each year that the partnership has a partner that is a pass-through entity that has a nonresident individual, pass-through entity, or foreign C corporation as a partner.

When to File

The Montana filing period is the same as your federal filing period. For a calendar year partnership, Form PR-1 is due on or before the 15th day of the 4th month following the

close of the taxable year. For a fiscal year partnership, Form PR-1 is due on or before the 15th day of the 4th month following the close of the tax year. If the due date falls on a weekend or a holiday, the tax return is due on the next business day.

Where to File

Please mail your partnership information and composite tax return to:

Montana Department of Revenue
PO Box 8021
Helena, MT 59604-8021

Who has to sign the tax return?

Form PR-1 has to be signed and dated by a general partner or limited liability company member. Form PR-1 is not considered to be complete unless it is signed and we will return it to you to be completed if your tax return is not signed. If your partnership has an outside accounting firm or an individual prepare Form PR-1, the name, address and telephone number of the tax preparer has to be included on your tax return.

Tax Preparer Contact Box

You can authorize the department to discuss your Form PR-1 tax return with your tax preparer by checking the "Yes" box at the bottom of page 2 near the signature block on the tax return. If you check this box, we may contact your tax preparer or you for additional information for this year only. You, not the tax preparer, will be informed of any formal tax adjustments that we make.

Extension of Time to File

A partnership is allowed an automatic six-month extension of time to file. This extends the time for filing Form PR-1 and its supporting schedules and, where applicable, Forms PT-AGR and PT-STM.

You must check the extension indicator box on Form PR-1 and attach a copy of your federal extension Form 7004 to your completed Montana income tax return. Do not send copies of the federal extension prior to filing your tax return.

IMPORTANT: An extension of time to file is NOT an extension to pay. If you do not pay the tax amount due by the original due date, you will owe interest and penalties on any balance due.

Amended Tax Return

If you discover that your income tax return was incorrect, you have five years from the due date of the original tax return to file an amended Montana partnership tax return and to correct any mistake on your previous tax return. Use Form PR-1 to amend an original tax return. Check the box at the top of the tax return that this represents an amended filing and check the box indicating the reason(s) for amending your tax return. Attach the applicable forms and statements that will explain all of your adjustments in detail. Complete the entire Form PR-1 and its applicable schedules using the corrected amounts. If your amended

tax return results in a change to income or a change in the distribution of any income or other information provided to any partner, you will also need to file an amended federal Schedule K-1 along with your amended Form PR-1. You will need to give a copy of the amended tax return to each partner.

If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. In order to receive the waiver, simply check the "Amended Return" box on the tax form and pay the tax and applicable interest in full. By checking this box, you are requesting a waiver of the late payment penalty.

If the Internal Revenue Service changes or makes corrections to your federal Form 1065 or if your partnership amends its federal tax return, you must file an amended Form PR-1 within 90 days of receiving the Internal Revenue Service's notification of the corrections made to your federal Form 1065 or filing your amended federal tax return.

Special Depreciation Allowance

The Montana tax provisions incorporate Section 167, IRC, the depreciation allowance section, which is in effect with respect to the additional 50% (or 30% if applicable) special depreciation allowance for qualified property. Therefore, the special depreciation allowance on federal Form 4562 is an allowable deduction in determining the ordinary income or loss for Montana.

Instructions for Montana Form PR-1

Lines 1 through 11 - Enter the amounts reported on your federal Form 1065, Schedule K, Partners' Distributive Share Items, lines 1 through 11.

Line 6 - Ordinary Dividends: Enter the total amount of ordinary dividends that you reported on your federal Form 1065, Schedule K, line 6a. Montana taxes dividends as ordinary income and does not recognize the federal qualified dividend tax rate.

Lines 13 and 14 - Enter the amount of deductions that you reported on your federal Form 1065, Schedule K, lines 12 and 13, Partners' Distributive Share Items.

Line 16 - Partnerships' Distributive Share of Montana Additions to Income. To compute Montana income taxable to partners, certain items have to be added to income. Please attach a detailed schedule to your tax return.

16a. State, county, and municipal interest and dividends not taxable under the Internal Revenue Code. Interest and dividends from Montana bonds are not taxable.

16b. State, local and foreign income taxes based on income or profits have to be added back to income. 15-31-114(1)(e), MCA.

16c. Report all other additions. Examples are:

- Expenditures used to compute the film production credit have to be included in the income of the year that the expenditures were incurred.
- If you were the owner of a business that received a tax credit from the Insure Montana Small Business Health Insurance program, you are not allowed a deduction for the premiums used to calculate the credit. Because the credit cannot exceed 50% of the premiums, multiply the amount of credit you are claiming by two (2) and enter the result on line 16c.

Line 17 - Partners' Distributive Share of Montana

Exclusions and Deductions to Income. To compute Montana income taxable to partners, certain items are excluded or deducted from income. A detailed schedule has to be attached to the tax return.

17a. Interest on United States government obligations and mutual fund dividends attributable to that interest are exempt from Montana income tax. In addition, interest on obligations from U.S. territory or government agency obligations that are specifically exempt by federal law and any mutual fund dividends attributable to this interest are exempt from Montana income tax.

Obligations that are guaranteed by the United States government are not tax exempt. If you have received interest or mutual fund dividends attributable to Government National Mortgage Association (Ginnie Mae) bonds, Federal National Mortgage Association (Fannie Mae) bonds, or Federal Home Loan Mortgage Corporation (Freddie MAC) securities, you cannot subtract this interest or mutual fund dividends since they are not exempt under federal law.

United States obligations that are exempt include:

- Series E, F, G and H savings bonds
- U.S. treasury bills
- U.S. government notes
- U.S. government certificates

Please refer to your federal Form 1099-DIV to determine what percentage of your dividends qualifies for this exemption.

17b. An additional 10% deduction for the purchase of recycled material as computed on Form RCYL, part

IV. A copy of Form RCYL has to be attached to your tax return. 15-32-610, MCA.

17c. Report other deductions on line 17c and attach a detailed schedule reconciling the amount of other deductions including the following:

- 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 has to be used in the entity's business and the result of the investment has to be a substantial reduction in the amount of energy needed to render the building usable.
- Current year capital losses have to be deducted in the year incurred. Attach a copy of federal Schedule D to Form PR-1. 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 19 - Income Apportioned to Montana. For a multi-state partnership, multiply the amount that is reported on line 18 by the apportionment percentage that you reported on line 5 of Schedule I, Apportionment Factors for Multi-state Partnerships. See instructions on page 5 for Schedule I.

Line 20 - Income Allocated Directly to Montana. For a multi-state partnership, any income that is determined to be Montana allocable income should be reported on line 20.

Line 21 - Partnership Information Tax Return Late Filing Penalty. A partnership is charged a late filing penalty if Form PR-1 is filed after the due date, including the automatic six month extension, unless the entity can show reasonable cause for not filing on time. The penalty is \$10 multiplied by the number of partners at the close of the tax year for each month or fraction of a month that the entity does not file the information tax return. This penalty is calculated for up to five months. A late filing penalty is not imposed on an entity that has ten or fewer partners if the partners have filed the required tax returns or other required reports timely and have paid all taxes when due.

Line 22 - Total Montana Composite Income Tax. Enter the total amount of composite tax reported on Schedule IV, column J. See instructions on page 9.

Line 23 - Payments.

- 2006 overpayment applied to 2007 - Enter any overpayments from 2006 that were credited to 2007.
- 2007 estimated tax payments - Enter the total Montana estimated tax payments that you made for 2007.
- 2007 extension payment - Enter any Montana extension payment that you made for 2007.
- Other payments - Include any of your payments that you did not report above.

e. Refunds previously issued (for amended tax returns only). If you received a refund when you filed your original tax return or a previously amended tax return, include the amount of the refund on line 23e.

Line 24 - Net Montana Composite Tax Due or Overpaid. Subtract line 23f from line 22 and enter the total.

Line 25 - Interest on Underpayment of Estimated Taxes. If your partnership was required to make estimated composite tax payments and it did not remit the required amounts, you will have to pay interest on any underpayment. Your partnership is required to make estimated tax payments throughout the year if you expect to owe an income tax liability of at least \$500. On the following worksheet (Worksheet I) calculate the amount of your underpayment interest.

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

In 2007, your partnership was required to pay through estimated installments, the smaller of (1) 90% of your current year's total composite tax liability (after applying your credits), or (2) an amount equal to 100% of your previous year's total composite tax liability. If your partnership does not meet one of the above two requirements, the composite tax is subject to underpayment interest.

Payments made with extensions are not considered estimated payments.

Short Method

1. Enter your total 2007 composite tax reported on Form PR-1, line 22. _____
2. Enter 90% of line 1 above. _____
3. Enter the amount credited from previous year and reported on Form PR-1, line 23a. _____
4. Subtract line 3 from line 1. If the result is \$500 or less, you do not need to complete the rest of the form. You do not owe interest on your underpayment. _____
5. Enter your 2006 composite tax from Form PR-1, line 22. _____
6. Enter the smaller of line 2 or line 5. _____
7. Enter the amount from line 3 plus any estimated payments made and reported on Form PR-1, line 23b. _____
8. Subtract line 7 from line 6. This is your total underpayment for the year. If zero or less, stop here. You do not owe interest on your underpayment. _____
9. Multiply line 8 by 0.05320 and enter the result. _____
10. If the amount on line 8 was paid on or after the due date of your PR-1, enter zero. If the amount on line 8 was paid before the due date of your PR-1, multiply the amount on line 8 times the number of days paid before the due date of the information tax return x 0.0002192. _____
11. Subtract line 10 from line 9. This is your underpayment interest. Enter the result here and on Form PR-1, line 25. _____

Line 26 - Late Filing Penalty. If you are late in filing your Partnership Information and Composite Tax Return (Form PR-1), a late filing penalty of \$50 or the amount of composite tax owing (line 24), whichever is smaller, will be charged. There is no late filing penalty for the composite tax return if there was an overpayment of composite tax (line 24) and you are receiving a refund.

Line 27 - Late Payment Penalty. If you haven't paid your tax liability (line 24) by the due date of your partnership tax return, you will have to pay a late payment penalty. This penalty is 1.2% per month or fraction of a month on the composite tax that was not paid by the original due date of the tax return. This penalty cannot exceed 12% of your composite tax on line 24.

Line 28 - Interest. Interest will be charged on any composite tax (line 24) that you have not paid by the due date of your partnership tax return.

If 100% of your tax liability is not paid by April 15, 2008 (for a calendar year tax return), interest is due at a rate of 8% per year, computed daily on your unpaid balance.

To calculate your interest, multiply line 24 by 0.0002192 (0.02192%) times the number of days after April 15, 2008 your payment is received.

Please remember that a valid extension of time to file your tax return does not extend the due date to pay your income tax later than April 15, 2008.

Line 29 - Montana Composite Penalties and Interest. Add lines 25 through 28 and enter the total.

Line 30 - Add lines 21, 24 and 29 and enter the result here.

Line 31 - Return(s) Amount Due. If the amount on line 30 is greater than zero, enter it on line 31. This is the amount due with your tax return in addition to any back-up withholding due.

Line 32 - Return(s) Overpayment. If the amount on line 30 is less than zero, enter it on line 32. This is the amount of your tax return overpayment before any back-up withholding.

Line 33 - 2008 Estimated Tax Payments. All or part of the refund that you reported on line 32 can be refunded, or carried over as your 2008 estimated tax payment. On line 33, enter the amount of the refund reported on line 32 that you want to be applied to your 2008 estimated tax.

Line 34 - Net Refund. Subtract line 33 from line 32 and enter the amount here. This is the amount of the refund that will be issued.

Line 35 - Montana Corporation License Tax Withheld. If a partner is a foreign C corporation and did not sign an agreement to file a Montana tax return and did not give the partnership permission to pay composite tax on its Montana source income, the partnership has to withhold tax at the rate of 6.75% on the corporation's Montana source income. Enter the amounts withheld for each partner and reported on Schedule V. See instructions on page 10.

Line 36 - Montana Individual Income Tax Withheld. If a partner is a nonresident individual who did not sign an agreement to file a Montana tax return and did not give the partnership permission to pay composite tax on the individual's Montana source income, the partnership has to withhold tax at the rate of 6.9% on that individual's Montana source income.

If a partner is a pass-through entity (referred to as a second tier pass-through entity) and did not sign a statement that the owners of the second tier pass-through entity will file a Montana tax return or give the partnership permission to pay composite tax on the partner's Montana source income, the partnership has to withhold tax at the rate of 6.9% on the partner's Montana source income. Enter the amounts withheld for each partner and reported on Schedule V. See instructions on page 10.

Line 37 - Payments Previously Made for Tax Withheld. Include on this line any payments that you previously submitted for taxes withheld from the partners' Montana source income. If this is an amended tax return, you should include withholding payments that were made on the partners' behalf when you filed the original tax return.

Line 38 - Total Partnership Backup Withholding Due. Add lines 35 through line 37 and enter the result.

Line 39 - Total Amount Due. Add lines 31 and 38. This is the total amount that you should remit with your tax return.

Instructions for Montana Schedule I

Schedule I applies only to multi-state partnerships.

In most cases, multi-state partnerships have to compute their income taxable to partners 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 a partnership is engaged in a unitary business within and without the State of Montana, the net income assignable to Montana has to be determined using the apportionment factor. A partnership is unitary when the operations of that business within the state depend on or contribute to the operations of that business outside the state. Schedule I has to be completed fully by every partnership that carries on a unitary business within and without the state.

If you have determined the income that you attribute to Montana on some basis other than the apportionment method, you will need to include a full and detailed description of your business operation along with an explanation of the method that you proposed. Even though you can use an alternative method of determining your Montana taxable income, you will still need to complete and submit Schedule I.

Following is a detailed explanation of how to calculate the apportionment factor. To calculate each of the factors, use the following formula: column B divided by column

A, multiplied by 100. Round out to the fourth decimal (example: 25.5555%).

Property Factor (Line 1, Schedule I) - 15-31-306, MCA. The property factor is a fraction. The numerator is the average value of the partnership's real and tangible personal property owned, leased or rented and used in Montana in the production of business income during the tax period. Enter the numerator values in column B of Schedule I. The denominator is the average value of all the partnership's real and tangible personal property owned, leased or rented and used in the production of business income during the tax period. Enter the denominator values in column A of Schedule I.

Property owned by the partnership is valued at its original cost. Real and tangible personal property that is used in that business includes land, building, machinery, equipment, stocks of goods, inventories, and other tangible property actually used in connection with the production of the business income to be apportioned. It does not include money, accounts receivable, or other intangible property, real property that is held for investment or non-business purposes, or idle property of any nature.

To the extent that it is utilized in Montana, migratory property has to be included in the numerator.

Unless we otherwise require it, the average value of owned property has to be determined by averaging the values at the beginning and ending of the tax period.

All property that you rent has to be valued at eight times the net annual rental rate. Rental expense cannot be averaged. You have to use your rental expense for the current year in this property factor.

Payroll Factor (Line 2, Schedule I) - 15-31-308, MCA. The payroll factor is a fraction. The numerator is the total amount that you paid for compensation attributable to the production of business income during the tax period in Montana. Enter the numerator values in column B of Schedule I. The denominator is the total amount that you paid for compensation attributable to the production of business income during the tax period. Enter the denominator values in column A of Schedule I. 15-31-309, MCA.

Payroll is considered to be paid in Montana if:

- The base of operations is in Montana.
- There is no base of operations and the place from which the service is directed or controlled is in Montana.
- The base of operations or the place from which the service is directed or controlled is not in a state where some part of the service is performed but the person who provides the service is located in Montana.

Sales Factor (Line 3, Schedule I) - 15-31-310, MCA. Sales means all gross receipts of the partnership exclusive of non-business income and inter-company transactions. The sales factor is a fraction. The numerator is the partnership's total sales in Montana during the tax period.

Enter the numerator values in column B of Schedule I. The denominator is the partnership's total sales everywhere during the tax period. Enter the denominator values in column A of Schedule I.

Sales of tangible personal property are in the state if:

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

Sales other than sales of tangible personal property are 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 a greater proportion of the income-producing activity is performed in this state than in any other state, based on costs of performance.

Sum of Factors (Line 4, Schedule I) - Add lines 1, 2 and 3 in column C. Enter the result on line 4 in column C.

Apportionment Factor (Line 5, Schedule I) - Divide line 4 by the number of factors present. A factor is present if you have a value in column A for property, payroll or sales. Enter the apportionment factor on line 5 of Schedule I and also insert it on line 19, page 1 of Form PR-1, rounding it out to the fourth decimal (example: 25.5555%).

Instructions for Montana Schedule II

A tax credit claimed by a partnership has to be attributable to its partners using the same proportion that was used to report the partnership's income or loss for Montana income tax purposes. Please provide a detailed breakdown to each partner that shows how the credit is proportioned, and a copy of the credit form and/or schedule that was used to calculate the credit.

The tax credits listed below cannot be taken as a credit against your composite tax reported on this Form PR-1.

Line 1 - Dependent Care Assistance Credit (Form DCAC). 15-30-186 and 15-31-131, MCA. An employer can claim a credit for amounts paid or incurred for dependent care assistance provided to employees.

This assistance can be in the form of:

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

For detailed instructions, see Form DCAC. If this credit is claimed, attach a copy of Form DCAC to the tax return.

Line 2 - College Contribution Credit (Form CC).

15-30-163, MCA. Partners in a partnership who make charitable contributions 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 during the year are allowed a credit in the amount of 10% of the aggregate of these contributions. The maximum amount of credit that can be claimed is \$500 per year with no provision for carryback or carryover. For detailed instructions, see Form CC. If this credit is claimed, attach a copy of Form CC to the tax return.

Line 3 - Health Insurance for Uninsured Montanans Credit (Form HI).

15-30-185, MCA. Employers can claim a credit for the health insurance premiums that are paid by that employer for its employees. If you are using insurance premiums to calculate the Insure Montana credit (line 19) these premium payments cannot be used to calculate the Health Insurance for Uninsured Montanans credit. For detailed instructions, see Form HI. If the credit is claimed, attach a copy of Form HI to the tax return.

Line 4 - Recycle Credit/Deduction (Form RCYL). 15-32-602 and 15-32-603, MCA. A business is entitled to a credit for investments in equipment or machinery used to collect, process or manufacture a product from reclaimed material or depreciable property that treats soil contaminated by hazardous wastes. The credit is a percentage (5% to 25%) of the cost of the property, before consideration of trade-in equipment. An exception to this is that the basis will be reduced by any trade-in for which this credit has been previously taken. For detailed instructions, see Form RCYL. If this credit is claimed, attach a copy of Form RCYL to the tax return.

Line 5 - Alternative Energy Production Credit (Form AEPC). 15-32-402, MCA. A credit is available for a qualified investment of \$5,000 or more in depreciable property for the use of a commercial system or a net metering system that is located in Montana and that generates energy by means of an alternative renewable energy source. The credit is 35% of the eligible costs associated with the purchase, installation, or upgrading of generating equipment, safety devices and storage equipment, transmission lines necessary to connect with existing transmission facilities, and transmission lines necessary to connect directly to the purchaser of the electricity when no other transmission facilities are available. The credit is further limited, in that it can only be applied against the tax liability due as a consequence of the alternative energy system generating taxable or net income. The credit can be carried forward for seven succeeding years. An exception to the seven year carry forward period applies when the investment is located within the exterior boundaries of an Montana Indian reservation. For detailed instructions, see Form AEPC. If this credit is claimed, attach a copy of Form AEPC to the tax return.

Line 6 - Contractor's Gross Receipt Tax Credit. 15-50-207, MCA. A business is entitled to a credit for the public contractor's gross receipts tax paid. The credit is the gross

receipts tax paid throughout the year after the personal property taxes are deducted. If the business reports its income on a percentage-of-completion basis, the credit has to be prorated proportionately. To support the credit that you claim, attach a schedule or statement including the contract name (and number, if any); location; general description (for example: building, road, bridge, etc.); name of awarding agency; name of prime contractor and the amount of gross receipts tax paid, as well as the amount that has been applied to personal property taxes. The credit cannot exceed the tax liability and any credit balance remaining can be carried forward by the shareholders for five succeeding tax years.

Line 7 - Alternative Fuel Credit (Form AFCR). 15-30-164, MCA. There is a credit for equipment and labor costs that you incur in order to convert a motor vehicle licensed in Montana to operate on alternative fuel. The maximum credit is equal to 50% of the equipment and labor costs incurred but cannot exceed: \$500 for conversion of a motor vehicle with a gross weight of 10,000 pounds or less; \$1,000 for conversion of a motor vehicle with a gross vehicle weight over 10,000 pounds. For detailed instructions, see Form AFCR. If the credit is claimed, attach a copy of Form AFCR and a detailed schedule of the costs to your tax return.

The credit should not be confused with the federal deduction for the purchase of a qualified clean-air vehicle.

Line 8 - Infrastructure Users Fee Credit. 17-6-316, MCA. You can claim a credit for the infrastructure users fee paid to a local government. To claim this credit, you have to meet the criteria set forth in 17-6-309(2), MCA, and pay the infrastructure users fee. This form has to be certified by the county, verifying the amount of the infrastructure users fee paid and the timeliness of your payment. This credit can be carried forward for seven years or carried back for three years.

Line 9 - Qualified Endowment Credit (Form QEC). 15-31-162, MCA. Partners are 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. The maximum amount of the credit that a partner may claim is \$10,000 with no provision for carry-back or carry-over. The value of the gift that you used when you calculated the credit cannot be claimed as a charitable contribution. For detailed instructions, see Form QEC. If the credit is claimed, attach to the tax return, a copy of Form QEC and your verification requirements for any planned gift or outright charitable gift made to a qualified endowment. To learn more about the endowments statewide, visit the Governor's Task Force on Endowed Philanthropy website at www.endowmentmontana.org/.

If a charitable gift is recovered in the current year by the partnership, the partners may have to recapture in the current year the amount of the credit that they claimed in the year the credit was taken on their Montana tax return. The recapture is reported on line 9a of Schedule II.

Line 10 - Historic Property Preservation Credit (Federal Form 3468). 15-30-180, MCA. A credit equal to 25% of the federal rehabilitation credit provided for in IRC section 47(a)(2) for the preservation of certain historic buildings located in Montana is allowed. If this credit is claimed, attach a copy of the federal Form 3468 to the tax return.

As an alternative to the percentage of the federal rehabilitation credit, a credit equal to 20% of the cost of creating a conservation easement and for the diminishing value of the historic property, including its building and structure, that resulted from placing a conservation easement on the property may be claimed.

Line 11 - Increasing Research Activities Credit (Form RSCH). 15-30-168 and 15-31-150, MCA. 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 IRC section 41, with the exception that the applicable rate is 5% for Montana purposes. This credit can be carried back two years and carried forward for 15 succeeding years. If this credit is claimed, attach Form RSCH to the tax return.

Line 12 - Mineral Exploration Incentive Credit (Form MINE-CRED). 15-32-503, MCA. A credit can be claimed for certified expenditures of mining exploration activities. Certified expenditures are the costs that are incurred for activities that directly support the exploration activity conducted at a specific exploration site. This credit applies to activities associated with both new mines and mines that are being reopened. A completed Form MINE-CRED has to be attached to your tax return. To obtain this credit, you will first have to submit a request that details the work done and the expenses incurred. This has to be done within 60 days following the end of the calendar year and reported on a form provided by the Department of Revenue. The department has until September 30 to certify whether expenses qualify for the credit.

Line 13 - Developmental Disability Account Contribution Credit. 15-30-187, MCA. There is a credit equal to 30% of the amount donated during the year to the Montana Developmental Disability Service Account. The maximum credit that you can claim is \$10,000 and cannot exceed your tax liability. If this credit is claimed, the contribution cannot be deducted as a reduction to taxable income on your tax return. There is no carry-over provision allowed and the credit must be applied in the year the donation is made. For further information, call the Montana Department of Public Health and Human Services at (406)444-2995 or visit their website at www.dphhs.mt.gov/dsd/.

Line 14 - Empowerment Zone Credit. 15-30-182, MCA. 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 has to certify the business before that business can qualify for this credit.

Line 15 - Film Production Credit (Form FPC). 15-31-907 and 15-31-908, MCA. You can claim a credit for employing residents of Montana in a state-certified production. The credit is equal to the sum of 14% of the first \$50,000 or less that was compensated to each Montana resident who was employed in a state-certified production. You can elect to have this credit refunded or you can carry the credit forward for four years.

You can claim a refundable credit for qualified expenditures made in Montana in connection with a state-certified film production. The credit is equal to 9% of the total qualified expenses incurred in connection with the production. The qualified expenditures credit must be refunded if your tax liability is less than the amount of the credit.

The qualified compensation and expenditures used to calculate the credit cannot be taken as deductions that are used to calculate Montana taxable income.

If your production company's certification is revoked after you take the credit, the production company shall recapture the amount of any credits taken on line 15a of Schedule II.

Line 16 - Biodiesel Blending and Storage Credit (Form BBSC). 15-32-703, MCA. A credit can be claimed by a qualified taxpayer for the cost of investments in depreciable property used for storing or blending biodiesel made from Montana products with petroleum diesel for sale. This credit can be carried over for seven tax periods if the facility is blending or storing biodiesel for blending. For detailed instructions, see Form BBSC. If this credit is claimed, attached a copy of Form BBSC to the tax return.

If the facility ceases blending biodiesel for sale for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. If the facility's biodiesel sales are not at least 2% of all diesel sales by the end of the third year after the credit is initially claimed, the credit is subject to recapture. The recapture is reported on line 16a of Schedule II.

Line 17 - Oilseed Crushing and Biodiesel/Biolubricant Production Credit (Form OSC). 15-32-701 and 15-32-702, MCA. You can claim a credit for the cost of investments in qualifying depreciable property used to crush oilseed crops for the purpose of making biodiesel fuel or biolubricant, or used to construct or equip a facility in Montana to be used for producing biodiesel or biolubricant. This credit can be carried over for seven tax periods if the facility is crushing oilseed during that tax period. For detailed instructions, see Form OSC. If this credit is claimed, attached a copy of Form OSC to the tax return.

If the facility for which the credit is claimed ceases operations for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. The recapture is reported on line 17a of Schedule II.

Line 18 - Geothermal System Credit (Form ENRG-A). 15-32-115, MCA. A credit can be claimed for a portion of the installation costs of a geothermal system in the taxpayer's principal dwelling or in a residence constructed

by the taxpayer. Only one credit may be claimed for a residence. The credit of \$1,500 can be carried forward for seven succeeding tax years. For detailed instructions, see Form ENRG-A. If this credit is claimed, attach a copy of Form ENRG-A to the tax return.

Line 19 - Insure Montana Small Business Health Insurance Credit. If you were the owner of a business that received a tax credit from the Insure Montana Small Business Health Insurance program, enter the amount of credit you are entitled to on line 19. The amount of credit you may claim is the total credit amount issued to the business multiplied by your ownership percentage. For example, if you were a 50% owner and the business received \$6,000 in tax credit, you are entitled to claim \$3,000 ($\$6,000 \times 0.50$ (50%)).

If you are using insurance premiums to calculate the Health Insurance for Uninsured Montanans credit (line 3) these premium payments cannot be used to calculate the Insure Montana credit.

Enter the Federal Employer Identification Number (FEIN) of the business which received the credit in the space provided. If you were the owner of more than one company receiving the credit, enter the FEIN of the company that received the highest amount of credit. Attach a copy of the most recent certificate from the State Auditor's Office providing the amount of tax credit the business received.

Additionally, the premiums paid for these policies are not allowed as a deduction. Please see instructions for line 16c (Other Additions) on pages 2-3.

Instructions for Montana Schedule III

Montana Partnership Information

Include all partners on this form. If you need additional space, you can make copies of Schedule III, or you can create your own schedule as long as you use exactly the same format shown on the schedule. We cannot accept copies of federal Schedule K-1 in place of a completed Schedule III. If Schedule III is not completed, we will return Form PR-1 for you to complete.

Partner Information. The partner information on Schedule III, Columns A through D, has to be completed for all partners of the partnership. Complete Columns E through H for any partner who is a nonresident individual, a foreign C corporation or a second tier pass-through entity.

Column A - Name and Address of Partner. Enter the name and complete address of each partner. Include the street name, city, state, and zip code.

Column B - Identification Number. If the partner is an individual, enter the social security number (SSN) of the individual as it appears on the federal Schedule K-1 in the top box in column B. If the partner is a corporation, partnership, disregarded entity, trust or estate, enter the federal employer identification number (FEIN) of the partner as it appears on the federal Schedule K-1 in the bottom box in column B.

Column C - Percentage of Ownership. Enter each partner's percentage of ownership in the partnership that is used to calculate the partner's share of Montana source income: The total of column C should be 100%.

Column D - Montana Source Income. Enter each partner's share of the partnership's Montana source income. Montana source income is the aggregate of the partner's share of income, gain, losses, or deductions or other expenses of the partnership, which are deductible only by the partnership and which are attributable to Montana.

Column E - Federal Income. Enter the partner's share of the partnership's total federal income from all sources. This includes the aggregate of the partner's federal share of income, gain, losses, deductions or other expenses of the partnership for federal tax purposes.

Column F - Composite Income Tax. Enter the amount of composite income tax for each partner that you calculated on Schedule IV, column J.

Column G - Partner Withholding. You will have to withhold tax for those nonresident partners who did not file a consent agreement or statement and did not elect to have the partnership pay composite tax. Fill in the amount of backup withholding that you reported to us on your Schedule V, column D or E.

Column H - Consent Agreement or Statement. The information supplied in this column is for nonresident partners who will be filing a Montana tax return. A partner is considered a nonresident if the individual partner is not a Montana resident or if the partner is a C corporation not engaged in or doing business in Montana. A partnership is not required to complete and attach a new agreement each year as long as we have an up-to-date Form PT-AGR for that owner. You only need to provide Form PT-STM for a second tier pass-through entity that has a nonresident owner. If the partner is a second tier pass-through entity, we have to receive a new Form PT-STM each year. In column H, enter the year that the form was provided to us or attach copies of up-to-date signed agreements and statements and enter "2007" in column H.

Instructions for Montana Schedule IV

Montana Partnership Composite Income Tax Schedule

If you need additional space, you can make copies of Schedule IV, or you can create your own schedule as long as you use exactly the same format shown on the state's schedule.

A partnership can elect to file a composite tax return and pay a composite tax on behalf of a participating eligible partner. The tax credits from Schedule I cannot be applied to reduce your composite tax. The tax credits may be used only to offset income tax that was reported on the partner's Montana individual income tax return or Montana corporation license tax return.

To be eligible to file a composite tax return, a partner has to:

- be a nonresident individual; or
- be a foreign C corporation that is a corporation 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;
- have only Montana source income from the partnership or from other partnerships or S corporations in which an election has been made to participate in the filing of a composite tax return.

A partnership can include a partner in filing a composite tax return only upon receipt of a power of attorney executed and signed by an eligible partner. The power of attorney authorizes the partnership to act on behalf of the participating partner. Do not submit the power of attorney with the tax return but retain it as authorization from the partner and for use in subsequent years.

Upon receipt of a signed power of attorney and filing of the composite tax return, the partnership is responsible for:

- remitting the composite tax to the department,
- paying any additional tax, penalty and interest associated with the composite tax return,
- representing the participants in any appeals, claims for refunds, hearing or court proceeding, and
- making quarterly estimated payments.

Column A - Name of Eligible Participating Partner. List the name of the participating partner or member as this appears on your Form PR-1, Schedule III.

Column B - Social Security Number or Federal Employer Identification Number. Enter the social security number or federal employer identification number of the participating partner as this appears on your Form PR-1, Schedule III.

Column C - Federal Income from Entity. Enter the participating partner's share of the partnership's total federal income from all sources that you reported on your federal Schedule K-1. This includes the aggregate of the partner's share of income, gain, losses, deductions or other expenses of the partnership for federal income tax purposes.

Column D - Standard Deduction. Each eligible participating partner is allowed one standard deduction equal to 20% of column C, but not less than \$1,690 or more than \$3,810. An individual partner who has filed a joint federal tax return with a spouse is entitled to only one standard deduction.

Column E - Exemption. Each participating partner is allowed one exemption of \$2,040. An individual partner who has filed a joint federal tax return with a spouse is entitled to only one exemption.

Column F - Taxable Income. Subtract column D from column C, then subtract column E from the result. Enter this amount in column F.

Column G - Tax from Tax Table. Use the tax table at the bottom of Schedule IV to calculate the tax on the amount in column F. Enter the result in column G. This amount cannot be less than \$0.

Column H - Montana Source Income. Enter the participating partner's share of the partnership's Montana source income. The share of Montana source income is the aggregate of the partner's share of income, gain, losses, deductions or other expenses of the partnership, which are deductible only by the partnership and which are attributable to Montana.

Column I - Ratio. Divide Montana source income in column H by the federal income from the partnership reported in column C. Carry to four decimal places. Do not enter more than 1.0000.

Column J - Montana Composite Income Tax Liability. Multiply the amount in column G, tax from tax table, by the ratio in column I and enter the result. This is the participant's Montana composite tax liability. The tax liability cannot be a negative number. A net operating loss is not created when you compute composite tax.

Instructions for Montana Schedule V

Pass-through Entity Backup Withholding Schedule

Schedule V is used to report the withholding payment(s) made for nonresident partners who have not signed the Form PT-AGR (Montana Pass-through Entity Owner Tax Agreement) or who are not included on Schedule IV (Montana Partnership Composite Income Tax Schedule).

You no longer need to submit Form PT-WH with Schedule V. Form PT-WH has to be completed and sent to the partner listed in column A of Schedule V. You should keep a copy for your records.

Column A - Name and Address of Partner. List the name and address of the partner as it appears on your Form PR-1, Schedule III.

Columns B - Social Security Number or Federal Employer Identification Number. Enter the social security number or federal employer identification number of the partner as this appears on your Form PR-1, Schedule III.

Column C - Total Montana Source Income. Enter the partner's share of the partnership's Montana source income that you reported on your Form PT WH, line 1. The share of Montana source income is the aggregate of the partner's share of income, gain, losses, deductions or other expenses of the partnership, which are deductible only by the partnership and which are attributable to Montana.

Column D - Montana Corporation Tax Withheld. If the partner is a foreign C corporation, multiply the amount in column C by 6.75% and enter the result in column D.

Column E - Montana Individual Tax Withheld. If the partner is a nonresident individual or a second tier pass-through entity, multiply the amount in column C by 6.9% and enter the result in column E.

Instructions for Montana Schedule VI

Check the appropriate boxes indicating which forms were required to be filed with your federal income tax return. If any questions are answered "Yes," you will have to attach a copy of the applicable form.

For purposes of statement 7, "related party" has the same meaning given the term in Section 267(b) or Section 707(b) of the Internal Revenue Code; 26 USC 267(b) or 26 USC 707(b).



2007 Montana Partnership Information and Composite Tax Return

Attach a copy of federal Form 1065 and Schedule K-1(s)

P
MONTANA
PR-1
Rev. 8-07

For calendar year 2007 or tax year beginning (MM-DD) ___ - ___ - **07** and ending (MM-DD-YY) ___ - ___ - ___

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

- Check here, if you do not need the Montana Partnership Information Return and Instructions sent to you next year.
- Check here, if you are filing Schedule V, Backup Withholding Payments with this return.
- Check here, if you are requesting a refund with this return.

<input type="checkbox"/> Check if this an initial return	<input type="checkbox"/> Check here if this is an amended return	
<input type="checkbox"/> Check if this is a final return	If you check the box above, check all that apply below:	
Reason for final return	a. Federal Revenue Agent Report (a complete copy of this report is required)	a. <input type="checkbox"/>
a. Withdrawn a. <input type="checkbox"/>	b. Apportionment factor changes (attach a statement explaining adjustments)	b. <input type="checkbox"/>
b. Dissolved b. <input type="checkbox"/>	c. Amended federal return	c. <input type="checkbox"/>
c. Merged c. <input type="checkbox"/>	d. Amended composite return	d. <input type="checkbox"/>
d. Reorganized d. <input type="checkbox"/>	e. Other (attach a statement explaining all adjustments in detail)	e. <input type="checkbox"/>

Partners' Distributive Share Items (Form 1065, Schedule K)

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. Subtract line 3b from line 3a. This is your other net rental income or loss.	3c.	
4. Guaranteed payments.....	4.	
5. Interest income.....	5.	
6. Ordinary dividends.....	6.	
7. Royalties.....	7.	
8. Net short-term capital gain (loss) (attach federal Schedule D, Form 1065).....	8.	
9. Net long-term capital gain (loss) (attach federal Schedule D, Form 1065).....	9.	
10. Net section 1231 gain (loss) (attach federal Form 4797).....	10.	
11. Other income (loss) (attach detailed schedule).....	11.	
12. Add lines 1 through 11 and enter result. This is your total share of income or loss.	12.	

Partners' Shares of Deduction (Form 1065, Schedule K)

13. Enter section 179 deduction (attach federal Form 4562).....	13.	
14. a. Contributions.....	14a.	
b. Investment interest expense.....	14b.	
c. Section 59(e)(2) expenditures. (attach detailed schedule).....	14c.	
d. Other deductions (attach detailed schedule).....	14d.	
15. Add lines 13 through 14d and enter result. This is your total share of deductions.	15.	

Partners' Distributive Shares of Montana Additions and Exclusions to Income

16. a. Interest and dividends not taxable under the Internal Revenue Code (see instructions).....	16a.	
b. Taxes based on income or profits.....	16b.	
c. Other additions (attach detailed breakdown).....	16c.	
Add lines 16a, 16b, and 16c and enter result. This is your total Montana additions to income.	16.	
17. a. Interest on U.S. Government obligations (attach schedule).....	17a.	
b. Deduction for purchasing recycled material (attach Form RCYL).....	17b.	
c. Other deductions (attach detailed breakdown).....	17c.	
Add lines 17a, 17b, and 17c and enter result. This is your total Montana deductions to income.	17.	
18. Subtract line 15 from line 12. Add the result to line 16, then subtract line 17 from that result.....	18.	

Partners' Distributive Shares of Multi-state Apportionment and Allocation

19. Multi-state taxpayers: Enter line 18 x _____ % from Montana Schedule I, line 5.....	19.	
20. Multi-state taxpayers should enter here their income or loss that they allocate directly to Montana.....	20.	

Calculation of Net Amount Due

Partnership Information Return Late Filing Penalty

21. Partnership information return late filing penalty (see instructions).....21.

Partnership Composite Return Tax

22. Enter your Montana total composite tax from Schedule IV, column J22.

Return Payments

23. a. 2006 overpayment applied to 200723a.

b. 2007 estimated payments.....23b.

c. 2007 extension payment.....23c.

d. Other payments23d.

e. Previously issued refunds (amended return only - see instructions)23e. ()

f. Add lines 23a through 23e and enter the result here. **This is the total of your return payments.**23f.

24. Subtract line 23f from line 22 and enter the result here.....24.

This is your Montana net composite tax due or overpaid.

Composite Return Penalties and Interest Calculation

25. Interest on underpayment of estimated taxes25.

26. Composite income tax return late filing penalty.....26.

27. Composite income tax return late payment penalty27.

28. Interest (see instructions)28.

29. Add lines 25 through 28 and enter the result here29.

This is your Montana composite penalties and interest.

Refund or Amount Owed

30. Add lines 21, 24 and 29 and enter the result here30.

31. If line 30 results in a net amount due, enter it here. **This is the amount you owe.**31.

32. If the amount on line 30 results in an overpayment, enter it here. **This is your overpayment.**32.

33. Enter the amount on line 32 you want applied to your 2008 composite estimated tax.....33.

34. Subtract line 33 from line 32 and enter the amount here. **This is your refund.**34.

Partnership Backup Withholding Payment from Schedule V

35. Enter your Montana corporation license tax withheld from Schedule V, column D35.

36. Enter your Montana individual income tax withheld from Schedule V, column E36.

37. Payments previously made for tax withheld37. ()

38. Add lines 35 through 37. **This is your total partnership backup withholding due.**38.

39. Add lines 31 and 38. **This is your total due.**39.

This return has to be signed by a general partner or limited liability company member.

Declaration

I, the undersigned general partner or limited liability company member of the partnership 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 partner		Date
Print name	Title	Telephone number, ext.
Name of person or firm preparing return		Date
Preparer's identification number		Telephone number

- Check this box and attach a copy of your federal Form 7004 to receive your Montana extension.
- 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 _____

Apportionment Factors for Multi-state Partnerships

Enter amounts in columns A and B. Enter percentages in column C.

	A. Everywhere	B. Montana	C. Factor
1. Property Factor: Use average value for real and tangible personal property			
1a. Land..... 1a.			
1b. Buildings..... 1b.			
1c. Machinery..... 1c.			
1d. Equipment..... 1d.			
1e. Furniture and fixtures..... 1e.			
1f. Leased property..... 1f.			
1g. Inventories..... 1g.			
1h. Supplies and other..... 1h.			
1i. Property of foreign subsidiaries included in combined unitary group 1i.			
1j. Property of unconsolidated subsidiaries included in combined unitary group 1j.			
1k. Property of pass-through entities included in combined unitary group. 1k.			
1l. Multiply amount of rents by 8 and enter result..... 1l.			
Total Property Value add lines 1a through 1l.....			
Take the total in column B and divide it by the total in column A. Multiply the result by 100. This is your property factor.			1. %
2. Payroll Factor:			
2a. Compensation of officers..... 2a.			
2b. Salaries and wages 2b.			
Payroll included in:			
2c. Costs of goods sold 2c.			
2d. Repairs 2d.			
2e. Other deductions 2e.			
2f. Payroll of foreign subsidiaries included in combined unitary group..... 2f.			
2g. Payroll of unconsolidated subsidiaries included in combined unitary group 2g.			
2h. Payroll of pass-through entities included in combined unitary group .. 2h.			
Total Payroll Value add lines 2a through 2h			
Take the total in column B and divide it by the total in column A. Multiply the result by 100. This is your payroll factor.			2. %
3. Sales (Gross Receipts) Factor:			
3a. Gross sales, less returns and allowances 3a.			
3b. Sales delivered or shipped to Montana purchasers:			
(1) Shipped from outside Montana 3b.(1)			
(2) Shipped from within Montana..... 3b.(2)			
3c. Sales shipped from Montana to:			
(1) United States Government..... 3c.(1)			
(2) Purchasers in a state where the taxpayer is not taxable..... 3c.(2)			
3d. Sales other than sales of tangible personal property (i.e. service income)..... 3d			
3e. Less: Intercompany sales..... 3e.	()	()	
3f. Net gains reported on federal Schedule D and federal Form 4797 3f.			
3g. Other gross receipts (rents, royalties, interest, etc)..... 3g.			
3h. Sales (receipts) of foreign subsidiaries included in combined unitary group 3h.			
3i. Sales (receipts) of unconsolidated subsidiaries included in combined unitary group..... 3i.			
3j. Sales (receipts) of pass-through entities included in combined unitary group 3j.			
3k. Less: Other intercompany transactions 3k.	()	()	
Total Sales Value add lines 3a through 3k.....			
Take the total in column B and divide it by the total in column A. Multiply the result by 100. This is your sales factor.			3. %
4. Add the percentages on lines 1, 2, and 3 in column C. This is the sum of your factors.			4. %
5. Divide the total percentage on line 4, column C, by the number of factors that can be included in the calculation. If there is a value in column A for a factor category (Property, Payroll, or Sales) you should include this factor as part of the calculation (see instructions). Enter the results here and also insert in line 19, page 1 of Form PR-1. This is your apportionment factor.			5. %

Schedule II

Entity Name _____ Tax period ending _____ FEIN _____

Montana Partnership Tax Credits	
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 Credit attach Form HI	
4. Montana Recycle Credit attach Form RCYL	
5. Alternative Energy Production Credit attach Form AEPC	
6. Contractor’s Gross Receipts Tax Creditattach supporting schedule	
7. Alternative Fuel Credit..... attach Form AFRCR	
8. Infrastructure Users Fee Credit	
9. Qualified Endowment Credit..... attach Form QEC	
9a. Qualified Endowment Credit Recapture	()
10. Historical Buildings Preservation Creditattach federal Form 3468	
10a. Historical Buildings Preservation Credit Recapture	()
11. Increase Research and Development Activities Credit.....attach Form RSCH	
12. Mineral Exploration Incentive Credit..... attach Form MINE-CRED	
13. Developmental Disability Account Contribution Credit	
14. Empowerment Zone Credit	
15. Film Production Credit.....attach Form FPC	
15a. Film Production Credit Recapture	()
16. Biodiesel Blending and Storage Credit..... attach Form BBSC	
16a. Biodiesel Blending and Storage Credit Recapture	()
17. Oilseed Crushing and Biodiesel Production Credit..... attach Form OSC	
17a. Oilseed Crushing and Biodiesel Production Credit Recapture	()
18. Geothermal System Credit..... attach Form ENRG-A	
19. Insure Montana small business health insurance credit. Business FEIN: _____	
Add lines 1 through 19 and enter result. This is the amount of your total credits.	

Any credit allowed to a partnership has to be attributable to its partners using the same proportion that is used when it reported that partnership’s income or loss for Montana income tax purposes. Please provide a detailed breakdown that shows each partner’s share of the credit.

In order to receive these credits, all partners will have to attach their applicable credit forms to their individual income or corporation license tax returns.

Schedule III

Entity Name _____ Tax period ending _____ FEIN _____

Montana Partnership Information

Enter the total number of partners that own this partnership _____.

All Partners		Nonresident Partner Additional Information Columns E through H must be filled out for all nonresident individual, foreign C corporation, and eligible second tier entity partners.					
A	B	C	D	E	F	G	H
Name and address of partner Name Street Address City State Zip Code	Identification Number	Ownership %	Montana source income	Federal income from entity (from federal Schedule K-1)	Composite income tax (from Schedule IV, column J)	Partner withholding (from Schedule V, column D or E)	Consent agreement or statement (enter year signed)
1.	SSN FEIN						
2.	SSN FEIN						
3.	SSN FEIN						
4.	SSN FEIN						
5.	SSN FEIN						
6.	SSN FEIN						
7.	SSN FEIN						
Column Totals							

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

Schedule IV

Entity Name _____ Tax period ending _____ FEIN _____

Montana Partnership Composite Income Tax Schedule

Eligible Participating Partners: An eligible participant is a partner 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 partner. The entity must retain an executed power of attorney signed by the eligible participating partner, authorizing the partnership to file a composite return and act on the partner's behalf.

Enter below in columns A through J the required information and amounts for each eligible participating partner.

A	B	C	D	E	F	G	H	I	J
Name	Social Security Number or Federal Employer Identification Number	Federal income from entity	Standard deduction	Exemption \$2,040	Calculate Montana taxable income. Subtract column D from column C then subtract column E from the result.	Enter the appropriate tax from the tax table below.	Montana source income	Ratio. Divide column H by column C and enter result.	Montana composite income tax. Multiply column G times column I and enter result.
1.									
2.									
3.									
4.									
5.									
6.									
7.									
8.									
9.									
10.									
11.									
12.									
13.									
Column J Total									

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

Transfer the total from column J to PR-1, page 2, line 22.

If your Taxable Income is Over	but not Over	Multiply your Taxable Income by	and Subtract	equals your Tax	If your Taxable Income is Over	but not Over	Multiply your Taxable Income by	and Subtract	equals your Tax
\$0	\$2,500	0.010	\$0		\$9,000	\$11,600 or more	0.050	\$225	
\$2,500	\$4,400	0.020	\$25		\$11,600	\$14,900 or more	0.060	\$341	
\$4,400	\$6,600	0.030	\$69		\$14,900		0.069	\$475	
\$6,600	\$9,000	0.040	\$135						

Schedule V

Entity Name _____ Tax period ending _____ FEIN _____

Pass-Through Entity Backup Withholding Schedule

Enter the appropriate information below.

Total number of partners subject to Schedule V _____				
A	B	C	D	E
Name and address of nonresident individual, foreign C corporation and second tier pass-through entity	Identification number	Income and backup withholding		
		Montana source income reported on Form PT-WH, line 1	Montana corporation tax withheld Multiply column C by 6.75% and enter result.	Montana individual tax withheld Multiply column C by 6.9% and enter result.
1.				
	SSN			
	FEIN			
2.				
	SSN			
	FEIN			
3.				
	SSN			
	FEIN			
4.				
	SSN			
	FEIN			
5.				
	SSN			
	FEIN			
6.				
	SSN			
	FEIN			
7.				
	SSN			
	FEIN			
Column totals (transfer to Form PR-1, page 2, lines 35 and 36)				
Add totals from column D and column E and enter the result here. This is your total backup withholding.				

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

Schedule VI

Entity Name _____ Tax period ending _____ FEIN _____

Reporting of Special Transactions

Complete Schedule VI only if your partnership filed for federal income tax purposes any of the federal forms described below. Check the appropriate box indicating which form(s) you filed with your federal income tax return. If your answer is "Yes" to one or more of these forms, you will need to attach a complete copy of your federal income tax return Form 1065.

- 1. I filed federal Form 8264 – Application for Registration of a Tax Shelter with the Internal Revenue Service.** Yes

Form 8264 is required to be filed to register a tax shelter.

- 2. I filed federal Form 8271 – Investor Reporting of Tax Shelter Registration Number with the Internal Revenue Service.** Yes

Form 8271 is used to report the tax shelter registration number that the Internal Revenue Service assigns to certain tax shelters required to be registered under 26 USC 6111 and to report the name and identifying number of the tax shelter.

- 3. I filed federal Form 8824 – Like-Kind Exchanges with the Internal Revenue Service.** Yes

NOTE: Check this box if your like-kind exchange includes Montana property. Non-residents do not have to report a like-kind exchange if the properties involved do not include Montana property.

Form 8824 is used to report each exchange of business or investment property for property of a like-kind.

- 4. I filed federal Form 8865 – Return of U.S. Persons With Respect to Certain Foreign Partnerships with the Internal Revenue Service.** Yes

Form 8865 is used to report the information required under 26 USC 6038 (reporting with respect to controlled foreign partnerships), section 6038B (reporting of transfers to foreign partnerships), or section 6046A (reporting of acquisitions, dispositions, and changes in foreign partnership interest).

- 5. I filed federal Form 8886 – Reportable Transaction Disclosure Statement with the Internal Revenue Service.** Yes

Form 8886 is used to disclose information for each reportable transaction in which you participated.

- 6. I filed federal Form 13750 – Election to Participate in Announcement 2005-80 Settlement Initiative with the Internal Revenue Service.** Yes

Form 13750 is an election to participate in the settlement initiative as described in Announcement 2005-80 and as contained in Internal Revenue Bulletin 2005-46 dated November 14, 2005.

Complete this section if you made a disbursement to a related party

- 7. During this tax year I have made payments to related parties (excluding salary compensation) that exceed \$100,000 per recipient.** Yes

If your answer is "Yes" to this question, please provide the name and federal employer identification number of each related party below and the amount that you paid to each related party:

Name	FEIN	Amount of Payment
_____	_____	_____
_____	_____	_____
_____	_____	_____