MONTANA
DEPARTMENT OF
REVENUE

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To: Tax Software Developers

Concerning: 2024 PTE – FAQ

We have received some inquiries regarding the 2024 PTE. Please review the following questions and answers, along with additional clarifying information.

1. **Flow-Through Payments**
   - PTEs receiving flow-through payments must use them in whole or in part to pay the PTET. Each type of indirect payment follows different rules of attribution. Form PTE, Flow-Through Payment Schedule must be filed to apply flow-through payments against the different tax Types: PTET, composite tax, and PT-WTH. Allocation of payments is complex. We recommend that PTE returns are filed electronically to avoid miscalculations in their aggregation and allocation. (These instructions can be found on Publication 4, Page 2).

   - Many vendor questions on Test Case 1 are pertaining to K-1 Owners that are subject to both distribution of PTET and Pass-through Withholding (PTWH). Examples of owners affected on this test case are Owner 2, Owner 5, Owner 8, Owner 19 and Owner 23. The calculation for these is as follows (PTET distribution on Part 5, Line 1 must be equal to Profit/Loss percentage multiplied by FTPS Part 1, Column C total), (line 3a is equal to Part IV, Line 14, Column B multiplied by the tax rate 5.9% minus Part V, Line 1)

2. **Guaranteed Payments for Service performed in Montana**
   - Owners who have received guaranteed payments for services performed in Montana (K-1 Part IV, Column B, Line 4a) are not eligible for a composite tax election.

   - Guaranteed payments (GP) for services are an exception from sourcing rules and are not included in the entity's income for Montana tax purposes per ARM 42.9.303(3).

     - As a result, partners receiving GP for services sourced to Montana cannot participate in a composite election.

     - Partners receiving GP for services not sourced to Montana may participate in the composite tax election because GP for services are excluded from the composite tax calculation.

3) **Question:** On MT PTE Test 1, the K-1 for Owner Eleven is marked as a C corporation but it also has a value for Part 5 Line 3a. According to the instructions it does not qualify for this amount and should be 0. Is this correct?

Answer: Foreign C corporations have a pass-through withholding requirement if they receive a distributive share of income of $1000 or more and do not have a valid PT-AGR. Domestic C corporations do not have a withholding requirement but do have the option to be withheld upon which should be determined by the entity and the preparer. This scenario and owner were written specifically to ensure that no blocks were in place for withholding eligibility on this particular owner type.

Please contact us with any questions.

Thank you,

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