

2019 Montana Form CIT

Corporate Income Tax Instructions

MONTANA DEPARTMENT OF REVENUE



Call us at (406) 444-6900

MTRevenue.gov

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Dear Montana Taxpayer,

Thank you for filing your Montana tax return. Your Montana Department of Revenue is committed to providing the best possible services to all Montanans!

To make the filing of your tax return as easy and simple as possible we have made some changes. Please see the What's New section for the changes to our 2019 tax forms.

It is important for Montanans to know where your tax dollars go. In the graphs below, you can see where tax revenues come from and how they are used to support important services and infrastructure.

We are committed to assisting you with any questions you may have about your filing requirements, especially in light of the changes to the federal and state income tax forms. If you need more information or would like help, please visit MTRevenue.gov visit or call our help line at (406) 444-6900.

Also, we encourage you to file electronically. Last year more than 87 percent of taxpayers filed electronically. Taxpayers find that e-filing is easy, convenient and helps ensure correct filing.

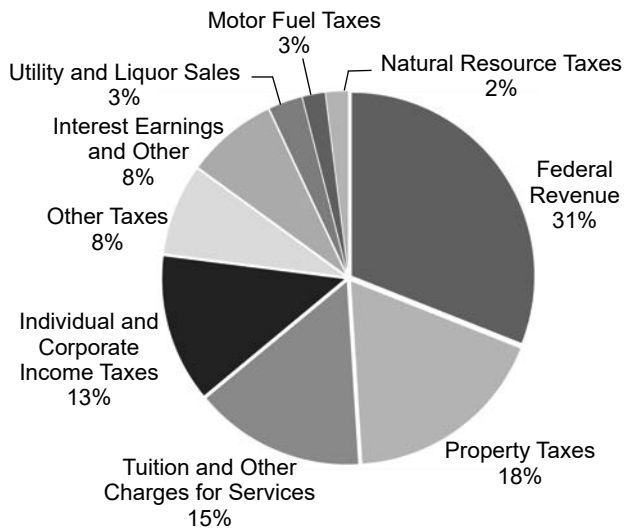
Best regards,

Your Montana Department of Revenue

Your Tax Dollars at Work

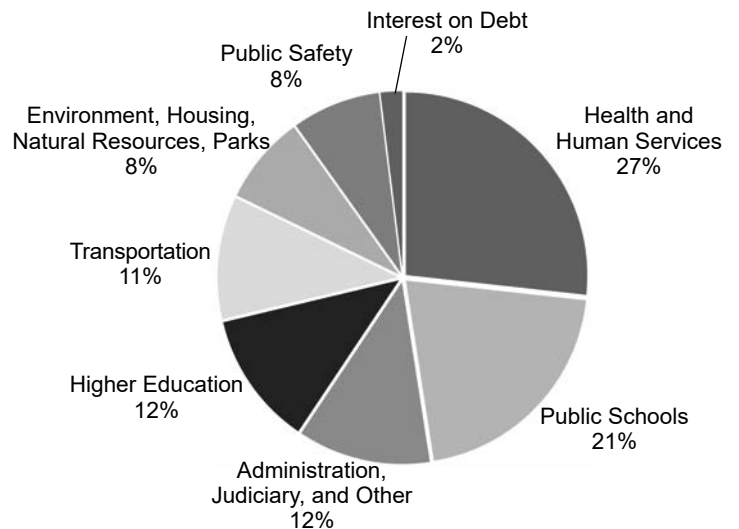
What are Montana's Public Revenues?

Total Montana State and Local Revenue, Fiscal Year Ending 2016



Where Do Your Public Dollars Go?

Total State and Local Spending in Montana, Fiscal year Ending 2016



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This booklet is designed to address the laws for the majority of tax filing situations. If you have a unique situation that is not addressed in the booklet, please refer to Title 15 of Montana law found at leg.mt.gov or call us with your questions.

What's New?

Interest Rate Change

Beginning January 1, 2020 and each year thereafter, the interest rate will change and accrue at 3 percentage points above the prime rate published by the federal reserve system for the third quarter of the preceding year. See *15-1-216, MCA*.

Disregarded Entities

Starting with tax year 2019, a disregarded entity owned by a C Corporation is not required to file a Form DER-1. The disregarded entity is required to be included in its C corporation owner's income tax return. The disregarded entity information must be reported on the CIT Schedule M.

Getting Started

You can help us save time and money by following these instructions.

- Always put entries on the lines, not to the side, above or below the lines.
- Use black or blue ink.
- Do not staple or tape anything to the tax return, correspondence, documents, voucher or check.
- For negative numbers, use a negative sign. Do not use parentheses () for negative numbers. For example, write -8300, not (8300).
- Do not submit photocopies (supporting documents can be photocopied).
- Sign the return.

Also, please organize the return information in the following order (although some items may not apply to every return):

1. check and voucher
2. correspondence
3. tax return
4. schedules
5. other supporting documents.

General Information

Who must file a Corporate Income Tax Return?

Every corporation engaged in business in the state of Montana—unless expressly exempted under *15-31-102(1), MCA*—must file an annual Montana Corporate Income Tax Return. The term “corporation” includes associations, joint stock

companies, limited liability companies that are taxed as C corporations for federal income tax purposes, and common law trusts and business trusts that do business in an organized capacity, whether or not under and pursuant to state laws, agreements or declarations of trust. Please see *15-31-101, MCA*. An S Corporation must file a Pass-Through Entity Tax Return, PTE.

Corporations must pay a tax of 6.75% on their total Montana net income. Corporations with a valid water's edge election must pay a tax of 7% on their total Montana net income. If the corporation has sustained a net loss, it must file a Montana Corporate Income Tax Return. The minimum tax that a corporation must pay is \$50. For a combined tax return, the minimum tax applies to each corporation with Montana activity. Please see *15-31-121, MCA*.

When does a corporation need to file?

The due date for calendar-year taxpayers is May 15. The due date for fiscal-year taxpayers is the 15th day of the 5th month after the close of the taxable year. Interest accrues on any tax liability that has not been paid by the original due date of the tax return.

Corporations receive an automatic extension of up to six months following the prescribed filing date. No application is required for this extension. Please see *15-31-111(3)(a), MCA*. Note that the automatic six-month extension to file is not an extension to pay.

If a corporation has no activity in Montana during a tax period, it is still required to file either a

return showing it had no activity or Form INA-CT, Affidavit of Inactivity, for that period. If the corporation chooses to file Form CIT to report that it had no activity, the return must bear the name and address of the corporation, the signature of an officer, contact information and a written statement on the face of the return or included with the return stating that the corporation was not engaged in business in Montana during the period. Alternatively, Form INA-CT can be found on our website at your TransAction Portal at <https://tap.dor.mt.gov>. Please refer to *Administrative Rule of Montana (ARM) 42.23.312*.

Did you know that a tax preparer can electronically file a Montana Form CIT?

Montana participates in the joint federal/state electronic filing program. Please visit MTRRevenue.gov for more details and a list of approved software vendors. Tax professionals who are authorized e-file providers can file federal and state tax returns at the same time or separately.

How should a corporation file?

A corporation may file electronically or by submitting returns to the department. If you file electronically, you do not need to send in the Form CIT unless we request a copy. When you file electronically, you represent that you will retain the documents required to substantiate the corporation’s tax returns and you will provide them upon the department’s request. Montana law requires the corporation’s president, vice-president, treasurer, assistant treasurer, or chief accounting officer to sign the return. Please see *15-31-111(1), MCA*. The act of submitting an electronic return constitutes the officer’s signature and is a declaration that he or she is the officer identified in the return as signing the return.

If you choose not to file electronically, mail the tax return to:



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

Did you know that you can sign up to access your Montana tax account online?

Go to MTRRevenue.gov and check out the TransAction Portal (TAP) website to register for access to your account. After you register for account access, you can make payments, update your account information, view prior-year filed returns and payments made, and grant access to others (such as your tax practitioner).

Tax Year

The same tax year used for federal income tax purposes (as indicated on the federal return) must be used for Montana Corporate Income Tax purposes. See *15-31-112, MCA*. If the corporation has a fiscal year, enter the beginning and ending dates of the fiscal year. For fiscal filers:

Tax Year Beginning in:	Use tax form:
2017	2017 CIT
2018	2018 CIT
2019	2019 CIT

Line Instructions

Entity Information

Name and Address

Enter the corporation’s name and mailing address in the space provided.

Federal Employer Identification Number (FEIN)

Montana uses the FEIN for identification purposes. Enter the FEIN from page 1 of the federal Form 1120, or applicable form.

Federal Business Code/NAICS

Enter the corporation’s Principal Business Activity Code number from page 3 of the federal Form 1120 or applicable form. The Business Activity Code is based on the North American Industry Classification System (NAICS). For more information, visit naics.com.

Date Qualified in Montana

Enter the date the Montana Secretary of State qualified the corporation to do business in Montana. If the corporation was formed in Montana, enter the date of incorporation. To find this date, visit the Secretary of State’s website at sos.mt.gov and search for the business’ name under the Business Services section. You can also obtain a certificate of authority from the Secretary of State.

MT Secretary of State ID

Enter the corporation’s Montana Secretary of State identification number. This number is referred to as the Certified File Number or Filing Number on all correspondence issued by the Secretary of

State's office and begins with a letter followed by six to eight digits. It was originally provided with the certificate of authority to do business in Montana or when the corporation was incorporated in Montana. Enter the letter, followed by the next six to eight digits of the number. For example, if your Certified File Number is D-123456, enter D123456 in the spaces provided. Leave any extra boxes blank. A company's Secretary of State identification number can also be found on the Secretary of State's website at sos.mt.gov by searching for the business' name under the Business Search section.

Part I. Filing Method

All corporations must complete Part 1 as directed below. If you mark "Yes" to lines 2 or 3, you must complete lines 4 and 5 of this part.

Line 1. Mark this box if the corporation is protected under the provisions of Public Law 86-272, and enter the number of companies that are claiming protection under Public Law 86-272. Please refer to *ARM 42.26.501* for guidance about whether a corporation's activities in Montana are protected under the provisions of Public Law 86-272. If the corporation's activities are protected, you still need to complete and include a Schedule K. If you mark this box, and you are filing an amended return, skip Part II; otherwise, skip to Part III.

Line 2. Mark the "Yes" box if the corporation is a member of a consolidated group for federal purposes, either as a parent or a subsidiary. Mark the "No" box if this does not apply.

Line 3. Mark the "Yes" box if the corporation is filing a combined return for Montana purposes (see explanation below). Mark the "No" box if this does not apply.

If a corporation engages in a unitary business, it must file a combined return that apportions all apportionable income from such trade or business. The corporation must include in its combined return all unitary affiliates that the corporation directly or indirectly owns more than 50% of, and/or include a unitary affiliate that owns more than 50% of the corporation. A business is unitary when the operations of that business within the state depend on or contribute to the operations of that business outside the state, or if the units of the business within and outside of the state are closely allied and not capable of separate maintenance as independent businesses. See *15-31-301 through 15-31-311, MCA*. Corporations filing combined Montana returns must complete and include Schedule K (see instructions in this booklet). In addition, if more than one corporation

has Montana activity, you must complete and include Schedule K-Combined (see instructions in this booklet) in support of the Schedule K.

Line 4. If you answered "Yes" to questions 2 or 3 of this part, mark the box that indicates the applicable filing method, and complete and include a Montana Schedule M. The corporation must qualify in order to file under methods other than a combined method. The same filing method should be used from year to year.

- a. **Separate Company.** Mark this filing method if the corporation is a part of a federal consolidated group but is filing a separate, pro forma tax return for Montana purposes (non-unitary with any of the other members of the federal consolidated group). Note: If you include a proforma federal Form 1120 with the corporation's Montana tax return, you must also include a signed copy of the consolidated federal Form 1120 of the ultimate parent corporation.
- b. **Separate Accounting.** Mark this filing method if the corporation's business operations in Montana are not unitary with the corporation's business operations outside of Montana. You must be able to separate the corporation's income and expenses that are attributed to business operations within Montana from the total income and expenses of the corporation. You must also include a detailed description of the corporation's Montana activity.
- c. **Worldwide Combination.** Mark this filing method if the corporation has a unitary relationship with its domestic and foreign subsidiaries. You must include federal Form 5471 for each controlled foreign corporation or a detailed schedule of the corporation's foreign income.
- d. **Domestic Combination.** Mark this filing method if the corporation has a unitary relationship with its domestic subsidiaries and does not have greater than 50% ownership of a foreign subsidiary.
- e. **Limited Combination.** Mark this filing method if the corporation has excluded one or more of its subsidiaries from its combined unitary group. List the excluded subsidiaries (foreign and domestic) on Schedule M. Additionally, attach a statement explaining why the subsidiaries are being excluded from the combined unitary group.
- f. **Water's Edge.** Mark this filing method only if the corporation has made a valid

water's edge election with the state of Montana. Multinational, unitary corporations that wish to file under the water's edge method must make an election by filing Form WE-ELECT within the first 90 days of the tax period for which the election is to become effective. This election must be approved by the department and is binding for three consecutive taxable periods. See 15-31-324, MCA. To extend the election for another three-year period, you must file a new Form WE-ELECT within the first 90 days of the tax period for which the subsequent election is to become effective.

A corporation that makes a valid water's edge election must include in its water's edge group all subsidiaries incorporated in tax havens. See 15-31-322(1)(f), MCA, for a list of these countries.

Corporations filing under a valid water's edge election must submit Schedule WE (see instructions in this booklet) with its Montana Form CIT.

See ARM 42.26.301-313 for more information on the water's edge filing method.

Line 5. If you answered "Yes" to questions 2 or 3 of this part, enter the name and FEIN of the corporation's ultimate parent corporation and include pages 1 through 5 of the parent's consolidated federal Form 1120.

Part II. Amended Tax Return

Use this form to amend an original tax return. You can also file an amended return electronically. Indicate at the top of the form that it is an amended return and mark the box(es) that indicates the reason(s) for the amendment. Please include the applicable forms and statements that explain all adjustments in detail. Complete the entire form using the amended amounts. If an amended return is being filed to claim an NOL deduction, Schedule NOL must be attached.

Interest is not paid on a refund resulting from a net operating loss carry-back or carry-forward. See 15-31-119(9), MCA.

Interest is computed on overpayments of tax or additional tax due at the same rate charged on delinquent taxes. See 15-31-531(2), MCA.

Statute of Limitations on Refunds. Generally, you must make a claim for refund or credit for the tax year by filing an amended return within three years of the original due date of the return. See 15-31-509(2) and (3), MCA.

If you file an amended return that reflects an increased tax liability, you may meet the conditions

for a waiver of the late payment penalty. We may waive the late payment penalty if you marked the "Amended Return" box on page 1 of Form CIT and the tax and applicable interest are paid in full. By marking this box, you are requesting a waiver of the late payment penalty. Please see ARM 42.3.115.

Part III. General Questions (A-Q)

You must answer all of the questions by marking the appropriate boxes. If you answer "Yes" to any of the questions in i-p, you must complete and include Schedule M.

Instructions for Question q. Rules for assignment of receipts based on the taxpayer's market are provided for in ARM 42.26.245 through 42.26.250. The administrative rules provide various assignment methods that apply sequentially in a hierarchy. For each receipt to which an assignment method applies, the taxpayer must make a reasonable effort to apply the primary method first before seeking to apply the next method. For example, in some cases, the applicable method first requires a taxpayer to determine the state or states of assignment, and if the taxpayer cannot do so, the method requires the taxpayer to reasonably approximate the state or states. In these cases, the taxpayer must attempt to apply the primary method to determine the state or states of assignment in good faith and with reasonable effort before it may reasonably approximate the state or states of assignment. Please see ARM 42.26.245 through 42.26.250.

Part IV. Reporting of Special Transactions

You must answer all of the questions by marking the appropriate box. If you answer "Yes" to any question, you must include a copy of the applicable form.

Note: If any questions in parts I through IV are not answered or the return is not signed, we may return it to you to be completed.

Montana Taxable Income and Net Amount Due

Line 1 – Taxable Income. Enter on line 1 the taxable income reported on line 28 of your federal Form 1120. Include with the Form CIT a complete copy of the signed Form 1120 filed with the Internal Revenue Service. If the Form 1120 is voluminous, please include pages 1 through 5, the schedules used to compute the income and deductions, and the schedules supporting the following federal line

items, if applicable:

- Line 2 – Cost of Goods Sold and/or Operations.
- Line 8 – Net Capital Gains (Schedule D)
- Line 9 – Ordinary Gains (Loss) (Form 4797)
- Line 10 – Other Income
- Line 17 – Taxes
- Line 19 – Charitable Contributions
- Line 26 – Other Deductions
- Form 8873 – Extraterritorial Income Exclusion
- Schedule M-3 – Net Income (Loss) Reconciliation for Corporations with Total Assets of \$10 Million or More
- Schedule N – Foreign Operations of U.S. Corporations
- Form 5471 – Information Return of U.S. Persons With Respect to Certain Foreign Corporations
- Form 8858 – Information Return of U.S. Persons With Respect to Foreign Disregarded Entities

Line 2 – Montana Additions.

- a. **The Montana** corporate income tax and other state, local and foreign income taxes deducted on the federal return must be added back to the corporation's income on this line. Please include a breakdown of federal Form 1120, line 17 taxes. See *15-31-114(1)(e), MCA*.
- b. **Federal tax-exempt** interest is taxable for Montana purposes and must be added to the corporation's income on this line. See *15-31-113(1)(a)(i), MCA*.
- c. **If a** qualified endowment credit is claimed, the amount of contribution used to compute the corporation's credit must be added to income on this line. See *15-31-161, MCA*.
- d. **Corporations that** have a unitary relationship with an international group must make a worldwide combined filing. Enter any income or loss from the corporation's foreign parent, if applicable, and from all foreign subsidiaries included in the worldwide combined group on this line. Include federal Forms 5471 and 8858, and a by-company schedule reconciling to the income/loss reported on this line.
- e. **Unitary filers** must enter the income or loss from unitary subsidiary corporations that are not included in their federal consolidated group. For example, subsidiary corporations in which members of the collective unitary group own more than 50% of that corporation must be included on this line. Include a copy

of the federal Form 1120, or applicable form, and supporting by-company schedules for each separately filed corporation.

- f. **For water's** edge filers only – enter the amount from line 10 of Schedule WE. Schedule WE is on page 15 of Form CIT.
- g. **For water's** edge filers only – enter any income or loss of unitary corporations incorporated in a tax haven country on this line. Include federal Forms 5471 and 8858, and a by-company schedule reconciling to the income/loss reported on this line. See *15-31-322(1)(f), MCA*.
- h. **The federal** capital loss carryover is not allowed as a deduction for Montana corporate income tax purposes. Any amount of federal capital loss carryover that was used on the corporation's federal tax return must be added back on this line. Please include federal Schedule D. See *15-31-114(1), MCA*.
- i. **Include with** Form CIT a detailed breakdown of any other additions to income and report it on this line.

Example of an addition:

Extraterritorial Income Exclusion – The federal extraterritorial income exclusion is not allowed for Montana tax purposes. Consequently, the corporation's federal deduction for extraterritorial income must be added back on this line. Please include federal Form 8873, Extraterritorial Income Exclusion and federal Schedule N, Foreign Operations of U.S. Corporations.

Line 3 – Montana Reductions.

- a. **Montana allows** a deduction for Section 243 dividends at the same percentage as the federal deduction. This deduction must be reported on this line. For water's edge filers only—dividends received from 80/20 companies are allowed at 100%. See *15-31-325, MCA*.
- b. **Nonapportionable Income** (for multi-state taxpayers only) – Nonapportionable income means all income that is apportionable under the Constitution of the United States and is not allocated under the laws of this state, including: income arising from transactions and activity in the regular course of the taxpayer's trade or business; income arising from tangible and intangible property if the acquisition, management, employment,

development, or disposition of the property is or was related to the operation of the taxpayer's trade or business; and any income that would be allocable to this state under the Constitution of the United States but that is apportioned rather than allocated pursuant to the laws of this state. See *15-31-302, MCA*.

Gains or losses from the sale of capital or business assets, dividends, interest, rents, or royalties are apportionable income unless it can be clearly classified as nonapportionable income. Include a statement or schedule that describes each type of nonapportionable income and that explains in detail why you consider that income to be nonapportionable. Report all nonapportionable income on this line. See *ARM 42.26.206 through 42.26.208*.

- c. You may deduct an additional 10% of the corporation's costs for the purchase of recycled material on this line, as computed on Form RCYL. Include a copy of Form RCYL. See *15-32-610, MCA*.
- d. **Multi-state corporations** must enter the income or loss of all their non-unitary corporations that are included in the federal consolidated group on this line. Include a statement or schedule of the non-unitary corporations and explain in detail why you consider the corporations to be non-unitary. Include a by-company schedule reconciling to the income/loss reported on this line.
- e. For water's edge filers only: Enter on this line the total of federal line 28 income or loss of all 80/20 companies and include a supporting by-company schedule reconciling to the income/loss reported on this line.
- f. A capital loss must be deducted in the year incurred. Enter the amount of capital loss incurred during the tax period that has not already been deducted on the corporation's federal tax return. Include federal Schedule D. See *15-31-114(1)(b), MCA*.
- g. Report on this line any other allowable deductions and include a detailed schedule.
- h. Examples of other reductions:
- i. The amount of contributions made by a small business to its independent liability fund. See *33-27-117(1), MCA*.
- j. A portion of an investment made in a building for the purpose of conserving energy. To qualify, the building must be used in the corporation's business and the result of the investment must show a substantial reduction in the amount of energy needed to render the

building usable. See *15-32-103, MCA*.

- k. Documented expenses for the donation of mineral exploration information to the Montana Tech Foundation. See *15-32-510, MCA*.

Line 4 – Adjusted Taxable Income. Add lines 1 and 2, then subtract line 3; enter the total on this line. See *ARM 42.26.301 through 313* for more information on the water's edge filing method.

Line 5 – Income Apportioned to Montana. Multi-state taxpayers must multiply the amount reported on line 4 by the apportionment percentage from Schedule K, line 5. Enter the result on this line. For combined filers with more than one company with Montana activity, enter the total of line (6c) from Schedule K-Combined on page 12 of Form CIT.

Line 6 – Income Allocated Directly to Montana. Multi-state taxpayers must report on this line any income that is allocable to Montana. Include a detailed description and applicable supporting schedule(s). If a partnership passed this amount of Montana income or loss to the corporation, please provide the name and FEIN of each partnership and your Montana Schedule(s) K-1. For combined filers with more than one company with Montana activity, enter the total of line (6e) from Schedule K-Combined, page 12 of Form CIT.

For those entities that have been approved for tax exempt status with the Montana Department of Revenue and have a federal unrelated business income tax liability of more than \$100 (*15-31-102(3), MCA*), you must file a Montana Corporate Income Tax Return. Report your unrelated business income on page 3, line 6, Allocated Income and attached a copy of the federal Form 990T or applicable federal form. If your entity has activities in multiple states, you will need to attach a breakdown of the unrelated business income by state and only enter the unrelated business income allocated to Montana on page 3, line 6, Allocated Income. If your unrelated business income is due to an interest in a partnership with Montana activity, you will also need to provide the Montana Schedule K-1 for each partnership. The tax rate is 6.75% with a minimum tax of \$50 (*15-31-121, MCA*).

Line 7 – Montana Taxable Income Before Net Operating Loss. Add lines 5 and 6; enter the result on this line, or enter the amount shown on line 4. If the corporation incurred a net operating loss, enter a negative amount. For combined filers with more than one company with Montana activity, enter the total from line (6g) from Schedule K-Combined on

page 12 of Form CIT. Unless an election is made to forgo carryback, this loss first must be carried back to the three preceding taxable periods. See *15-31-119, MCA*.

If you elect to forgo the entire carry-back period, mark the "Yes" box on this line. The election is irrevocable. If a net loss is reported on line 7 and you do not mark either box, or mark both boxes, that loss must be carried back.

Line 8 – Montana Net Operating Loss Carryover.

If line 7 is a positive amount, the loss claimed on line 8 cannot exceed the amount of income reported on line 7. If line 7 is a negative amount, enter \$0 on line 8. If the corporation has sustained a Montana net operating loss in a preceding year, the remaining loss can be applied against the income reported on line 7. See *15-31-119, MCA*. A corporation can carry forward a net operating loss for seven taxable periods. For years beginning after December 31, 2017, a corporation can carry forward a net operating loss for ten taxable period and carry back three taxable periods. The carryback of net operating losses incurred for years beginning after December 31, 2017, may not exceed \$500,000 per tax period. The net operating loss carryforward amount is not limited. If a corporation claims a Montana net operating loss deduction on line 8, complete Schedule NOL on pages 13 and 14 of Form CIT.

If you are filing a combined tax return and more than one corporation was active within Montana, you must compute the net operating loss on a separate entity basis. Schedule K–Combined on pages 10 through 12 of the Form CIT is used to calculate your separate entity net operating loss. Enter the total of line (6i) from page 12 of the Form CIT. Use the instructions in this booklet to complete Schedule K-Combined.

Please see *ARM 42.23.801 through 42.23.805*.

Line 9 – Montana Taxable Income. Subtract any loss reported on line 8 from line 7 and enter the Montana taxable income on this line. For combined filers with more than one company with Montana activity, enter the total of line (6k) from page 12 of Form CIT.

Line 10 – Montana Tax Liability. Multiply line 9 by 6.75% (7% for corporations filing under a valid water's edge election) and enter the total on this line. The corporation's Montana tax liability cannot be less than \$50, with the exception of the alternative tax. See *15-31-121(3), MCA*. The \$50 minimum tax applies to each corporation having activity in Montana, regardless of whether the

company has a net operating loss. Therefore, line 10 cannot be less than \$50 times the number of companies with Montana activity. For combined filers with more than one company with Montana activity, enter the total of line (6m) from page 12 of Form CIT.

Alternative Tax. A corporation may elect to pay a tax of 0.5% on the gross receipts made in Montana in lieu of paying the corporation income tax that is based on net income. You may make this election if the corporation meets all of the following criteria:

- The only activities in Montana consist of receipts.
- The Montana activities do not include owning or renting real or tangible personal property.
- The dollar volume of gross receipts made during the tax year within Montana did not exceed \$100,000.

If you elect to pay the alternative tax, mark the box on line 10 and enter the calculated tax liability, and include a schedule of the calculation. See *15-31-122, MCA*.

Line 11 – Montana Tax Liability. Enter the amount on line 10 here.

Line 12 – Payments. You can make a tentative payment or estimated payments using these methods:

- scheduling an electronic transfer from your checking or savings account or paying with a credit/debit card using our TransAction Portal (TAP) service at <https://tap.dor.mt.gov>;
- scheduling an ACH credit through a bank (visit MTRevenue.gov for more information); or
- sending the payment, with the completed Montana Corporate Income Tax Payment Voucher available online at MTRevenue.gov, to:



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

Be sure to write the corporation's Federal Employer Identification Number (FEIN) and tax year on the memo line of the check.

- 2018 Overpayment** – An overpayment of 2018 tax that was not refunded can be claimed as a credit on this line.
- Tentative Payment** – Enter the amount of tentative payments made.
- Quarterly Estimated Tax Payments** – Enter the total amount of quarterly estimated

payments made. Estimated payment history can be viewed on TransAction Portal (TAP). Visit <https://tap.dor.mt.gov> for more information.

- d. Montana Mineral Royalty Tax Withheld** – The 6% required to be withheld from net royalty payments made to owners of Montana mineral rights is treated as tax paid. This withholding should not be confused with the amounts deducted from a corporation's royalty payments for production taxes. Enter the total amount of Montana royalty withholding on this line. Please include copies of federal Form(s) 1099 in support of this withholding. For corporations who file with a fiscal year end, instead of the Form(s) 1099, please provide a copy of each check stub showing the amounts of royalties withheld during the corporation's fiscal year. For more information, visit MTRRevenue.gov and search for "Mineral Royalty Withholding."
- e. Montana Tax Withheld by Pass-Through Entities** – If a pass-through entity in which the corporation held an interest remitted Montana tax on the corporation's behalf, enter the amount of the remittance on this line. Please include the Montana Schedule(s) K-1.
- f. Other Payments** – Please include any payment not reported above and enter a description of the type of payment(s).
- g. Refunds Previously Issued** – If this is an amended return and you received a refund when you filed the original tax return or a previous amended tax return, include the amount of the refund on this line. Do not include overpayments applied to 2020, which must be entered on line 15.

Add the payments reported on lines 12a through 12f and then subtract line 12g. Enter the total payments on this line.

Note: Any payments of \$500,000 or more must be made by electronic funds transfer.
See 15-1-802, MCA.

Line 13 – Credits. From Schedule C, column C, enter the total credits on this line. To claim any credit on Form CIT, you must include a completed copy of Schedule C and the prescribed form(s) and detailed schedule(s) for the credit(s) claimed. Please see the instructions for Schedule C in this booklet.

Line 14 – Tax Due or Overpayment. Add lines 12 and 13, then subtract from line 11 and enter the result on this line. Tax due must be paid by the 15th day of the 5th month following the close of the tax year. If you choose to file within the automatic extension of up to six months, the tax plus any applicable penalty and interest is due when the return is filed. Please note that the automatic six-month extension to file is not an extension to pay.

Line 15 – Overpayment Credited to 2020 Estimated Tax. Indicate the amount, if any, of the overpayment you wish to be applied to 2020 estimated tax. If you are filing an amended return, enter the amount of overpayment applied as requested on the original return or previous amended return on this line.

Line 16 – Net Tax Due or Overpayment. Add lines 14 and 15; enter the result on this line.

Line 17 – Interest. On any unpaid tax, interest accrues at the rate of 12% per year through June 30, 2019, calculated daily, from the original due date of the return through the date payment is made, until June 30, 2019.

Beginning July 1, 2019, the interest rate is 3 percentage points above the Federal Reserve rate for the 3rd quarter of 2018, calculated daily, through December 31, 2019. Beginning January 1, 2020, and each year thereafter, the interest rate will change and accrue at 3 percentage points above the prime rate published by the federal reserve system for the third quarter of the preceding year. See 15-1-216, MCA.

Please note that interest begins to accrue from the original due date of the return; an automatic six-month extension to file is not an extension to pay.

Line 18 – Estimated Tax Underpayment Interest.

If a corporation's tax liability is \$5,000 or greater, it must make quarterly estimated payments. See 15-31-502, MCA. Interest is charged at 12% per year on any underpayment of the required estimated tax. See 15-31-510, MCA.

Compute the estimated tax underpayment interest, if applicable, on Form CIT-UT and include a completed copy. Enter the amount of interest on this line. If you use the annualized/seasonal method to compute the interest, mark the box on this line and include a copy of the federal Form 2220 filed with the federal tax return. Form CIT-UT and its instructions are available at MTRRevenue.gov.

Line 19 – Penalty.

- a. **Late Filing Penalty** – If a return is not filed by the due date (including any extension of time), the corporation will be subject to the late filing penalty. This penalty is the greater of \$50, or 5% of the tax due for each month during which there is a failure to file the return, not to exceed 25% of the tax due. The late filing penalty is calculated from the extended due date of the return until the department actually receives the return.
- b. **Late Payment Penalty** – If the corporation does not pay the tax liability by the original due date of the return, a late payment penalty of 0.5% per month or fraction of a month on any unpaid tax will be assessed. The late payment penalty is calculated from the original due date of the return through the date the tax is paid, and cannot exceed 12% of the tax due. Please note that the automatic six-month extension is only an extension to file, not an extension to pay.

Line 20 – Total Due or Overpayment. Add any applicable interest and or penalties reported on lines 17, 18, or 19 to the liability reported on line 16.

- a. If the result is positive, enter the amount due on this line. You can pay the amount due using any of these methods:

- withdraw electronic funds when e-filing the corporation's joint federal/state tax return;
- schedule an electronic transfer from your checking or savings account or pay with a credit/debit card using our TransAction Portal (TAP) service at MTRRevenue.gov;
- schedule an ACH credit through a bank (visit MTRRevenue.gov for more information); or
- send the payment, along with the completed Montana Corporate Income Tax Payment Voucher available online at MTRRevenue.gov, to:



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

- Be sure to write the corporation's Federal Employer Identification Number (FEIN) and tax year on the memo line of the check.
- b. If the result is negative, enter the amount of refund on this line. Please mark the "Refund Return" box on page 1 of Form CIT.

If you would like to use direct deposit, enter the financial institution's routing number (RTN#) and the account number (ACCT#) in the space provided. The routing number will be nine digits and the account number can be up to 17 characters, including numbers and letters. Mark whether the account is a checking or savings account and if the refund will go to a bank outside of the United States and its territories (Midway Islands, Puerto Rico, American Samoa, U.S. Virgin Islands, Federated States of Micronesia, and Guam).

If the financial institution does not accept the direct deposit, we will mail you a refund check.

Paid Preparer Information

Complete this section of the return if prepared by a tax preparer.

If "No" is marked on the return, we cannot discuss the return with anyone but you or someone to whom you have given a power of attorney, which allows us to discuss the return with them.

If "Yes" is marked on the return, you are authorizing us to:

- call the tax preparer to answer any questions that arise while we are processing the corporation's 2019 tax return, including requesting that the tax preparer give us any information that is missing from the return.
- respond to the tax preparer's call to us for information about the processing of the return or the status of a refund.

You are not authorizing the tax preparer to receive any refund check, bind you to anything (including any additional tax liability), receive any information about any other tax year or tax matter, or otherwise represent you before the department.

Please be aware that this authorization cannot be revoked. The authorization will, however, automatically end no later than the due date, without regard to extensions, of the corporation's subsequent tax return. For example, a 2019 calendar year end filer's authorization would expire on May 15, 2021.

If you want to expand or change the tax preparer's authorization, use Form POA, Power of Attorney, Authorization to Disclose Tax Information. This form can be submitted electronically on TransAction Portal (TAP). Visit MTRRevenue.gov for more information. This form is also available on our website to complete and submit on paper. An

example of changing a tax preparer's authorization is to allow them to respond to notices from us.

Note: We will only send notices directly to you, not to the tax preparer.

Note: If an officer of the reporting entity does not sign the corporation's tax return, or if it is incomplete, we will ask you to sign or complete the return.

Instructions for Schedule K

Schedule K applies only to multi-state taxpayers. All multi-state taxpayers must complete and include the Schedule K with their Montana Form CIT. In addition, if there is more than one company with Montana activity, you must compute each company's apportionment factor on a separate corporation basis. Use Schedule K-Combined on pages 10 through 12 of Form CIT to calculate the separate corporation apportionment factor. Use the instructions in this booklet to complete the Schedule K-Combined.

In most cases, multi-state taxpayers must compute their Montana taxable income by means of the apportionment factor calculated on Schedule K. The apportionment factor is the standard UDITPA (Uniform Division of Income for Tax Purposes Act) three-factor formula of property, payroll, and receipts.

For taxable periods beginning on or after January 1, 2018, *ARM 42.26.260* adopts the Finnigan rule. When calculating the Montana apportionment numerators, a group of corporations engaged in a unitary business shall include Montana property, payroll and receipts from all members of the unitary group as long as one or more members has nexus with Montana.

When a corporation is engaged in a unitary business within and outside of Montana, the net income assignable to Montana must be determined using the apportionment factor. A business 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 K must be completed by every corporation that carries on a unitary business within and outside of the state or if the units of the business within and outside of the state are closely allied and not capable of separate maintenance as independent businesses. See *15-31-301, MCA*. If you have calculated income attributable to Montana on some basis other than the apportionment method, you must include a full and detailed description of the business' operation and an explanation of the method used. Even if the Department of Revenue pre-approves

an alternative method of calculating your taxable income, you must still complete and submit Schedule K.

For tax periods beginning on or after January 1, 2018, multistate financial institutions doing business in Montana are required to apportionment income to Montana using industry specific apportionment rules. Please see *ARM 42.26.1301 through 42.26.1303*. If you have an interest in a partnership that is unitary with your operations, the partnership income is apportionable to Montana. The corporate partner's or owner's pro-rata share of the property, payroll, and receipts of the partnership need to be included in the computation of the apportionment factors. See *ARM 42.26.228*. If the partnership has Montana source income, the corporate partner's or owner's pro-rata share of the property, payroll, and receipts must be included in both the amounts for everywhere and Montana in the calculation of your Montana apportionment factor.

The following is an explanation of how to calculate the apportionment factor. To calculate each of the factors, use the following formula: column B divided by column A, times 100. Round out to at least the fourth decimal (example: 25.5555%).

Property Factor (Line 1, Schedule K)

See *15-31-306, MCA*. The property factor is a fraction.

The numerator is the average value of the taxpayer's real and tangible personal property owned, leased, or rented and used in Montana in the production of apportionable income during the tax period. Enter the numerator values in column B of Schedule K. To the extent that it is utilized in Montana, migratory property must be included in the numerator.

The denominator is the average value of all the taxpayer's real and tangible personal property owned, leased, or rented and used in the production of apportionable income during the tax period. Enter the denominator values in column A of Schedule K.

Property owned by the taxpayer is valued at its original cost. Real and tangible personal property that is used in the business includes land, buildings, machinery, equipment, stocks of goods, inventories, depletable assets, and other tangible property actually used in connection with the production of the apportionable income to be apportioned. It does not include money, accounts receivable, or other intangible property or real property that is held for nonapportionable purposes.

Unless otherwise required, the average value of owned property must be determined by averaging the

values at the beginning and ending of the tax period. All property that was rented must be valued at eight times the net annual rental rate. Rental expense cannot be averaged. You must use the rental expense for the current year in the property factor.

Payroll Factor (Line 2, Schedule K)

See 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 apportionable income during the tax period in Montana. Enter the numerator values in column B of Schedule K.

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.

The denominator is the total amount paid for compensation attributable to the production of apportionable income during the tax period. Enter the denominator values in column A of Schedule K.

Receipts Factor (Line 3, Schedule K)

See 15-31-310, MCA. Receipts mean all gross receipts of the taxpayer exclusive of nonapportionable income and inter-company transactions. The receipts factor is a fraction.

The numerator is the taxpayer's total receipts in Montana during the tax period. Enter the numerator values in column B of Schedule K.

For taxable periods beginning on or after January 1, 2018, Section 15-31-311, MCA, requires taxpayers to assign receipts, other than receipts from the sale of tangible personal property, based on the taxpayer's market. The former "cost of performance" method no longer applies. The market assignment method may result in Montana allocable income or apportionable income if a taxpayer is receiving income from intangibles or services from Montana sources. Such income is determined as follows:

- Receipts from services are assigned to Montana to the extent the service is delivered to a location in Montana.
- Receipts from intangible property are assigned to Montana to the extent the property is used in Montana.

- Receipts from the sale, lease, rental, or license of real property are assigned to Montana to the extent the property is located in Montana.
- Receipts from the lease, rental, or license of tangible personal property are assigned to Montana to the extent the property is located in Montana.

Rules for assignment of receipts based on the taxpayer's market are provided for in *ARM 42.26.245 through 42.26.250*. The administrative rules provide various assignment methods that apply sequentially in a hierarchy. For each receipt to which an assignment method applies, the taxpayer must make a reasonable effort to apply the primary method first, before seeking to apply the next method. For example, in some cases, the applicable method first requires a taxpayer to determine the state or states of assignment, and if the taxpayer cannot do so, the method requires the taxpayer to reasonably approximate the state or states. In these cases, the taxpayer must attempt to apply the primary method to determine the state or states of assignment in good faith and with reasonable effort before it may reasonably approximate the state or states of assignment. Please see *ARM 42.26.245 through 42.26.250*.

Sum of Factors (Line 4, Schedule K)

Add lines 1, 2 and 3 in column C. Enter the result on line 4 in column C.

Apportionment Factor (Line 5, Schedule K)

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 receipts. Enter the apportionment factor on line 5 of Schedule K and also enter it on line 5, page 3 of Form CIT, rounding it out to at least the fourth decimal (example: 25.5555%).

Instructions for Schedule M

Schedule M applies to all corporations that have an affiliated relationship with another business entity.

Line 1 – Members of a U.S. Consolidated Group.

Complete this section if you are a member of the U.S. consolidated group. Include the parent corporation, all affiliated corporations, all subsidiary corporations, and all disregarded entities. Federal Form 851 is not an acceptable substitution for this section. If additional space is needed, attach another copy of Schedule M for this section.

Column A & Column B – Federal Employer Identification Number and Name. Enter the name and FEIN for each entity that is a member of the U.S. consolidated group.

Column C – Percentage of Ownership. Enter the percentage of each entity that the parent corporation owns.

Column D – Disregarded Entity. Mark the “Yes” box if the entity is a disregarded entity for federal purposes.

Column E – Included in Montana Unitary Filing. Mark the “Yes” box if the entity is included in this Montana unitary return.

Column F – Activities in Montana. Mark the “Yes” box if the entity has any property, payroll or receipts in Montana, or if the entity has an interest in a partnership with Montana activity, regardless if the entity does not have nexus in Montana.

Column G – Filing Montana CIT Separate Unitary Return. Mark this box if the entity is filing under its own Montana Form CIT for 2018.

Line 2 – Affiliated Entities. Complete this section for all other entities that are not included in the U.S. consolidated group in line 1, including partnerships, limited liability companies, foreign disregarded entities, foreign subsidiaries owned more than 50%, and all unconsolidated subsidiaries owned more than 50%. These entities would be owned by your corporation or any other entity included in the U.S. consolidated group. If additional space is needed, attach another copy of Schedule M for this section.

Column A & Column B – Federal Employer Identification Number and Name. Enter the name and FEIN for each affiliated entity owned by the U.S. Consolidated group.

Column C – Percentage of Ownership. Enter the percentage of ownership directly or indirectly by the U.S. consolidated parent.

Column D – Included in Montana Unitary Filing. Mark the “Yes” box if the entity is included in this Montana unitary return.

Column E – Activities in Montana. Mark the “Yes” box if the entity has any property, payroll or receipts in Montana, or if the entity has an interest in a partnership with Montana activity, regardless if the entity does not have nexus in Montana.

Column F – Type of Entity. Enter the type of entity. Examples: Foreign corporation, unconsolidated subsidiary, partnership, LLC,

LLP, or disregarded entity.

Line 3 – Foreign Parent and Affiliated Entities.

Complete this section if you are owned more than 50%, directly or indirectly, by a corporation incorporated in a foreign country; include any foreign subsidiary owned more than 50% by the foreign parent.

Column A & Column B – Federal Employer Identification Number and Name. If applicable, enter the name and FEIN for the foreign parent and any foreign subsidiaries or entities owned by the foreign parent.

Column C – Percentage of Ownership. Enter the percentage of each entity that the foreign parent corporation owns, directly or indirectly.

Column D – Included in Montana Unitary Filing. Mark the “Yes” box if the entity is included in this Montana unitary return.

Column E – Activities in Montana. Mark the “Yes” box if the entity has any property, payroll or receipts in Montana, or if the entity has an interest in a partnership with Montana activity, regardless of whether the entity has a nexus in Montana.

Column F – Type of Entity. List the type of entity that the corporation is classified as. Examples: Foreign corporation, foreign partnership, foreign disregarded entity.

Instructions for Schedule C – Tax Credits

You must include a completed copy of Schedule C – Tax Credits and the required credit forms or detailed supporting schedules with Form CIT in order to offset any tax liability with these credits. Calculate the total credit available for each line. Column A is the amount of tax credit earned during the current period. Column B includes the amount from column A plus any tax credits allowed to be carried over from other tax periods. Column C is the amount of tax credit that you can use for the current period.

Note: Credits must be applied on a separate entity basis on line 6n of Schedule K-Combined, except for the Contractor’s Gross Receipts Tax Credit. Refer to line 6l of the Schedule K-Combined for the separate entity tax liability.

Nonrefundable Credits

Line 1 – New/Expanded Industry Credit. In order to qualify, you must include a detailed schedule. A manufacturing company that begins or expands

Montana operations and increases its total full-time employment by at least 30% is eligible for this credit. The amount of this credit is 1% of the total wages, as defined in 39-51-201, MCA, paid to new employees. This credit is available during each of the first three years after that company initiates or expands its manufacturing operation. This credit cannot be carried over. See 15-31-124 through 15-31-127, MCA.

Line 2 – Montana Dependent Care Assistance Credit. Please refer to Form DCAC.

Line 3 – Montana College Contribution Credit. Please refer to Form CC.

Line 4 – Health Insurance for Uninsured Montanans Credit. Please refer to Form HI.

Line 5 – Montana Recycle Credit/Deduction. Please refer to Form RCYL.

Line 6 – Alternative Energy Production Credit. Please refer to Form AEPC.

Line 7 – Contractor's Gross Receipts Tax Credit.

A company that has paid public contractor's gross receipts tax under 15-50-207, MCA, is entitled to a nonrefundable credit for a taxable year within which the net income from contracts subject to the gross receipts tax is reported.

After the corporation has deducted its personal property taxes, it can apply the remaining credit, if any, to its corporate income tax liability. Starting in 2006, any excess credit can be carried forward to the next succeeding tax year for up to five years.

To support the credit that you claim, include a schedule or statement including the contract name (and number, if any), location, general description (e.g., building, road, bridge, etc.), name of awarding agency, name of prime contractor, and the amount of gross receipts tax paid. If you report income from contracts on a percentage-of-completion basis, this credit must be allocated proportionately. If you file a combined return in Montana and your contractor's gross receipts tax is paid by an affiliate, include the name and Federal Employer Identification Number (FEIN) of the affiliate and the amount of gross receipts tax paid.

Line 8 – Alternative Fuel Credit. Please refer to Form AFRC.

Line 9 – Infrastructure User Fee Credit. Please refer to Form IUFC.

Line 10 – Qualified Endowment Credit. Please refer to Form QEC.

Line 11 – Historical Buildings Preservation Credit. See 15-31-151, MCA. Include federal Form 3468 to qualify for this credit. A corporation may claim this credit for expenditures made for the preservation of certain historic buildings located in Montana. Qualifying historic buildings are those structures defined in Section 47(c) of the IRC. The allowable Montana credit is 25% of the federal rehabilitation credit provided for in Section 47(a)(2) of the IRC. Any unused credit can be carried forward for up to seven years succeeding the year in which the credit is generated.

Line 12 – Increase Research and Development Activities Credit. The Increasing Research and Development Credit expired on December 31, 2010. Therefore, a current year credit cannot be claimed for periods beginning after December 31, 2010. Any unused credit from prior periods can be carried forward for up to 15 tax years. If you are claiming unused credit carryforward on this line, include a detailed schedule of the credit carryforward.

Line 13 – Mineral Exploration Incentive Credit. Please refer to Form MINE-CRED.

Line 14 – Empowerment Zone Credit. For tax periods beginning on or after October 1, 2003, an employer is allowed a credit for each new employee at a business in an empowerment zone under 15-31-134, MCA. To be eligible for this credit a corporation must be certified by the Montana Department of Labor and Industry. The credit can be carried forward seven years and carried back three years.

Line 15 – Biodiesel Blending and Storage Credit. Please refer to Form BBSC.

Line 16 – Geothermal System Credit. Please refer to Form ENRG-A.

Line 17 – Innovative Educational Program Credit. For tax periods beginning on or after January 1, 2016, a corporation may claim a credit for contributions made to the educational improvement account provided for in 20-9-905, MCA, for the purpose of providing supplemental funding to public schools for innovative educational programs and technology deficiencies. The amount of the credit allowed is equal to the amount of the donation, not to exceed \$150. This credit may not be carried over, and may not exceed the tax liability for the year the donation was made. This credit may not be claimed for any contributions deducted in

the calculation of Montana taxable income. All donations must be made through the Montana Education Donations web portal located at svc.mt.gov/dor/educationdonations to qualify for this credit. You must also include a copy of the donation confirmation receipt with your return when claiming this credit. Refer to 15-30-3110, MCA.

Line 18 – Student Scholarship Organization

Credit. For tax periods beginning on or after January 1, 2016, a corporation may claim a credit for contributions made to a student scholarship organization. The donor may not direct or designate contributions to a parent, legal guardian or specific qualified education provider. The amount of the credit allowed is equal to the amount of the donation, not to exceed \$150. This credit may not be carried over, and may not exceed the tax liability for the year the donation was made. This credit may not be claimed for any contributions deducted in the calculation of Montana taxable income. All donations must be made through the Montana Education Donations web portal located at svc.mt.gov/dor/educationdonations to qualify for this credit. You must also include a copy of the donation confirmation receipt with your return when claiming this credit. Please refer to 15-30-3111, MCA for more information.

Line 19 - Apprenticeship Tax Credit. For tax periods beginning on or after January 1, 2018, a corporation may apply for a tax credit for every new position hired where the worker is offered on-the-job training through the Montana Registered Apprenticeship Unit. The amount of the credit is \$750 for each new registered apprentice, or \$1,500 for each new registered apprentice who is a veteran. This credit must be claimed in the year it is approved by Department of Labor and Industry and is not refundable. This credit may not be carried forward or backward. Please refer to 15-30-2357, MCA for more information.

Line 20 – Total Nonrefundable Credits. Add lines 1 through 19 and enter the result on this line.

Refundable Credits

Line 21 – Emergency Lodging Credit. Please refer to Form ELC.

Line 22 - Unlocking Public Lands Credit. For tax periods beginning on or after January 1, 2019, a taxpayer is allowed a credit of \$750 for each qualified access to public land, as defined in 77-1-101, MCA. The maximum credit allowed is \$3,000. This credit can be claimed even if it exceeds the tax liability on line 10 of Form CIT. Any allowable credit in excess of the tax liability must be

refunded. Refer to 15-30-2380, MCA.

Line 23 – Total Refundable Credits. Add lines 21 and 22 and enter the result on this line.

Tax Credits Recapture

Line 24 – Qualified Endowment Credit Recapture. If a charitable gift is recovered in the current year, the amount of tax due must be increased by the amount of credit originally taken in the year the charitable gift was made. Enter the amount of credit recaptured on this line.

Line 25 – Historical Buildings Preservation Credit Recapture. If a federal credit is recaptured for expenditures associated with a historic building in Montana, the Montana credit must be recaptured. Enter the amount of the credit recaptured on this line.

Line 26 – Biodiesel Blending and Storage Credit Recapture. 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 receipts are not at least 2% of all diesel receipts by the end of the third year after the credit is initially claimed, the credit is subject to recapture. The recapture is reported on this line.

Line 27 – Total Recapture of Tax Credits. Add lines 24 through 26 and enter the result on this line.

Line 28. Add the total of lines 20 and 23, then subtract line 27. Enter the amount on this line and on line 13 on page 4 of Form CIT.

Instructions for Schedule K-Combined

Who needs to fill out Schedule K-Combined?

If you are filing a combined return and have more than one company with Montana activity, you must compute each company's apportionment factor on a separate corporation basis. Only include those companies with activity in Montana. Enter the totals of the Schedule K-Combined on the Schedule K.

Completing the Schedule K-Combined

Please refer to the instructions for Schedule K in this booklet for the calculation of the property, payroll, and receipts factors. Everywhere Activity is the totals for the combined Montana filing group. The amount in column A of Schedule K-Combined must be the same amount reported in column A of Schedule K.

In each column under Montana Separate Corporation Activity, enter the Corporation Name and FEIN of each corporation with Montana activity. Do not include companies that have no Montana activity. The grand total of Montana Column represents the total Montana activity for the combined group. These amounts must be reported on column B of Schedule K.

All intercompany eliminations must be made before completing the Schedule K-Combined.

Line 5 – Apportionment Factor. The total percentage on line 5b in column C of the Schedule K-Combined must be the same percentage reported on line 5 in column C of the Schedule K.

Line 6 – Montana Taxable Income

- a. **For each** column, enter the combined group's Montana adjusted taxable income from line 4 on page 3 of Form CIT.
- b. **Multiply each** column's separate corporation apportionment factor, line 5a on page 11, by the combined groups, Montana adjusted taxable income, line 6a.
- c. **Add all** columns on line 6b and enter the result. Enter the Grand Total of Montana Columns of Schedule K-Combined on line 5 of page 3 of Form CIT.
- d. **Income directly** allocated to Montana should be included under the corporation to which this income is related.
- e. **Add all** columns on line 6d and enter the result. Enter the Grand Total of Montana Columns of Schedule K-Combined on line 6 of page 3 of Form CIT.
- f. **Add lines** 6b and 6d; enter the result on this line.
- g. **Add all** columns on line 6f and enter the result. Enter the Grand Total of Montana Columns of Schedule K-Combined on line 7 of page 3 of Form CIT.
- h. **Enter the** net operating loss carryover for each separate corporation. The net operating losses carried over must be calculated in the same manner using the Schedule K-Combined for each prior year. Include a Schedule NOL to compute your Net Operating Loss Carryover.

- i. **Add all** columns on line 6h and enter the result. Enter the Grand Total of Montana Columns of Schedule K-Combined on line 8 of page 3 of Form CIT.
- j. **Subtract line** 6h from line 6f and enter the result on this line.
- k. **Add all** columns on line 6j and enter the result. Enter the Grand Total of Montana Columns of Schedule K-Combined on line 9 of page 3 of Form CIT.
- l. **Multiply line** 6j by 6.75% (7% for corporations filing under a valid water's edge election) and enter the total on this line. The corporation's Montana tax liability cannot be less than \$50 times the number of companies with Montana activity, regardless of whether the company has a net operating loss.
- m. **Add all** columns on line 6l and enter the result. Enter the Grand Total of Montana Columns of Schedule K-Combined on line 10 of page 3 of Form CIT.
- n. **Credits must** be applied on a separate corporation basis, except for the Contractor's Gross Receipts Tax Credit. Enter the Montana credit(s) of each separate entity on this line.
- o. **Enter the** total of all the columns on line 6n. The Grand Total of Montana Columns should equal line 28 of Schedule C on page 11 of Form CIT.

Instructions for Schedule NOL

Important Information

A net operating loss (NOL) deduction is allowed under Section 15-31-119, MCA.

For tax periods beginning before January 1, 2018, an NOL must be carried back to the three tax periods preceding the loss year and any remaining loss must be carried forward seven tax periods from the tax period of the loss.

For tax periods beginning after December 31, 2017, an NOL must be carried back to the three tax periods preceding the loss year and any remaining loss must be carried forward 10 tax periods from the tax period of the loss. An NOL carryback cannot exceed \$500,000 for any tax period. The \$500,000 carryback limit for losses incurred in tax periods beginning after December 31, 2017, applies to the

aggregate amount of carryback deductions for all members included in a combined report.

A taxpayer may elect to forgo the entire carryback period. This election is irrevocable and must be made on the return filed for the year in which the NOL is reported, and must be made on or before the due date of the return, including any extension of the due date. Montana Form CIT provides an area on page 3, line 7 to make this election. The election must be clearly marked in the area provided on page 3 of Form CIT. If no indication is made in the area provided, the NOL will be carried back and applied according to the carryback provisions described above. An election to forgo a federal NOL carryback provision will not be accepted as a valid election for Montana purposes.

Corporations that are members of a unitary group filing a combined report must separately compute the NOL carryforward/carryback deduction for each corporation in the group.

Water's Edge

For water's edge taxpayers, *ARM 42.23.805(2)* imposes restrictions on the NOL deduction. NOL carryforward or carry back from a water's edge year may only be carried to offset income in a water's edge year. Similarly, NOL from a non-water's edge year may only be carried to offset income in a non-water's edge year. When applying the three-year carryback and seven-year or ten-year carryforward limitations, all taxable periods are included, even though the loss can only be deducted in those periods in which the filing method is the same.

Change in filing method

If a corporation incurs an NOL and carries that loss to a period that was filed under a different filing method, the NOL deduction may be limited. Both the tax period in which the NOL is incurred and the tax period in which the NOL is being deducted must be calculated using the correct filing method before the deduction is allowed.

For example, if a corporation incurs an NOL in a prior separate company year, and wishes to carry that loss forward or back to a combined year, and if a combined return is the taxpayer's proper filing method for each period, the loss must be recalculated as if it were filed on a combined, unitary basis before being carried to the combined year.

For purposes of applying an NOL deduction, a taxpayer or the department may undertake the necessary corrections described above even if the affected tax period has already closed via the

expiration of the statute of limitations. By correcting the filing method, neither the taxpayer nor the department is reopening a closed year, but rather is deriving the correct figure to use for an open-year claim.

Who needs to fill out Schedule NOL?

If you are claiming an NOL deduction, you will need to use Schedule NOL to compute your deduction. For combined filers, you will need to compute each corporation's NOL deduction on a separate corporation basis.

Completing the Schedule NOL

Lines 1-2 – Corporation name and FEIN. Enter the corporation name and Federal Employer Identification Number (FEIN). For combined filers, enter the name and FEIN for each corporation that has Montana property, payroll or receipts.

Line 3 – Merger/Consolidation. If a corporation has been party to a merger or consolidation, enter the date of the reorganization on line 3. Attach a separate statement listing all corporations, including name and FEIN, that merged or were consolidated.

Line 4 – Montana taxable income before NOL deduction. In Column B, enter the Montana taxable income before NOL deduction from line 7 on page 3 of Form CIT.

For combined filers, enter Montana taxable income before the NOL deduction for each corporation from Schedule K-Combined, line (6f) on page 12 of Form CIT.

Lines 5-11 are used to calculate your NOL carryforward deduction for 2019

Lines 5-11 – Taxable period of NOL. Enter the taxable period in which an NOL was incurred and for which you are carrying forward all or a portion of that NOL to 2019.

Lines 5(a)-11(a) – Total NOL for taxable period. Enter the total NOL, before any carryback or carryforward for the taxable period entered on lines 5-11. This amount should be entered as a negative number and include all adjustments and/or amendments made by the taxpayer, the Internal Revenue Service (IRS) and the Montana Department of Revenue (MDOR).

Note: Any adjustments made by the taxpayer or IRS must be reported to Montana on an amended Form CIT. You cannot make adjustments to the NOL on this schedule.

For combined filers, enter NOL incurred for each separate corporation.

Lines 5(b)-11(b) – NOL applied to periods other than 2019. For the NOL reported on lines 5(a)-11(a), enter any amounts that have been carried back or carried forward to tax periods other than 2019. These amounts must be entered as positive numbers and include all adjustments and/or amendments made by the taxpayer, the IRS and the MDOR. Please see note above regarding adjustments.

For combined filers, enter the total carryback and carryforward amounts for each separate corporation.

Lines 5(c)-11(c) – NOL carryforward to 2019. For each tax period indicated on lines 5-11, enter the amount of NOL to be deducted for the current taxable period. You must apply NOL from the oldest period first. Enter the amount as a positive number in both Column A and Column B. The total amount in these columns is limited to the positive income reported on line 4, Column B.

For combined filers, enter the NOL deduction for each separate corporation.

Lines 5(d) – NOL expired due to 7-year carryforward limitation. Combine the positive values in lines (b) and (c) with the negative values in line (a) and enter the result on line (d). Due to the seven-year carryforward limitation, this remaining NOL has expired and is not available for carryforward after Tax Year 2019. If you do not have remaining NOL enter zero on this line. Note only line 5(d) or line 5(e) will have a value greater than zero.

Line 5(e) – NOL available to carryforward. If Line 5(d) does not apply, combine lines (b) and (c) with line (a) and enter the amount on line 5(e).

Lines 6(d)-11(d) – NOL available for carryforward. Combine lines (b) and (c) with line (a) and enter the amount in line (d). This is the amount of NOL available to be carried forward to subsequent taxable periods. This amount must be entered as a negative number, or zero.

For combined filers, enter the NOL available for carryforward for each separate corporation.

Line 12 – Total separate corporation NOL carryforward to 2019. Add lines 5(c) through 11(c) in Column B and enter the total on line 12.

For combined filers, enter the total NOL carryforward for each separate corporation.

Lines 13-15 are used for amended returns and to calculate your NOL carryback to 2019

Lines 13-15 – Taxable period of NOL. Enter the taxable period in which an NOL was incurred and for which you are carrying back all or a portion of that NOL to 2019.

Lines 13(a)-15(a) – Total NOL for taxable period. Enter the total NOL, before any carryback or carryforward, for each taxable period entered on lines 13-15. This amount should be entered as a negative number and include all adjustments and/or amendments made by the taxpayer, the IRS and the MDOR.

Note: any adjustments made by the taxpayer or IRS must be reported to Montana on an amended Form CIT. You cannot make adjustments to the NOL on this schedule.

For combined filers, enter NOL incurred for each separate corporation.

Lines 13(b)-15(b) – NOL applied to periods other than 2019. For the NOL reported on lines 13(a)-15(a), enter any amounts that have been carried back to tax periods prior to 2019. These amounts should be entered as positive numbers and include all adjustments and/or amendments made by the taxpayer, the IRS and the MDOR. Please see note above regarding adjustments.

For combined filers, enter the total carryback amounts for each separate corporation.

Lines 13(c)-15(c) – NOL carryback to 2019. Enter the amount of NOL associated with the tax period indicated on lines 13-15 to be deducted for the current taxable period. You must carry the NOL back to the third preceding period from which it was incurred, then to the second preceding period, then to the first. Enter the amount as a positive number in both Column A and Column B.

For combined filers, enter the NOL deduction for each separate corporation.

The NOL carryback is limited to \$500,000 per period. For combined filers, the carryback limitation applies to the aggregate amount of carryback deductions for all members included in the combined report.

Lines 13(d)-15(d) – NOL available to apply to other years. Combine lines (b) and (c) with line (a) and enter the amount of remaining NOL.

For combined filers enter the remaining NOL for each separate corporation.

Line 16 – Total separate corporation NOL carryback to 2019. Add lines 13(c) through 15(c) in Column B and enter the amount on line 16.

For combined filers, enter the total NOL carryback for each separate corporation.

Line 17 – Total separate corporation NOL carryforward to 2019. Enter the amount from line 12 of the previous page.

For combined filers, enter the total NOL carryforward for each separate corporation.

Line 18 – Total separate corporation NOL deduction for 2019. Add lines 16 and 17 and enter the amount here and on Form CIT, page 3, line 8. For combined filers enter the total NOL deduction for each separate corporation on line (6h) of Schedule K-Combined on page 12 of Form CIT.

The following instructions are for the table below:

Taxpayers that are members of a unitary group filing a combined return must separately compute the NOL carryforward/carryback for each corporation in the group with Montana activity. The NOL for each corporation in the combined group is calculated by determining each corporation’s share of the unitary apportionable income or loss, and then adjusted for any nonapportionable or allocable income or loss for that particular corporation. In a subsequent year, when a member of the group has positive Montana net income (from either unitary apportionable income or allocable income), only the amount of NOL attributable to that particular taxpayer may be deducted. An NOL for one member of a unitary group cannot be carried back or carried forward to offset the income of another member included in the unitary group. The example below shows the computations involved in determining and applying an NOL in a combined return.

In the example below, although unitary income apportioned to each corporation in this example for Year 2 is positive, a nonapportionable loss caused Corporation Y to have a net loss in Montana. The (\$2,000) NOL for Year 2 will be available to be carried back to the three preceding tax periods and/or carried forward to subsequent years for Corporation Y. This separate corporation loss resulting from the direct allocation to Montana cannot offset income of other companies in the combined group for the current year. The tax liability for each separate corporation is computed on Schedule K-Combined and will not apply this separate corporation loss to other members of the group.

Applying an NOL in a combined return			
YEAR 1:	Corp. X	Corp. Y	Corp. Z
Unitary income (loss) subject to apportionment	(400,000)	(400,000)	(400,000)
MT apportionment factors	5%	1%	1%
Income (loss) apportioned to MT (Unitary income (loss) x apportionment %)	(20,000)	(4,000)	(4,000)
Income directly allocated to MT	0	(6,000)	0
MT net income (loss)	(20,000)	(10,000)	(4,000)
*assume there is a valid election made to forego the NOL carryback			
YEAR 2:	Corp. X	Corp. Y	Corp. Z
Unitary income (loss) subject to apportionment	200,000	200,000	200,000
MT apportionment factors	6%	4%	6%
Income (loss) apportioned to MT (Unitary income (loss) x apportionment %)	12,000	8,000	12,000
Income directly allocated to MT	0	(10,000)	0
MT net income (loss)	12,000	(2,000)	12,000

Schedule WE

Who needs to fill out Schedule WE?

If a corporation has made a valid water’s edge election, Schedule WE must be filled out. A water’s edge election allows a corporation to apportion its worldwide income to this state using only certain affiliated corporations’ income, based upon attributes such as the location of the affiliate’s payroll and property, and the percentage of ownership in the affiliate. See 15-31-322, MCA.

Part I. Water’s Edge Election

If you wish to use the water’s edge filing method, you must make an election by filing Form WE-ELECT within the first 90 days of the tax year for which it is to become effective. Each election binds you for a three-year renewable period. Form WE-ELECT must be filed for each three-year period and must be submitted within the first 90 days of the tax period for which a subsequent election is to become effective. In order to revoke the election, you must make a request and receive written permission from the department. See 15-31-324, MCA.

On line 1, enter the tax periods for which you received an approval letter from the department for a valid water’s edge election.

Part II. How to Calculate the Deemed Dividends Received from 80/20 Companies

An 80/20 company is not eligible to be included in a water's edge filing group. A corporation that is incorporated in the United States and has more than 80% of the average of its payroll and property assignable to a location outside the United States is commonly referred to as an 80/20 company. A Domestic Corporation with no property or payroll does not qualify as an 80/20 company (*ARM 42.26.311(3)*).

The water's edge combined return includes only the income and apportionment factors of the members of the unitary group that meet the criteria set forth in *15-31-322, MCA*, and summarized below. If the affiliated entity meets any one of these criteria and is unitary, it is included in the combined return. If the affiliated entity does not meet any of these criteria, it is excluded from the combined return.

- An affiliated entity that:
 - is incorporated in the United States,
 - is in a unitary relationship with your corporation,
 - has less than 80% of its average payroll and property assigned to locations outside the United States, and
 - is eligible to be included in a federal consolidated tax return as described in 26 U.S.C. 1501 through 1505, with the exception that the 80% ownership requirement described in 26 U.S.C. 1504 is reduced to ownership of more than 50% of the voting stock directly or indirectly owned or controlled by a member of the water's edge group.
- Domestic international receipts corporations, as described in 26 U.S.C. 991 through 994, and foreign receipts corporations, as described in 26 U.S.C. 921 through 927.
- Export trade corporations, as described in 26 U.S.C. 970 and 971.
- Foreign corporations deriving gain or loss from disposition of a United States real property interest to the extent recognized under 26 U.S.C. 897.
- A corporation incorporated outside the United States, if more than 50% of its voting stock is owned directly or indirectly by the taxpayer and if less than 80% of the average of its payroll and property is assignable to a location outside the United States.
- An affiliated entity that is in a unitary relationship with your corporation and that is

incorporated in a tax haven country. Refer to Part IV for additional details.

- A corporation "engaged in business" or "doing business" pursuant to *15-31-101, MCA*, in this state is included in a water's edge return.
- A portion of the after-tax net income of United States corporations that are excluded as 80/20 companies and the United States possession corporations described in Sections 931 through 934 and Section 936 of the IRC are considered dividends received from corporations that are incorporated outside of the United States. These deemed dividends are included in the apportionable income and are to be calculated in Part II.

Line 1 – Positive Taxable Income of 80/20

Companies. Attach a by-company schedule of Page 1 of the consolidated federal Form 1120, or applicable form. Using the attached by-company breakdown of your corporation's consolidated federal Form 1120, enter on this line the amount that you reported on line 30 for all 80/20 companies that had positive income. When you compute 80/20 positive taxable income for this line, do not include any 80/20 companies that reported a loss on line 30.

Line 2 – Consolidated 1120 Positive Taxable

Income. Enter the total of the amounts reported on your corporation's by-company schedule of federal Form 1120, line 30 for all companies that had a positive income. When you compute consolidated 1120 positive taxable income, do not include any companies that reported a loss on line 30.

Line 3 – Ratio of 80/20 Positive Income to

Consolidated 1120 Income. Divide the amount on line 1 by the amount on line 2; enter the result on this line. Round out to at least the fourth decimal (example: 0.5555).

Line 4 – Tax Liability as Reported on Consolidated

1120. Enter the federal tax liability reported on your corporation's consolidated federal Form 1120, net of any federal tax credits.

Line 5 – Federal Tax Liability Associated with

80/20 Companies. Multiply line 3 by line 4; enter the result on this line.

Line 6 – Section 78 Gross-Up Received by 80/20

Companies. Attach a by-company schedule of Page 2 (Schedule C) of the federal Form 1120. Enter the amount reported on your corporation's federal Schedule C for Section 78 gross-up that your 80/20 companies received during the tax period.

Line 7 – After-Tax Net Income of 80/20 Companies.

Subtract line 5 and line 6 from line 1; enter the result on this line. If the result is less than zero, enter zero.

Line 8 – After-Tax Net Income of Unconsolidated 80/20 Companies.

For all companies owned more than 50% that are not included in your consolidated federal Form 1120, calculate the after-tax net income for your U.S. corporations that qualify as 80/20 companies by subtracting the tax liability from the taxable income on the corporation's federal return. Enter the total on this line.

Line 9 – Total After-Tax Net Income.

Add lines 7 and 8; enter the total on this line.

Line 10 – 20% Deemed Dividend from 80/20

Companies. Multiply line 9 by 20% (0.20); enter the result on this line, and also on Form CIT, line 2f.

Part III. List of 80/20 Companies

Column 1 – Name. Enter the name of each company that qualified as an 80/20 company for the filing period.

Column 2 – FEIN. For each company listed in column 1, enter the 80/20 company's Federal Employer Identification Number (FEIN).

Column 3 - Income/Loss. For each company listed in column 1, enter the income or loss reported on your corporation's consolidated federal Form 1120, line 28.

Column 4 – Income/Loss. For each company listed in column 1, enter the income or loss reported on your corporation's consolidated federal Form 1120, line 30.

Column 5 – Dividends Received. For each company listed in column 1, enter the total dividends received. Do not include the Repatriation Transaction Calculated under IRC Section 965.

Part IV. List of Controlled Foreign Corporations

Column 1 – Name. Enter the name of each company incorporated outside the United States that the ultimate parent and its subsidiaries directly or indirectly owned greater than 50%. Also enter the name of each foreign partnership or foreign disregarded entity in which a corporation within the water's edge group held a direct or indirect interest.

Column 2 – Entity Type. For each company listed in column 1, enter the type of entity. Example: Corporation, partnership, or disregarded entity.

Column 3 – Country of Incorporation/

Organization. For each company listed in column 1, enter the country of incorporation or organization.

Column 4 – Income/Loss. For each company listed in column 1, enter the income or loss reported on line 18 of its federal Form 5471.

You must submit a copy of the federal Forms 5471 and 8858 of each company that is incorporated in a tax haven country during this filing period.

A water's edge return must include the income of each corporation that is in a unitary relationship with your corporation and is incorporated in a tax haven country. Please see *15-31-322, MCA*. Tax haven countries currently include Andorra, Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Bahrain, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Cook Islands, Cyprus, Dominica, Gibraltar, Grenada, Guernsey-Sark-Alderney, Isle of Man, Jersey, Liberia, Liechtenstein, Luxembourg, Malta, Marshall Islands, Mauritius, Monaco, Montserrat, Nauru, Netherlands Antilles, Niue, Panama, Samoa, San Marino, Seychelles, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Turks and Caicos Islands, U.S. Virgin Islands and Vanuatu. This list has been updated and is effective for periods beginning after December 31, 2008.

See *ARM 42.26.301 through 313* for more information on the water's edge filing method.

Attachments for Water's Edge Filers:

- By-Company Schedule of Page 1 of federal Form 1120, or applicable form;
- By-Company Schedule of Page 2 of the federal Form 1120, (Schedule C); and
- Breakdown of dividends by payee/payor and type including dividends between affiliates, and foreign to foreign dividends.