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## Before You Start

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### What's New?

Beginning with Tax Year 2021, CARES Act provisions allowing for a five-year carryback and a 100% NOL deduction for NOLs generated in 2018, 2019, and 2020 have expired. NOLs generated beginning in Tax Year 2021 may only be carried forward, with the exception of losses resulting from a farming business. The carryforward provision is indefinite.

Additionally, the NOL deduction for tax years beginning in 2021 cannot exceed the sum of NOLs carried to the year from tax years beginning before 2018, plus the lesser of (i) the NOLs carried from years beginning in 2018, or (ii) 80% of the excess (if any) of taxable income (computed without deductions for NOLs) over the total carryforward from NOLs arising in tax years before 2018. As a result, the Montana NOL carryover cannot exceed the sum of NOLs carried to the year from tax years beginning before 2018, plus the lesser of (i) the NOLs carried from years beginning in 2018, or (ii) 80% of the excess (if any) of Montana taxable income (computed without deductions for NOLs) over the total carryforward from NOLs arising in tax years before 2018.

Taxpayers are also subject to the federal excess business loss limitation (EBL) for tax years beginning after 2020 and before 2027. Business losses of more than \$262,000 (\$524,000 if married filing jointly) are limited to that amount, with the remaining loss becoming an NOL carryover.

Taxpayers with federal losses in excess of these amounts are subject to the Montana EBL. Taxpayers use Montana Limitation on Business Losses Schedule to determine the Montana EBL.

**NONRESIDENTS:** In 2021, a Montana District Court found that a nonresident could carryover a Montana loss from prior years, despite not having incurred a federal NOL. This decision is currently on appeal to the Montana Supreme Court and the Department

will update NOL guidance for nonresidents as it may change following this decision.

### Form Changes

Form NOL has been updated to reflect the expiration of CARES Act NOL provisions. Additionally, the line for the Domestic Production Activities Deduction has been removed from all pertinent schedules.

The Class B NOL Carryback Schedule has been renamed to the Farming NOL Carryback Schedule, because, as of tax years beginning after December 31, 2020, only NOLs resulting from farming businesses may be carried back.

The Itemized Deductions Limitation Worksheet has been removed because it is no longer applicable.

Montana Limitation on Business Losses Schedule has been added to calculate the Montana EBL.

The Class B NOL Schedule has been updated to reflect the changes related to the expiration of the CARES Act NOL provisions.

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## Montana Net Operating Loss (NOL) and Federal NOL

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A Montana NOL arises when the sum of business deductions reduces Montana taxable income below zero. If your Montana taxable income is different than your federal taxable income, your Montana NOL may differ from your federal NOL. In general, you have an NOL for Montana income tax purposes if you have an NOL for federal income tax purposes. Both NOLs are computed similarly. See IRS Publication 536 for detailed information on calculating the federal NOL.

The Montana NOL calculation takes into account Montana additions and subtractions to Federal Adjusted Gross Income and Montana itemized deductions. Therefore, taxpayers must use any nonbusiness Montana additions and nonbusiness Montana subtractions to arrive at the Montana taxable income to determine a Montana NOL.

If you are filing separately from your spouse on the same form, complete a separate Form NOL for the spouse(s) that incurred the NOL.

## MT NOL Deductions

The federal Tax Cuts and Jobs Act of 2017 added limitations to NOL deductions stemming from losses incurred after December 31, 2017, creating two classes of NOL deductions, called Class A NOL deductions and Class B NOL deductions for the purpose of these instructions.

The CARES Act of 2020 does not change this designation because any NOL incurred after December 31, 2017, may still be carried over to tax years beginning after December 31, 2020, and the limitations suspended for tax years beginning before January 1, 2021 will apply.

## NOL Incurred in a Tax Year Before January 1, 2018 (“Class A NOL”)

Montana Class A NOL deductions designate NOL amounts that arose from losses incurred in a tax year beginning before January 1, 2018.

In general, Class A NOL amounts may be carried back two years and forward 20 years, with longer carryback periods for farming losses.

## NOL Incurred in a Tax Year After December 31, 2017 (“Class B NOL”)

Montana Class B NOL deductions designate NOL amounts that arose from losses incurred in tax years beginning after December 31, 2017. Class B NOL amounts cannot be carried back, unless they were incurred in 2018, 2019, and 2020 under the CARES Act of 2020 or as a result of a farming business. Class B NOLs can be carried forward indefinitely but are limited to 80 percent of taxable income starting with tax years beginning after December 31, 2020.

If you are a nonresident individual, estate, or trust, you may have a Montana source loss on your Form 2, Nonresident/Part-year Resident Ratio Schedule, which can generally only be used if you have a federal NOL. When you incur a Montana NOL, you must track and keep records of your Montana source losses to calculate the nonresident tax for any carryback or carryover periods.

## Change in Filing Status and/or Marital Status

If your marital or filing status has changed, you must follow the federal rules and instructions for change of filing status when computing Montana NOL carrybacks, carryovers, and refund limits. If you are married filing separately on the same form, you must complete separate Class B NOL schedules, including carryback and carryover schedules.

## Montana Class B NOL Schedule

Use the Class B NOL Schedule to determine if you have a Montana NOL in 2021. This schedule helps you apply the limitations on nonbusiness capital losses and ordinary nonbusiness deductions that exceed nonbusiness income and business capital losses used to calculate an NOL.

There are two columns, Column I and Column II. Resident individuals, estates, and trusts use Column I only. Nonresident individuals, estates, and trusts must complete both Columns I and II.

Report the corresponding Montana source income, loss, and adjustments in Column II.

## Column I—NOL

**Line 1a—Enter your Montana Adjusted Gross Income.** Individuals enter the amount from Form 2, line 14. Estates and trusts enter the amount from Form FID-3, line 24 (Montana taxable income).

**Line 1b – Enter your standard deduction or itemized deductions.** Individuals enter the amount from Form 2, line 15. Estates and trusts add the amounts from Form FID-3, lines 13 (charitable contributions), 21 (Montana income distribution deduction), and 23 (exemption).

**Lines 2 and 3—Calculate your nonbusiness capital losses and gains.** These are losses or gains reported on the federal Schedule D that are not attributable to, or derived from, a trade or business.

**Line 6–Nonbusiness deductions.** Enter your deductions and subtractions that are not related to your trade or business or your employment as a positive number. Examples of nonbusiness deductions include:

- Health Savings Account deduction
- Deductions for payments on behalf of a self-employed individual to an SEP, SIMPLE or qualified plan
- Alimony paid
- IRA deduction
- Archer MSA deduction
- Montana subtractions that are considered nonbusiness, e.g., exempt interest and mutual funds from federal bonds and obligations; or, state income tax refunds included on Form 2
- Most itemized deductions (except for casualty and theft losses)
- Montana standard deduction (if you do not itemize your deductions)

Do not include the deduction for Montana personal exemptions for you, your spouse, or your dependents.

Do not enter an amount in Column II.

**Line 7–Nonbusiness Income.** Only enter income that is unrelated to your trade or business or employment. Examples of nonbusiness income include:

- Interest and dividend income
- Taxable federal and state income tax refunds
- Alimony received
- Gains from the sale of a personal residence to the extent it is recognized in Federal Adjusted Gross Income
- Gains or losses from the sale of assets not used in a trade or business
- Taxable IRA distributions, pensions, and annuities
- Taxable Social Security benefits
- Income or losses from a trust or estate
- Montana additions to the Federal Adjusted Gross Income that are considered nonbusiness

**Lines 11 and 12–Business capital losses and gains.** These are the capital gains and losses attributable to or derived from a trade or business before any capital loss limitation and without regard to any Section 1202 exclusion from your federal Schedule D.

**Line 17–Adjustment for Section 1202**

**Exclusion.** Enter any gain you excluded under Section 1202 on the sale or exchange of qualified small business stock from federal Schedule D, Form 8949, Part II, Code Q.

**Line 19 through line 22–Adjustments for**

**Capital Losses.** Your amount deductible for capital losses is limited based on whether these losses are business capital losses or nonbusiness capital losses.

**Nonbusiness capital losses.** You can deduct your nonbusiness capital losses (line 2) only up to the amount of your nonbusiness capital gains without taking into account any Section 1202 exclusion (line 3). If your nonbusiness capital losses are more than your nonbusiness capital gains without taking into account any Section 1202 exclusion, you cannot deduct the excess.

**Business capital losses.** You can deduct your business capital losses (line 11) only up to the total of:

- Your nonbusiness capital gains that are more than the total of your nonbusiness capital losses and excess nonbusiness deductions (line 10), and
- Your total business capital gains without regard to any Section 1202 exclusion (line 12).

**Line 23–Montana NOLs from other years.** You cannot deduct any NOL carryovers or carrybacks from other years. Enter the total amount of your NOL deduction for losses from other years that you reported on Form 2, Montana Subtractions Schedule, line 22. Estates and Trusts, use Form FID-3, Schedule B, line 7.

**Line 24.** If line 24 is more than zero, you do not have an NOL. If line 24 is less than zero, this is your Montana NOL for the year.

## Column II—Montana Source Losses (Nonresident/Part-Year Resident)

If Column I, line 24 shows a NOL and your Montana source income for the NOL year is less than zero, your Montana NOL from Column I may include Montana source losses. Complete Column II to determine if you have a Montana source loss to report on Form 2, Nonresident/Part-Year Resident Ratio Schedule or Form FID-3, Schedule F.

If Column I, line 24 is zero or more, skip Column II. You do not have a Montana NOL, or your Montana NOL does not include Montana source losses.

**Line 1a.** Enter your Montana source losses reported on Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 16. Estates and trusts use Form FID-3, Schedule F, Column B, line 14.

**Line 1b.** If you are a nonresident or part-year resident individual, estate, or trust, enter 0 (zero).

**Lines 2 through 5.** Follow the instructions for Column I, but limit the reporting to items of income and losses included on Form 2, Nonresident/Part-Year Resident Schedule. Estates and trusts enter the amounts from Form FID-3, Schedule F.

**Line 6.** Nonresident or part-year resident individuals, estates, or trusts, enter 0 (zero).

**Lines 7 through 22.** Follow the instructions for Column I, but limit the reporting to items of income and losses reported on Form 2, Nonresident/Part-Year Resident Schedule. Estates and trusts report the amounts from Form FID-3, Schedule F.

**Line 23.** Individuals, report the amount of Montana source NOLs from your Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 15. Estates and trusts report the amount of Montana source NOLs from Schedule F, Column B, line 13.

**Line 24.** If line 24 is zero or more, you do not have any Montana source losses included in your Montana NOL.

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## Farming NOL Carryback Schedule

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If you do not have a loss from a farming business, do not complete this schedule.

Use the Farming NOL Carryback Schedule to determine the amount of loss from a farming business incurred in 2021 that you may carry back.

See IRS Publications 225 and 536 for more information about farming businesses and the carryback limitations.

### Waiving the Carryback Period for Farming Losses

You can choose not to carry back your NOL from a farming business by checking the box in the waiver section on Form 2, page 2 for individuals and Form FID-3, page 7 for estates and trusts. You must make this election before the due date (including the extended due date) of your 2021 tax return. If you have more than one NOL from a farming business, you must make a separate election for each one.

If you have elected to not carry back your farming loss, do not complete this schedule. Instead, complete the Class A/B Carryover Determination Schedule.

### How to Claim Refunds from Carryback Years

You can claim a refund by filing an amended income tax return. You must file an amended return for each year you can apply a farming NOL to. Complete the Farming NOL Carryback Schedule with each amended return to determine how much of your farming loss can be applied and carried over.

### How to Complete the Farming NOL Carryback Schedule

Complete a column for each tax year of your NOL carryback period starting with the earliest year. If line 9 on that column is more than zero, carry this amount to line 1 of the column for the next year.

The Montana farming loss reported in the carryback periods may include NOL deduction



amounts from previous years. For example, the 2018 Class B Montana NOL deduction and Class A Montana NOL deduction may have been used to refigure your Montana taxable income, therefore the only Montana NOL deduction to remove from your taxable income is the 2021 Montana NOL deduction.

**Important note for nonresidents and part-year residents:** Complete the Farming NOL Carryback Schedule for the amounts reported on Class B NOL Schedule, Column I, and complete another schedule for the amounts reported on Column II.

The Montana NOL you carry back from Class B NOL Schedule, Column II is limited to the Montana source income reported on the 2019 and 2020 Form 2, Nonresident/Part-Year Resident Ratio Schedules for individuals or Form FID-3, Schedule F for estates and trusts.

## Farming NOL Carryback Schedule— Line Instructions

**Line 1.** Enter the carryback amount from Column I, line 24 of the Class B NOL Schedule. Nonresidents and part-year residents enter the carryback amount from Column II, line 24.

**Line 2.** Enter your Montana taxable income. For 2019, this amount is on Form 2, line 14. For 2020, this amount is on Form 2, line 17. Estates and trusts enter the amount from Form FID-3, line 24. Nonresidents and part-year residents, this amount is your Montana source income from your Form 2, Nonresident/Part-Year Resident Ratio Schedule for the corresponding tax year. Nonresident estates and trusts use the Montana source income from Form FID-3, Schedule F.

**Line 3—Net Capital Loss Deduction.** Enter the loss amount as a positive number, if any, as shown (or as previously adjusted) from Form 1040, Schedule D, line 21. Nonresidents and part-year residents will enter the Montana source loss amount as a positive number, if any, as shown (or as previously adjusted) from Form 2, Nonresident / Part-Year Resident Ratio Schedule or Form FID-3, Schedule F for the corresponding year.

**Line 4—Section 1202 Exclusion.** Enter any gain as a positive number that you excluded under Section 1202 on the sale or exchange of qualified small business stock.

**Line 5—Adjustment to Montana Adjusted Gross Income.** If you entered an amount on lines 3 or 4, or if you changed your Montana filing status, you must recalculate certain income and deductions.

These include:

- The special allowance for passive activity losses from rental real estate activities
- IRA deductions
- Student loan interest deduction
- Tuition and fees deduction
- Montana taxable Social Security benefits
- Excludable savings bond interest
- Excludable employer-provided adoption benefits
- Montana partial pension, annuity, and IRA exemption

For purposes of calculating your adjustment to each of these items, your Montana Adjusted Gross Income is increased by the total of the amounts on lines 3 and 4, and any other changes you made if you amended your return.

**Line 6—Adjustment to Montana Itemized Deductions.** Skip this line if, for the applicable carryback year, you:

- Did not itemize deductions
- Did not change your Montana filing status on your amended return; or
- The amounts on lines 3 and 4 are zero.

Otherwise, complete lines 10 through 32. Enter on the amount from line 32 on line 6.

**Estates and trusts.** Recompute the deductions shown (or as previously adjusted) on Form FID-3, line 15a, and any casualty or theft losses shown (or as previously adjusted) on federal Form 4684, Casualties and Thefts, line 18, by substituting modified adjusted gross income (see below) for the adjusted gross income of the estate or trust.

Subtract the recomputed deductions and losses from the deductions and losses previously shown and enter the difference on line 6.

**Line 7.** Enter the exemption(s) for the tax year above.

**Line 8—Modified taxable income.** Add lines 2 through 7. If zero or less, enter 0 (zero).

**Modified adjusted gross income for estates and trusts.** For purposes of calculating casualty or theft losses, determine your modified adjusted gross income by adding the total of the amounts from lines 3 and 4 to the adjusted gross income previously used to calculate these losses.

**Line 9—Farming NOL Carryover.** Report the amount on line 9 in the 2019 column on line 1 of the 2020 column. Report the amount on line 9 in the 2020 column on NOL Carryover Schedule, line 1.

## Adjustment to Itemized Deductions (for Individuals)

This section helps you determine the adjustments applicable to the itemized deductions using the Montana modified adjusted gross income as required by statute. It requires the use of figures that were reported on Form 2, Itemized Deductions Schedule.

**Line 10—Montana Adjusted Gross Income before Class B NOL deduction.** This is the Montana Adjusted Gross Income for the corresponding tax year. This amount may include a Class A NOL.

**Line 19—Recalculated Mortgage Insurance Premiums.** If line 12 is more than \$100,000, complete the Mortgage Insurance Premiums Deduction Worksheet below. If line 12 is \$100,000 or less, do not complete the worksheet. Instead, enter the amount from line 18 on line 19 and enter \$0 on line 20.

## Mortgage Insurance Premiums Deduction Worksheet—Line 19

1 Enter the total premiums you paid for qualified mortgage insurance for a contract issued after December 31, 2006	1	
2 Enter the amount from line 18	2	
3 Enter \$100,000	3	
4 Is the amount on line 2 more than the amount on line 3?  <input type="checkbox"/> Yes <input type="checkbox"/> No		
<b>If No.</b> Your deduction is not limited. Enter the amount from line 18 on line 19 and enter 0 (zero) on line 20. <b>Do not</b> complete the rest of this worksheet.		
<b>If Yes.</b> Subtract line 3 from line 2. If the result is not a multiple of \$1,000, increase it to the next multiple of \$1,000. For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000, etc.	4	
5 Divide line 4 by \$10,000. Enter the result as a decimal. If the result is 1.0 or more, enter 1.	5	
6 Multiply line 1 by line 5.	6	
7 Recalculated mortgage insurance premiums deduction. Subtract line 6 from line 1. Enter the result here and on line 19.	7	

**Line 25—Recalculated Charitable Contributions.** Recalculate your charitable contributions using line 23 as your adjusted gross income unless, for any preceding tax year:

- You entered an amount other than zero on line 24; and
- You had any items of income or deductions based on adjusted gross income that are listed in the instructions for line 6 above.

For Montana NOL carryover purposes, you must reduce any charitable contributions carryover to the extent that the NOL carryover on line 9 is increased by any adjustment to charitable contributions.

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## NOL Carryover Deduction

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Your NOL deduction taken in 2021 may include Class A NOL amounts, Class B NOL amounts, or both.

If you are taking an NOL deduction that includes only Class A NOL amounts, report all your Class A NOLs as an NOL deduction on your income tax return.

If your taxable income after applying your NOL deduction is less than zero, complete the Class A/B NOL Carryover Determination Schedule to figure the amount of Class A NOL you can carry over to the next tax year.

If you are taking an NOL deduction that includes only Class B NOL amounts, complete Class A/B NOL Carryover Determination Schedule to figure the deductible amount of NOL you can report on the Subtractions Schedule of your income tax return. The deductible amount of the Class B NOL is the smaller of your NOL deduction, or 80 percent of your taxable income figured without any NOL deduction.

Report the amount you can carry over to the next tax year on the NOL Carryover Schedule.

If you are taking an NOL deduction that includes Class A and Class B NOLs, you must take your Class A NOL deduction first.

If the total of your Class A NOL applied to a taxable year is more than your taxable income figured without any NOL deduction, complete the Class A/B NOL Carryover Determination Schedule to figure the amount of Class A NOL you can carry over to the next year. In this case, any Class B NOL amounts from previous tax years that you cannot take are carried over to the next tax year on line 2 of the NOL Carryover Schedule.

If your Class A NOL applied to a taxable year is less than your taxable income figured without any NOL deduction, complete the Class A/B NOL Carryover Determination Schedule to determine the deductible amount of Class B NOL. When making that determination, reduce your taxable income on line 2 of the Class A/B NOL Carryover Determination Schedule by the amount of Class A NOL deduction. The amount of Class B NOL you can carry over to the next tax year on the NOL Carryover Schedule

is the difference between your Class B NOL carryover amounts from previous years and the deductible amount.

Estates and trusts reduce their Montana source income by the amount of Montana source losses included in the NOL deduction by reporting the amount of Montana source losses as a negative number on Form FID-3, Schedule F, Column II, line 13.

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## Class A NOL Tracking Table

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The Class A NOL Tracking Table allows you to track the Class A NOL you used, and amounts carried forward to the next tax year. Because the table is organized by NOL years (Columns A and B), your NOL amount will be listed in the order you must use them, starting from the oldest.

The Class A NOL Tracking Table allows you to determine which NOL deduction needs to be recalculated when you are using several NOL deductions against your taxable income.

Keep this table as a reference to complete your tax return next year, or if the Montana Department of Revenue requests a summary of your NOL balance.

### Column Instructions

**Column B.** Report your NOL carryover balances according to the NOL year the losses were incurred. You can find these balances in Column D of the Class A NOL Tracking Table you completed for the previous year. Total the NOL balances at the bottom of the column and report this sum on Form 2, Subtractions Schedule, line 22, or on Form FID-3, Schedule B, line 7.

**Column C.** Starting from the first tax year you have an NOL carryover balance, deduct the NOLs in Column B from the Montana taxable income in the order you incurred them. Report the amount of NOL that is entirely used for each line against your taxable income. Proceed until all Montana taxable income is used, or the reduced taxable income is less than the NOL deduction for a given NOL year, whichever comes first. At the end of the column, add all the NOL deductions used.

*Note:* If all the NOL deductions are used, Column B must equal Column C. You do not need to report anything in Column D.

**Column D.** Proceeding in the order in which you incurred the NOLs, if the amount in Column C is equal to the amount in column B, enter 0 (zero) and go to the next year with an NOL carryover balance.

When the amount of NOL used in Column C is less than the NOL balance from Column B for an NOL year, use the Class A/B NOL Carryover Determination Schedule to figure how much Class A NOL you need to report in Column D for that loss year. Copy the total amount from Column B to Column D for the subsequent years.

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## Class A/B NOL Carryover Determination Schedule

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### Line instructions

Complete this schedule for each NOL year and each NOL that you may have.

**Line 1.** This is the Class A or Class B NOL amount you are applying to the current taxable year and for which you are calculating the carryover amount. You must deduct Class A NOL amounts before you can use any Class B NOL amount.

**Line 2.** Enter your taxable income without the NOL deduction for the year listed at the top of schedule. Include any Class A NOL deduction from prior years.

If you are determining your deductible and carryover amount of Class B NOL, reduce this amount by any amount of Class A NOL applied first.

**Line 3–Net Capital Loss Deduction.** Enter the loss amount as a positive number, if any, as shown (or as previously adjusted) from Form 1040, Schedule D, line 21.

*Note:* If you are married filing separately on the same form, include any capital loss limitation adjustment used to calculate your Montana Adjusted Gross Income on Form 2, page 1, line 7.

**Line 4–Section 1202 Exclusion.** Enter any gain that you excluded under Section 1202 on the sale or exchange of qualified small business stock as a positive number.

**Line 5–Adjustment to Montana Adjusted Gross Income.** You must recalculate the following income and deductions based on your Montana Adjusted Gross Income:

- The special allowance for passive activity losses from rental real estate activities
- Taxable Social Security and Tier 1 railroad retirement benefits
- IRA deductions
- Excludable savings bond interest
- Excludable employer-provided adoption benefits
- The student loan interest deduction
- Montana partial pension, annuity, and IRA exemption

If none of these items apply to you, enter 0 (zero) on line 5. Otherwise, increase your adjusted gross income by the total of lines 3 and 4 and your NOL deduction for the NOL year at the top of the schedule and later years. Using this increased adjusted gross income, recalculate the items that apply, in the order listed above. Your adjustment for each item is the difference between the new amount and the amount included on your return. Combine the adjustments for previous items with your adjusted gross income before recalculating the next item.

Keep a record of your computations. Enter your total adjustments for the above items on line 5.

**Line 6 – Adjustment to Montana Itemized Deductions.** Enter 0 (zero) if you claimed the standard deduction and the amounts on lines 3 and 4 are zero. Otherwise, use lines 11a through 27 to calculate the amount to enter on this line. Complete only those sections that apply to you.

Estates and trusts. Enter 0 (zero) on line 6 if you did not claim any casualty or theft loss.

Otherwise, recalculate these deductions by substituting modified adjusted gross income (see below) for adjusted gross income. Subtract the recomputed deductions from those claimed on the return. Enter the result on line 6.



Modified adjusted gross income for estates and trusts: to recalculate miscellaneous itemized deductions for an estate or trust (Form FID-3, line 15a), modified adjusted gross income is the total of the following amounts:

- The adjusted gross income on the return
- The amounts from lines 3 and 4; and
- The exemption amount from Form FID-3, line 23.

To recalculate the casualty and theft loss deduction for an estate or trust, modified adjusted gross income is the total of the following amounts:

- The adjusted gross income amount you used to determine the deduction claimed on the return; and
- The amounts from lines 3 and 4.

**Lines 9a – 9b.** Only complete these lines if you have a Class B NOL.

**Line 9c.** This is your Montana Class B NOL carryover deduction. Treat your NOL deduction as a positive amount. Enter the result on NOL Carryover Schedule, line 2.

**Line 10.** Only complete this line if you have a Class A NOL. Treat it as a positive amount. Enter the result on NOL Carryover Schedule, line 3.

**Lines 19 and 20.** You may be entitled to a larger charitable contributions deduction in determining modified adjusted gross income (Class A/B NOL Carryover Determination Schedule, line 13) than the charitable contribution deduction you were allowed in determining Montana Adjusted Gross Income (Form 2, line 14). Because of this, the amount you enter on line 21 may be negative. To the extent that these additional charitable contribution deductions decrease the amount of NOL that is used in 2021, you must reduce your charitable contribution carryover to 2022.

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## Montana Excess Business Loss

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Taxpayers are subject to the federal excess business loss limitation (EBL) for tax years beginning after 2020 and before 2027. Business losses of more than \$262,000 (\$524,000 if filing jointly) are limited to that amount, with the remaining loss becoming an NOL carryover. Taxpayers with federal losses in excess of these amounts are subject to the Montana EBL.

Your federal EBL adjustment is reported in your Federal Adjusted Gross Income on Form 2, Schedule 1, line 8o.

**Residents:** If you are married filing separately on the same form, your EBL adjustment must be recalculated and assigned to the spouse who incurred the loss. Your Montana EBL adjustment is added back to your Montana Adjusted Gross Income and becomes a carryover in 2022. Report your federal EBL adjustment from Schedule 1, line 8o on Form 2, Subtractions Schedule, line 22. Then, use federal Form 461 to calculate your Montana EBL adjustment using the single filing threshold. Report your Montana EBL adjustment on Form 2, Additions Schedule, line 14.

Do not make any adjustments to your EBL adjustment if you are a resident using the same filing status as reported on your federal return.

**Nonresidents:** Your Montana EBL is based on your Montana sourced income/loss reported on the Form 2 Nonresident/Part-year Resident Ratio Schedule. The resulting Montana EBL adjustment is added back to your Montana source income and becomes a carryover in 2022.

Additionally, if you are married filing separately on the same form, your EBL adjustment must be recalculated and assigned to the spouse who incurred the loss. Follow the instructions for resident taxpayers above to determine your EBL adjustment for a single taxpayer, then use that information to compute your Montana EBL.

Use Montana Limitation on Business Losses Schedule to determine the Montana EBL.

## Nonresident Limitation on Montana Business Losses Schedule Line Instructions

**Lines 1 through 12.** Complete Limitation on Montana Business Losses Schedule in the same manner as the federal Form 461, but only report Montana source income and loss. Individuals use the corresponding Montana source income and loss reported on Form 2, Nonresident/Part-Year Resident Ratio Schedule to complete lines 1 through 12. Estates and trusts use the corresponding Montana source income and loss reported on Form FID-3, Schedule F to complete lines 1 through 12.

**Line 15.** Enter the federal EBL from your federal Form 461.

**Line 17.** Enter the federal filing status threshold that corresponds with your Montana filing status. If you are married filing separately on the same form, use the filing status threshold for a single taxpayer.

**Line 19.** If the resulting figure on this line is a negative amount, then it is your Montana EBL. Although it is a loss, you will report this figure as a positive number on Form 2, Nonresident/Part-year Resident Ratio Schedule, line 13. Estates and trusts enter this amount on Form FID-3, Schedule F, line 13.

Also report this amount on Class B NOL Carryover Schedule, line 4.

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## NOL Carryover Schedule

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*Note:* Class A NOLs must be used first.

This schedule summarizes all of the schedules on the Form NOL and provides you with the amount to carry over to the next year.

This schedule helps you compile all NOL amounts from prior or later years (carried back) into a total NOL deduction amount, applied against taxable income after any Class A NOL deduction.

If you are carrying a farming NOL back, complete this schedule each time you complete a column on the Farming NOL Carryback Schedule. Include on the schedule all the farming NOL amounts that you are taking as a deduction in the following year.

**Questions?** Call us at (406) 444-6900, or Montana Relay at 711 for the hearing impaired.



# 2021 Montana Net Operating Loss (NOL) for Individuals, Estates, and Trusts

Form NOL  
V4 5/2022

[15-30-2119, MCA](#), and [ARM 42.15.318, ARM 42.30.106](#)

Calendar year 2021, or tax year beginning \_\_\_\_\_, 2021 and ending \_\_\_\_\_

First name, middle initial, and last name	Social Security Number
Spouse's first name, middle initial, and last name	Spouse's Social Security Number
Entity Name (if fiduciary)	Federal Employer Identification Number

## Class B NOL Schedule

		I NOL		II Montana Losses
1a Column I: Montana Adjusted Gross Income; Column II: Montana source income. (See instructions)	1a			
1b Standard deduction or itemized deductions taken on Form 2. (Estates and trusts, enter the charitable deduction reported on FID-3, line 13.)	1b			
1c Individuals must subtract line 1b from line 1a. Estates and trusts must add lines 1a and 1b.	1c			
2 Nonbusiness capital losses before limitation. Enter as a positive number.	2			
3 Nonbusiness capital gains (without regard to any Section 1202 exclusion).	3			
4 If line 2 is more than line 3, enter the difference; otherwise, enter 0 (zero).	4			
5 If line 3 is more than line 2, enter the difference; otherwise, enter 0 (zero).	5			
6 Nonbusiness deductions. (See instructions)	6			
7 Nonbusiness income other than capital gains. (See instructions)	7			
8 Add lines 5 and 7.	8			
9 If line 6 is more than line 8, enter the difference; otherwise, enter 0 (zero).	9			
10 If line 8 is more than line 6, enter the difference; otherwise, enter 0 (zero). Do not enter more than the amount on line 5.	10			
11 Business capital losses before limitation. Enter as a positive number.	11			
12 Business capital gains (without regard to any Section 1202 exclusion).	12			
13 Add lines 10 and 12.	13			
14 Subtract line 13 from line 11. If zero or less, enter 0 (zero).	14			
15 Add lines 4 and 14.	15			
16 Enter the loss, if any, from line 16 of your Schedule D (Form 1040 or 1040-SR). Estates and trusts enter the loss, if any, from line 19 (column 3), of Schedule D (Form 1041). Enter as a positive number. If there is no loss on that line (and no Section 1202 exclusion), skip lines 16 through 21 and enter the amount from line 15 on line 22.	16			
17 Section 1202 exclusion. Enter as a positive number.	17			
18 Subtract line 17 from line 16. If zero or less, enter 0 (zero).	18			
19 Enter any loss, from line 21 of your Schedule D (Form 1040 or 1040-SR). Estates and trusts, enter any loss from line 20 of Schedule D (Form 1041). Enter as a positive number.	19			
20 If line 18 is more than line 19, enter the difference; otherwise, enter 0 (zero).	20			
21 If line 19 is more than line 18, enter the difference; otherwise, enter 0 (zero).	21			
22 Subtract line 20 from line 15. If zero or less, enter 0 (zero).	22			
23 NOL deduction for losses from other years. Enter as a positive number.	23			
24 NOL. Combine lines 1c, 9, 17, and 21 through 23. If the result is less than zero, enter here. If the result is zero or more, you do not have an NOL.	24			

First name, middle initial, and last name	Social Security Number
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**Farming NOL Carryback Schedule**

**2021 NOL Applied to  
Tax Year 2019**

**2021 NOL applied to  
Tax Year 2020**

Complete the 2019 column before the 2020 column

1 NOL deduction. (See instructions) Enter as a positive number.	1				
2 Montana taxable income before any Class B NOL carryback (See instructions). Estates and trusts, increase this amount by the sum of charitable deduction and income distribution deduction.	2				
3 Net capital loss deduction. (See instructions)	3				
4 Section 1202 exclusion. Enter as a positive number.	4				
5 Adjustment to Montana Adjusted Gross Income. (See instructions)	5				
6 Adjustment to Montana itemized deductions. (See instructions)	6				
7 Individuals, enter deduction for exemptions. Estates and trusts, enter exemption amount.	7				
8 Modified taxable income. Add lines 2 through 7. If zero or less, enter 0 (zero).	8				
9 Subtract line 8 from line 1. If zero or less, enter 0 (zero). This is your farming NOL carryover.	9				

**Adjustments to Itemized Deductions**

Complete lines 10 through 32 for the carryback years for which you itemized deductions only if line 3 or 4 above is more than zero.

10 Montana Adjusted Gross Income without the NOL deduction for the NOL year entered above or for later years.	10				
11 Add lines 3 through 5	11				
12 Add lines 10 and 11. This is your modified adjusted gross income.	12				
13 Medical expenses from Form 2, Itemized Deductions Schedule, line 1a (or as previously adjusted).	13				
14 Medical expenses from Form 2, Itemized Deductions Schedule, line 1 (or as previously adjusted).	14				
15 Multiply line 12 by 7.5% (0.075)	15				
16 Subtract line 15 from line 14. If zero or less, enter 0 (zero)	16				
17 Subtract line 16 from line 13	17				
18 Mortgage insurance premiums from Form 2, Itemized Deductions Schedule (or as previously adjusted).	18				
19 Refigured mortgage insurance premiums (See instructions)	19				
20 Subtract line 19 from line 18.	20				
21 Modified adjusted gross income from line 12	21				
22 Enter as a positive number any NOL carryback from a year before 2021 that was deducted to figure line 10	22				
23 Add lines 21 and 22 (add back previous year's Class A NOL)	23				
24 Charitable contributions (including any carryovers) from Form 2, Itemized Deductions Schedule (or as previously adjusted)	24				
25 Refigured charitable contributions (See instructions)	25				
26 Subtract line 25 from line 24	26				
27 Casualty and theft losses from federal Form 4684, line 18 (or as previously adjusted)	27				
28 Casualty and theft losses from federal Form 4684, line 16 (or as previously adjusted)	28				
29 Multiply line 21 by 10% (0.10)	29				
30 Subtract line 29 from line 28. If zero or less enter "0" (zero).	30				
31 Subtract line 30 from line 27	31				
32 Combine lines 17, 20, 26, and 31. Enter the result here and on line 6 above.	32				



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**Class A NOL Tracking Table**

2021 Montana Modified Taxable Income →			
Column A	Column B	Column C	Column D
NOL Year	NOL Deduction Balance	NOL Deduction Absorbed	Remaining NOL Deduction Balance
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
<b>Total →</b>			

First name, middle initial, and last name	Social Security Number
Spouse's first name, middle initial, and last name	Spouse's Social Security Number
Entity Name (if fiduciary)	Federal Employer Identification Number

**Class A/B NOL Carryover Determination Schedule (complete a separate schedule for each class of NOL)**

Use the current year Form 2 or Form FID-3 to complete this schedule

NOL Year (This is the year for which you are calculating the amount of Class A NOL carryover.) →		
1 Enter as a positive number your NOL deduction for the NOL year you entered above. (See instructions)	1	
2 Montana taxable income before the Montana NOL deduction from line 1. (See instructions)	2	
3 Enter as a positive number any net capital loss deduction.	3	
4 Enter as a positive number any Section 1202 exclusion.	4	
5 Adjustment to Montana Adjusted Gross Income. (See instructions)	5	
6 Adjustment to Montana itemized deductions. (See instructions)	6	
7 Individuals enter deduction for exemptions. Trusts and estates enter exemption amount.	7	
8 Modified taxable income. Combine lines 2 through 7. If zero or less, enter "0" (zero).	8	
9a For Class B NOL only: multiply line 2 by 80% (0.80). (See instructions)	9a	
9b For Class B NOL only: enter the lesser of line 1 or line 9a. (See instructions)	9b	
9c For Class B NOL only: subtract line 9b from line 1. If zero or less, enter 0 (zero). This is your Class B NOL carryover.	9c	
10 For Class A NOL only: subtract line 8 from line 1. If zero or less, enter 0 (zero). This is your Class A NOL carryover.	10	

**Adjustments to itemized deductions (individuals only)**

11a Montana adjusted gross income from Form 2, line 14.	11a	
11b NOL deduction from Form 2, Montana Subtractions Schedule, line 22.	11b	
11c Add lines 11a and 11b.	11c	
12 Add lines 3 through 5 above.	12	
13 Add lines 11c and 12. This is your Montana Modified Adjusted Gross Income.	13	

**Adjustment to medical expenses:**

14 Medical expenses from Form 2, Itemized Deductions Schedule, line 1 (or as previously adjusted).	14	
15 Medical expenses from Form 2, Itemized Deductions Schedule, line 1a (or as previously adjusted).	15	
16 Multiply line 13 by 7.5% (0.075).	16	
17 Subtract line 16 from line 15. If zero or less, enter 0 (zero).	17	
18 Subtract line 17 from line 14.	18	

**Adjustment to charitable contributions:**

19 Charitable contributions (including any carryovers) from Form 2, Itemized Deductions Schedule (or as previously adjusted).	19	
20 Refigured charitable contributions. (See instructions)	20	
21 Subtract line 20 from line 19.	21	

**Adjustment to casualty and theft losses:**

22 Casualty and theft losses from federal Form 4684, line 18 (or as previously adjusted).	22	
23 Casualty and theft losses from federal Form 4684, line 16 (or as previously adjusted).	23	
24 Multiply line 13 by 10% (0.10).	24	
25 Subtract line 24 from line 23. If zero or less enter "0" (zero).	25	
26 Subtract line 25 from line 22.	26	
27 Combine lines 18, 21, and 26. Enter here and on line 6.	27	

If you file your Montana tax return electronically, you do not need to mail this schedule to us unless we ask you for a copy. When you file electronically, you signify that you have retained the required documents in your tax records and will provide them upon the department's request.

First name, middle initial, and last name	Social Security Number
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### Nonresident Montana Limitation on Business Losses Schedule

#### Part I Montana Total Income/Loss Items

1	Reserved for future use.	1	
2	Enter amount from Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 6.	2	
3	Enter amount from Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 7.	3	
4	Enter amount from Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 8.	4	
5	Enter amount from Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 10.	5	
6	Enter amount from Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 11.	6	
7	Reserved for future use.	7	
8	Any other Montana source income, gain, or losses from a trade or business not reported on lines 1 through 7.	8	
9	Combine lines 1 through 8.	9	

#### Part II Montana Adjustment for Amounts Not Attributable to Trade or Business

10	Enter any Montana source income or gain reported on lines 1 through 8 that is not attributable to a trade or business. (See instructions)	10	
11	Enter any Montana source losses or deductions reported on lines 1 through 8 that are not attributable to a trade or business. (See instructions)	11	
12	Subtract line 11 from line 10.	12	

#### Part III Montana Limitation on Losses

13	If line 12 is a negative number, enter it here as a positive number. If line 12 is a positive number, enter it here as a negative number.	13	
14	Add lines 9 and 13.	14	
15	Enter amount from federal Form 461, line 14.	15	
16	Divide line 14 by line 15. This is your Montana EBL ratio.	16	
17	Federal filing status threshold (\$262,000 (\$524,000 if filing jointly)).	17	
18	Multiply line 16 by line 17.	18	
19	Add lines 14 and 18.	19	

#### NOL Carryover Schedule

1	Enter the amount from Farming NOL Carryback Schedule, line 9.	1	
2	Enter the amount from Class A/B NOL Carryover Determination Schedule, line 9c.	2	
3	Enter the amount from Class A/B NOL Carryover Determination Schedule, line 10.	3	
4	Enter the amount from Montana Limitation on Business Losses Schedule, line 19 as a positive number.	4	
5	Add lines 1 through 4. This is your Montana NOL carryover to 2022.	5	