

# 2021 Montana Form PTE

## Pass-Through Entity Instructions

MONTANA DEPARTMENT OF REVENUE



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Dear Montana Taxpayer,

We sincerely thank you for filing of your Montana tax return. Your timely filing benefits your community and helps to make Montana a better place for all of us.

We continue to encourage you to file electronically if possible. Last year, 87 percent of business taxpayers filed electronically. Taxpayers have found that e-filing is easy, convenient, and ensures accurate processing. Electronic filing can also help you more quickly receive any refund you are owed.

We are committed to assisting you with any questions you may have about your filing requirements. If you need more information or would like help, please visit [MTRevenue.gov](http://MTRevenue.gov), call (406) 444-6900, Montana Relay at 711 for the hearing impaired, or email [DORHelp@mt.gov](mailto:DORHelp@mt.gov).

Best regards,

Your Montana Department of Revenue

# Contents

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What's New? .....	1
2021 Legislative Changes.....	1
2022 Legislative Changes.....	1
Form Change .....	2
Interest Rate for 2022 .....	2
General Instructions .....	2
Purpose of the Form .....	2
Definitions used in these instructions.....	2
Who must file? .....	2
Due Date.....	2
Filing Form PTE .....	2
How to Pay.....	3
Amending Form PTE.....	3
Federal Adjustment and Administrative Adjustment Request.....	4
Line Instructions .....	4
Entity Information .....	4
Lines 1 through 14—Owners' Distributive Share of Income and Deductions Items .....	5
Line 15 through 20—Owners' Distributive Share of Montana Source Income .....	5
Lines 21-33 Calculation of Amount Owed or Refunded .....	6
Sign the Return .....	8
Paid Preparer.....	8
Assemble the Return.....	9
Schedule I—Apportionment Factor for Multistate PTEs .....	9
Schedule II—Montana PTE Tax Credits .....	10
Schedule IV—Montana PTE Composite Income Tax Schedule .....	10
Schedule VI—Reporting of Special Transactions.....	12
Disregarded Entities Owned by the Pass-Through Entity .....	12
Schedule VII—List of Disregarded Entities.....	12
Schedule DE .....	13
Montana Source Income Schedule.....	13
Montana Adjustments Worksheet .....	13
Montana Schedule K-1.....	14
Apportionable Income Worksheet.....	18

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](http://leg.mt.gov) or call us with your questions.

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## What's New?

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### 2021 Legislative Changes

**Federal Audit Regime (HB 53).** House Bill 53 implemented the Multistate Tax Commission's model statute for reporting federal partnership audit adjustments. If there is an adjustment at the federal level, then a Montana adjustment report must be filed with the Department of Revenue. See instructions for line 21a for the list of items that must be included in the report. House Bill 53 also allows a partnership to pay on behalf of its owners if an election is made. If such an election is made, enter the pass-through entity's tax liability resulting from an adjustment on line 21a of the Form PTE.

In addition to changes made to how partnerships report federal adjustments on their Montana tax return, House Bill 53 increased the amount of time individuals estates, and trusts have to amend their Montana return after a federal adjustment. Individuals, estates, and trusts now have 180 days to file an amended Montana return after a federal income tax adjustment has been finalized.

**Trades Education and Training Credit (HB 252).**

Employers may take a tax credit for the expenses incurred in providing employees with education and training for a trade profession. The credit is worth up to 50 percent of the cost of qualifying trades education or training expenses, not to exceed \$2,000 per employee and \$25,000 total. The trades education and training credit is claimed on line 19 of the Schedule II. See instructions for the additional statement that must be included with your return.

**Montana Entrepreneur Magnet Act (SB 184).**

Beginning in Tax Year 2026, the net long-term capital gain or exchange of certain capital stock will not be subject to tax. The exclusion is not available until Tax Year 2026, but some requirements take effect starting in 2021. In order to be eligible, the sale or exchange of the stock must be from a corporation that, prior to the sale or exchange of the stock, has:

- at least 60 consecutive months of new business activity in Montana beginning on or after January 1, 2021,
- more than half of its officers residing in the state for the previous 36 months,

- at least 30 percent of its employees residing in the state for the previous 12 months, and
- at least 25 full-time employees residing in the state for the previous 36 months.

**Mobile Home Park Capital Gain Exclusion (SB 269).** The exclusion of the capital gain from the sale of an eligible mobile park has increased.

One hundred percent of the capital gain from the eligible sale of a mobile home park is excludable from Montana adjusted total income. Report the amount of exclusion on Schedule B, line 9.

**Double-Weighted Receipts Factor (SB 376).** The Montana Legislature passed Senate Bill 376 to revise the apportionment formula for sourcing purposes. Multistate businesses with a tax year starting after June 30, 2021, will count the sales factor twice in determining the apportionment factor.

### 2022 Legislative Changes

**Income Tax Reduction Bill (SB 159).** Senate Bill 159 lowered Montana's top tax rate from 6.9 percent to 6.75 percent for Tax Years 2022 and 2023 subject to an American Rescue Plan Act Savings Clause. The Savings Clause may cause the rate to increase back to 6.9 percent for 2022 and 2023 if Montana's receipt of federal American Rescue Plan Act funds is jeopardized. Please visit [MTRRevenue.gov](http://MTRRevenue.gov) for more information.

**Income Tax Simplification Bill (SB 399).** Beginning in Tax Year 2022, the following tax credits have been repealed. Tax Year 2021 is the last year these tax credits will be available. Credits denoted with an asterisk may be carried forward until the amount of the credit is exhausted or the carryforward period expires, whichever comes first.

- Alternative Energy Production Credit\*
- Alternative Fuel Credit
- Biodiesel and Blending Credit\*
- College Contribution Credit
- Dependent Care Assistance Credit
- Emergency Lodging Credit
- Empowerment Zone Credit\*
- Health Insurance for Uninsured Montanans Credit
- Mineral and Coal Exploration Incentive Credit\*
- Oilseed Crush Facility Credit\*



## **Student Scholarship Organization Credit and Innovative Education Program Credit (HB 279).**

The tax credit for contributions to approved Student Scholarship Organizations and Innovative Education Programs for Montana public school districts increases from \$150 to \$200,000 in tax year 2022. Eligible contributions for 2022 may be made directly with the Student Scholarship Organization or Montana public school district.

Additional information about other legislation effective in 2022 will be included in the 2022 Form PTE instructions.

## **Form Change**

**Montana Schedule K-1 (Beneficial Owner).** A field was added to the Montana Schedule K-1 to request the name and FEIN or SSN of the person reporting the income if that person is:

- a C corporation filing a combined return,
- the grantor of a grantor trust, or
- the owner of a disregarded entity such as a single member LLC.

## **Interest Rate for 2022**

Effective January 1, 2022, the annual interest rate assessed on outstanding balances is 3 percent. This rate also applies to underpayment of estimated taxes. Interest is calculated daily.

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# **General Instructions**

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## **Purpose of the Form**

Form PTE is an information return and a composite tax return for pass-through entities with Montana source income and pass-through entities registered to do business in Montana. It includes schedules for the reporting of Montana source income derived from the activities of disregarded entities owned by the pass-through entities.

## **Definitions used in these instructions**

**Disregarded entity (DE)**—a business entity that is disregarded as a separate entity from its business owner for federal tax purposes. DEs owned by partnerships or S corporations are usually single member limited liability companies (LLCs) or qualified subchapter S subsidiaries. DEs owned indirectly through a series of DEs are considered owned directly by the PTE for the purpose of reporting their Montana source income on Form PTE.

**Federal return**—federal Form 1065 for partnerships and federal Form 1120S for S corporations.

**Owner**—includes a partner, a member of an LLC, or a shareholder.

**Pass-through entity (PTE)**—partnership, S corporation or DE.

**Participant**—owner participating in a composite return.

**Partnership**—includes a general partnership, limited partnership, limited liability partnership, publicly traded partnership, or LLC treated as a partnership for federal income tax purposes, or any other entity treated as a partnership for federal income tax purposes.

**S corporation**—a corporation that is an S corporation for federal income tax purposes.

**Simple entity**—a partnership or an S corporation that:

- is doing business only in Montana;
- only has Montana resident individual owners;
- is not receiving any Montana Schedules K-1 from a lower-tier PTE; and
- does not own a DE.

## **Who must file?**

A partnership or an S corporation must file a Form PTE annually if the PTE, or one of the DEs it owns:

- has any amount of Montana source income, whether a gain or loss;
- filed a return in a prior year and did not mark the return final; or
- is registered to do business with the Montana Secretary of State.

If an entity filed a return for a prior year or is registered with the Montana Secretary of State but did not engage in any activity in Montana, including through a disregarded entity, the entity must file an Affidavit of Inactivity for Corporations, Partnerships and Disregarded Entities (Form INA-CT). This form is available to file online at our TransAction Portal at <https://tap.dor.mt.gov>.

## **Due Date**

The due date for a Montana pass-through entity return is March 15 or, for fiscal filers, the 15th day of the third month following the close of the entity's tax year. The due date for filing a 2021 Montana pass-through entity return is March 15, 2022.

## **Extension to file Form PTE**

A PTE is granted an automatic extension of time to file of up to six months. An extension of time to file is not an extension to pay. If the entity does not pay the amount of tax due by the original due date, it will owe interest and penalties on any balance due.

## Filing Form PTE

**File electronically!** File the Montana and federal returns separately or at the same time through a tax professional who is an authorized IRS e-file provider, or with software approved by the department.

If the entity files its return electronically, it does not have to mail in a paper copy of the return, any accompanying federal Forms 1099, or any other Montana supplemental forms. When the PTE files its return electronically, it represents that it has kept all the required documents as its tax record and that it will provide copies of these if we ask for them. The president, vice president, treasurer, assistant treasurer, or chief accounting officer of an S corporation, or the general partner or LLC member manager, do not have to sign a copy of the return and submit it to us. The act of completing and filing the return electronically is considered an authorized signature.

For more information regarding electronic filing, visit [MTRevenue.gov](https://mtrevenue.gov) or [irs.gov](https://irs.gov).

### Partnership with more than 100 partners.

A partnership with more than 100 partners over the course of its tax year must file the Form PTE electronically. The partnership may be eligible to receive a hardship waiver by completing the Partnership E-file Waiver Request (Form PWR). The partnership must submit the request at least 30 days before the due date of the return, including extensions. For more information about e-filing, visit [MTRevenue.gov](https://mtrevenue.gov) or call us at (406) 444-6900.

**Paper Filing.** If the entity files Form PTE on paper, it must also include a complete copy of the federal Form 1065 (U.S. Return of Partnership Income), or federal Form 1120S (U.S. Income Tax Return for an S Corporation), with all federal Schedules K-1, statements and documents.

If the entity chooses not to file electronically, mail the return to:

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

*Important:* Form PTE must include a Montana Schedule K-1 for each owner regardless of how you file your return.

We **do not accept** copies of federal Schedules K-1 in place of completed Montana Schedules K-1. If a Montana Schedule K-1 for each owner is not included with the return, the entity's return will not be processed until we receive the schedules and the return may be subject to a late filing penalty.

**Owners other than resident individuals, trusts and estates.** When a PTE has an owner that is a nonresident individual, estate, or trust, second-tier pass-through entity, or a foreign C corporation at any time during the year, it has additional filing requirements:

- Form PT-AGR (Montana Pass-Through Entity Owner Tax Agreement), if applicable.
- Schedule IV (Montana Composite Income Tax Schedule), if applicable. This is the composite tax return that the PTE completes and files on behalf of eligible owners who have elected to participate in the composite filing.

**Multistate activities.** If the PTE or one of its DEs is engaged in multistate activities, it may have to include with its return:

- Schedule I (Apportionment Factor for Multistate PTEs)
- Schedule DE
- Montana Source Income Schedule

**TIP**—If the PTE is a simple entity, it is required to include:

- Form PTE, pages 1 and 2
- Montana Schedule K-1 for each owner

If applicable, the PTE must also include:

- Schedule II (Montana PTE Tax Credits)
- Schedule VI (Reporting of Special Transactions)

## How to Pay

A PTE can pay its Montana taxes electronically by:

- Electronic funds withdrawal when e-filing return. You can schedule your withdrawal for a later date.
- E-check or credit/debit card. Visit <https://tap.dor.mt.gov> There is a small fee when paying with a credit or debit card.
- Personal check, money order, or cashier's check. Be sure to include the payment voucher available at [MTRevenue.gov](https://mtrevenue.gov). S corporations use Form SB and partnerships use Form PR. Make your check payable to the Montana Department of Revenue. Sign your check, and write your FEIN, the name of the PTE, and "Tax Year 2021" on the memo line.

*Note:* We may need to adjust your payment if it is not in U.S. funds.

Interest and late payment penalties will be assessed on any amount not paid when due. For

more information regarding electronic payment options, visit [MTRevenue.gov](http://MTRevenue.gov).

## Amending Form PTE

Complete the entire Form PTE using the corrected amounts. Mark the "Amended Return" box on the Form PTE. Include applicable forms and statements that explain in detail the reasons for amending the tax return.

If the amended tax return results in a change to income or a change in the distribution of any income or other information provided to any owner, the entity will need to file amended Montana Schedules K-1 and non-amended Montana Schedules K-1 with an amended Form PTE. The entity must give a copy of the amended Montana Schedule K-1 to each owner.

If the entity filed the original Form PTE electronically through the joint federal/state program, then it can e-file an amended Form PTE as long as the software supports amended filing.

If the entity files an amended tax return that shows it owes an increased amount of taxes, it may have the late payment penalty waived. Simply mark the "Amended Return" box on the form and pay the tax and applicable interest in full when the entity files the amended return. By marking this box and paying all tax and interest in full, the entity is requesting a waiver of the late payment penalty.

## Federal Adjustment and Administrative Adjustment Request

A partnership receiving a federal final determination as a result of a federal adjustment, must file a report with the department to disclose any change to Montana source income for all tax years covered by the final determination. This report is due no later than 90 days after the final determination date. If the report is filed late then the late filing penalty applies. The report must be sent to the pass-through entity unit manager at the following address:

Pass-Through Unit Manager  
Business and Income Taxes Division  
Montana Department of Revenue  
PO Box 7149  
Helena, MT 59604-7149

The report must include a copy of the final determination and a detailed statement of the calculation that changes Montana source income with regard to amount, timing, allocation, apportionment, and distributive shares, etc.

**Election to Pay.** A partnership may make an election to pay at the partnership level. The partnership must make that election on the report. When this election is made, the report must include the calculation of the tax, penalties, and interest. The penalties and interest are calculated from the date the tax should have been paid to the date the partnership files the report. When a partnership makes the election, the amount owed must be paid with the next Form PTE that is required to be filed by the partnership. If the partnership is not required to file a Form PTE for the next year, the partnership must amend the return that was adjusted. Report the amount owed on line 21 (for Tax Years before 2021) or 21a.

If you want to make a payment as a result of this election, contact the Pass-Through Unit at [DORPassthrough@mt.gov](mailto:DORPassthrough@mt.gov) to obtain instructions.

**Administrative Adjustment Request.** If the partnership makes an Administrative Adjustment Request (AAR), complete Schedule VI, questions 6 and 7, and include federal Forms 8985, 8986, and/or 8082, with your Form PTE, if applicable. When an AAR results in a federal imputed underpayment and does not change the overall amount of Montana source income received by a partner for the tax years covered by the AAR, no further action is required. When an AAR results in an overall increase of Montana source income for any given nonresident or foreign entity partner, the partnership must either:

1. file an amended return, or
2. when a composite or withholding tax is not required, elect to remit an amount equal to:
  - a. the pass-through withholding tax rate multiplied by the additional amount of Montana source income resulting from the AAR; and
  - b. the amount of penalties and interest owed as if the adjustment had resulted in the amendment of the reviewed year return.

## Tax Records

PTEs should keep all tax records for as long as the statute of limitations is in effect for the tax period. The statute of limitations is three years from the date the return is filed. Omitting a significant amount of income may extend the statute an additional two years. PTEs should keep property records and carryover information even longer.

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# Line Instructions

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## Entity Information

**Tax Year.** The PTE must use the same tax year used for federal income tax purposes (as indicated on the federal return) for Montana income tax purposes. If the PTE has a fiscal year, enter the beginning and ending dates of the fiscal year. Use the 2020 Form PTE if the PTE's fiscal year began in the 2020 calendar year.

Mark the Final Return box if the PTE ceased to exist during Tax Year 2021.

**Name and Address.** Enter the entity's name (as it appears in the partnership agreement, articles of incorporation, or other formation documents) and mailing address in the spaces provided.

**Federal Employer Identification Number (FEIN).** Enter the same FEIN used on your federal return. Montana uses the FEIN for identification purposes. If the entity changed its FEIN during the tax year, include a statement with the tax return that identifies the previous FEIN.

**Federal Business Code/NAICS.** Enter the Principal Business Code from page 1, Box C, of your federal form. The Principal Business Activity Code is based on the North American Industry Classification System (NAICS). For more information, visit [naics.com](http://naics.com).

**MT Secretary of State ID Number.** Enter the entity's Montana Secretary of State Identification number. The identification number begins with a letter followed by six to eight digits. The PTE received this number when it registered to do business in Montana. Enter the letter, followed by the next six to eight digits of the number. Leave any extra boxes blank. To find the PTE's identification number, visit the Montana Secretary of State's website at [sosmt.gov](http://sosmt.gov) and search for the PTE's business name under the Business Services section. If your entity is not registered with the Secretary of State and does not have an identification number, leave this area blank.

**Date of Registration in Montana.** If the entity is registered with the Secretary of State to do business in Montana, enter the registration date.

**State Formed In.** Enter the state in which the PTE was formed and the date it was formed. If the PTE was formed in a foreign country, enter that country.

**Schedules K-1 and Owner Information.** The PTE must include a Montana Schedule K-1 for each owner with the Form PTE. Enter the number of Montana Schedules K-1 included with the return.

Also, enter the number of residents, nonresidents, and other types of owners. An example of an other type of owner is a foreign C corporation.

## Lines 1 through 14—Owners' Distributive Share of Income and Deduction Items

Enter the corresponding amounts reported on the federal Schedule K.

**Line 4—Guaranteed Payments.** If the PTE is a partnership, enter the amount reported on Form 1065, Schedule K, line 4. S corporations must leave this line blank or enter 0 (zero).

**Line 6—Ordinary Dividends.** Enter the total amount of ordinary dividends reported on the federal Schedule K. Montana taxes dividends as ordinary income and does not apply the federal rate for qualified dividends.

**Line 13—Owners' Distributive Share of Deduction Items.** Enter the amount of deductions reported on the federal Schedule K. Include a detailed statement for lines 13d and 13e.

## Line 15 through 20—Owners' Distributive Share of Montana Source Income

**TIP—Simple** entities just need to:

- Complete lines 15, 16a, 16, and 17
- Mark the Schedule I Not Required box
- Enter 100 percent on line 18
- Skip lines 19a through 19
- Enter the total Montana source income on line 20.

**Lines 15 and 16a.** Report Montana adjustments from your apportionable income as reported on Montana Adjustments Worksheet, column A. Do not include adjustments from other columns. The PTE must include the Montana Adjustments Worksheet with its return if it reports any adjustments. See the instructions for the Montana Adjustments Worksheet on page 12.

**Line 15—Montana Additions from PTE's Apportionable Activities.** To compute Montana income taxable to owners, certain items must be added to income. Enter the total additions the PTE derives from its own apportionable operations from the Montana Adjustments Worksheet, Part 1, column A.



**Line 16–Deductions.** To compute Montana income taxable to owners, certain items are deducted from income.

**Line 16a.** Enter the total Montana subtractions the PTE derives from its own apportionable operations reported on the Montana Adjustments Worksheet, Part 2, column A.

**Line 16b.** Enter the sum of all distributive items of income (loss) from all federal Schedules K-1 received from other pass-through entities.

**Line 16c.** Enter the sum of income (loss) derived from disregarded entities that are not segments. Segments' apportionable income is included in the PTE's apportionable income. This is the DE's amount of federal income from all sources before Montana adjustments.

**Line 16d.** Report nonapportionable income or losses derived from the PTE's own activities on this line. This income is not included in computing the PTE's income apportioned to Montana. This includes nonapportionable income (loss) that is allocated to a specific state. Include a statement justifying why such income is considered nonapportionable.  
Guaranteed payments issued for services performed by an individual direct partner are allocated to the state where the services were performed and must be deducted on this line.

**Line 18–Income Apportioned to Montana.** For entities engaged in business only in Montana, enter 100 percent as the apportionment percentage and enter the full amount that is reported on line 17. For multistate entities, if the *Schedule I not required* box is marked, enter 0 percent and go to line 19. Otherwise, multiply the amount that is reported on line 17 by the apportionment percentage reported on Schedule I, line 5. Enter the result on line 18. See the instructions for Schedule I on page 8.

**Line 19–Total Nonapportionable Income Sourced to Montana**

**Line 19a.** Report the total Montana source income from the sum of Montana Schedules K-1, Part 5, line 1, received from other pass-through entities.

**Line 19c.** Report the total adjusted nonapportionable income (loss) allocated to Montana from the PTE's own activities. To compute this amount, start with the total Montana source income from the Montana Source Income Schedule, column C. Adjust this amount by Montana source total additions and subtractions from Montana Adjustments Worksheet, Parts 3 and 4, column B.

For the amount reported on line 19c, the PTE must include each of the following with Form PTE:

- a statement showing each item of Montana source income subject to allocation and its related expenses,
- a statement explaining the reason for treating the item of income as Montana source income subject to allocation, and
- a copy of the other state's income tax or information return if the PTE allocates to a state other than Montana. If the PTE is not required to file an income tax or information return with the other state, the PTE must indicate this in a statement.

## Lines 21-33 Calculation of Amount Owed or Refunded

**TIP**—Simple entities can skip lines 21 and 22. Enter the amount of mineral royalty tax withheld on the PTE's behalf on line 23a and 23 and skip line 24. Complete the rest of the page as required.

Before completing lines 21-24, complete Schedule II (Credits) and Schedule IV (Composite Tax), if applicable. Then complete all owners' Montana Schedules K-1.

**Line 21–Total Montana Composite Return Tax.**

Enter the total amount of composite tax reported on Schedule IV, column H. See instructions on page 9.  
The amount on this line must equal the sum of Part 5, line 2, on all Montana Schedules K-1 filed by this entity.

**Line 21a – Tax Liability Resulting from Partnership Adjustment.**

A partnership that has filed a Federal Adjustment Report or an AAR and has elected to pay the Montana tax, penalties, and interest resulting from a federal final determination must include the total amount of liabilities (including penalties and interest) on this line.

**Line 22–Sum of Owner Withholding from all Montana Schedules K-1.** Enter the sum of owner withholding reported on all Montana Schedules K-1, Part 5, line 3a. This is the total amount due from the PTE to Montana on behalf of its owners. The owners will claim this amount as a refundable credit on their own Montana tax returns.

**Line 23a.** Enter the total amount of mineral royalty tax withheld on behalf of the PTE, including by a lower-tier PTE. These amounts are found on federal Forms 1099-MISC and Montana Schedules K-1.

Attach copies of the Forms 1099-MISC and Montana Schedules K-1 showing amounts withheld.

Royalty payments made to owners of Montana mineral rights are subject to withholding if certain thresholds are met. This withholding should not be confused with the amounts deducted from the PTE's royalty payments for production taxes. For more information, visit [MTRRevenue.gov](http://MTRRevenue.gov).

**Line 23b.** Enter the amount of mineral royalty tax withheld reported on line 23a that is distributed to owners. The amount on this line must equal the sum of Part 5, line 4, on all Montana Schedules K-1 filed by this PTE with this return.

**Line 24a.** If the PTE has an ownership interest in a lower-tier PTE that had Montana source income and the lower-tier PTE paid Montana income tax on behalf of the PTE, enter the amount here. This amount is reported to the PTE on a Montana Schedule K-1. Attach copies of the Montana Schedules K-1 that report amounts withheld on your behalf.

**Line 24b.** Enter the amount of Montana pass-through withholding reported on line 24a that is distributable to owners. The amount on this line must equal the sum of Part 5, line 3b, on all Montana Schedules K-1 filed by the PTE.

**Line 26c.** Enter any payment made for 2021 composite tax or pass-through withholding made on or before March 15, 2022.

**Line 26d.** If the PTE is amending the 2021 return, enter any payments the PTE made when it filed its original tax return and any subsequent payments that were applied to the PTE's 2021 tax liability.

**Line 26e.** If the PTE is amending the 2021 return, enter the amount of any refund the PTE received when it filed its original tax return or a previously amended tax return.

**Line 28a.** A PTE is charged a late filing penalty if it files Form PTE after the due date, including the automatic six-month extension. The penalty is \$10 multiplied by the number of owners at the close of the tax year for each month or fraction of a month that the entity does not file the PTE information return. This penalty is calculated for up to five months and may not exceed \$2,500. See [15-30-3302.MCA](http://15-30-3302.MCA).

A late filing penalty is not imposed on an entity that has 10 or fewer owners that are individuals, estates of a deceased individual, or C corporations, if the owners have filed the required returns or other required reports timely and have paid all taxes when due.

**Line 28b.** The PTE is required to make estimated tax payments throughout the year if it expects to owe a composite income tax liability of at least \$500. If the

PTE was required to make estimated composite tax payments and it did not pay the required amounts, it will have to pay interest on any underpayment. To calculate the underpayment interest, complete Worksheet I. See [15-30-3312.MCA](http://15-30-3312.MCA).

## Worksheet I—Calculation of Underpayment Interest Short Method

In 2021, the PTE was required to pay through estimated installments the smaller of:

- 90 percent of the current year's total composite tax liability or
- an amount equal to 100 percent of the previous year's total composite tax liability.

If the PTE does not meet one of these two requirements, the composite tax is subject to underpayment interest.

Payments made with extensions are not considered estimated payments.

<b>1</b>	Enter the total 2021 composite tax reported on page 2, line 21	<b>1</b>	
<b>2</b>	Enter 90 percent of line 1	<b>2</b>	
<b>3</b>	Enter the total of page 2, line 25 and line 26a, attributable to composite tax participants	<b>3</b>	
<b>4</b>	Subtract line 3 from line 1. If the result is \$500 or less, <b>stop here</b> . The PTE does not owe interest on its underpayment.	<b>4</b>	
<b>5</b>	Enter the 2020 composite tax from the 2020 Form PTE, line 21	<b>5</b>	
<b>6</b>	Enter the smaller of line 2 or line 5	<b>6</b>	
<b>7</b>	Enter the total of line 3 and the amount reported on line 26b attributable to composite tax participants	<b>7</b>	
<b>8</b>	Subtract line 7 from line 6. If zero or less, <b>stop here</b> . The PTE does not owe interest on its underpayment.	<b>8</b>	
<b>9</b>	Multiply line 8 by 0.0231	<b>9</b>	
<b>10</b>	If the amount on line 8 was paid on or after the due date, enter 0. If the amount on line 8 was paid before the due date, multiply the amount on line 8 by the number of days paid before the due date. Multiply the result by 0.0000822.	<b>10</b>	
<b>11</b>	Subtract line 10 from line 9. Enter the result here and on line 28b. <b>This is the PTE's underpayment interest.</b>	<b>11</b>	

**Line 28c.** If the PTE is late in filing a Form PTE that includes a composite tax participant, a late filing penalty will be charged. The late filing penalty is the greater of \$50 or 5 percent per month on the unpaid amount from the extended due date until the

return is filed or the tax is paid. This penalty cannot be less than \$50 or exceed 25 percent of the PTE's tax liability on line 27.

**Line 28d.** The late payment penalty is equal to 0.5 percent per month, calculated daily, on the unpaid amount from the original due date not including extensions, until it is paid. The daily rate is 0.0164 percent. Your late payment penalty will never exceed 12 percent (24 months x 0.5%) of the unpaid tax. Late payment penalty is automatically waived if you pay all the tax and interest with your return, or within 30 days of the first notice from the department.

If the PTE files an amended tax return that reflects an increased tax liability, it may have the late payment penalty waived. To receive the waiver, mark the "Amended Return" box on Form PTE and pay the tax and applicable interest in full when the PTE files the amended return. By marking this box and paying all tax and interest, the PTE is treated as having requested a waiver of the late payment penalty.

**Line 28e.** Compute interest on any tax liability (line 27) that the PTE has not paid by the due date of the tax return and enter the total on this line.

Effective January 1, 2022, the interest rate is 3 percent. To calculate the amount of interest, multiply line 28 by 0.00822% (0.0000822), and then multiply that product by the number of days between March 15, 2022, and the day the PTE's tax is paid.

A valid extension of time to file the PTE's tax return does not extend the due date to pay the PTE's income tax liability after March 15, 2022.

**Line 30—Amount You Owe.** If the amount on line 29 is greater than zero, enter it on this line. This is the amount due with the PTE's tax return. See "How to Pay" on page 3.

For more information about e-pay options, visit [MTRevenue.gov](http://MTRevenue.gov).

Interest and penalties will be assessed on any amount not paid when due.

**Line 31—Overpayment.** If the amount on line 29 is less than zero, enter it on this line. This is the amount the PTE has overpaid.

**Line 32—2022 Estimated Tax Payments.** All or part of the overpayment that the PTE reported on line 30 can be refunded or carried over as a 2022 estimated tax payment. Enter the amount of the overpayment reported on line 31 that the PTE wants applied to its 2022 estimated tax.

**Line 33—Refund.** This is the amount of the refund that will be issued.

If the PTE is requesting a refund, mark the box located in the top portion of Form PTE, page 1.

If the PTE would like to use direct deposit, enter the PTE's financial institution's routing number (RTN#) and the PTE's account number (ACCT#) in the spaces 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 PTE's account is a checking or savings account and if the PTE's 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 direct deposit, we will mail the PTE a refund check.

A sample of a personal check is provided for reference.

The image shows a sample personal check form with several annotations. At the top left, the payee information is listed: John Taxpayer, Jane Taxpayer, 23 Main Street, Anyplace, MT 59000. The amount is written as 1234 in the top right corner. The pay to the order of field is blank. The bank information is Anyplace Bank, Anyplace, MT 59000. The routing number is 123456789 and the account number is 9876543210. A note in a circle says "Do not include the check number in the account number." A large "Sample" watermark is overlaid on the check.

## Sign the Return

If the PTE is filing its return on paper, the return is not valid unless the president, vice president, treasurer, assistant treasurer or chief accounting officer of an S corporation, the general partner, or LLC member manager signs the return. Unsigned returns cannot be processed and require us to contact the president, vice president, treasurer, assistant treasurer or chief accounting officer of an S corporation, the general partner, or LLC member for a signature.

If the PTE is filing its return electronically, the president, vice president, treasurer, assistant treasurer or chief accounting officer of an S corporation, the general partner, or LLC member manager does not sign the return. The act of filing electronically signifies the owner's declaration, under the penalty of false swearing, that:

- The shareholder, partner or member is authorized to file the return;
- The information in the return is true, correct and complete; and
- The act of filing electronically constitutes the shareholder's, partner's, or member's signature.

## Paid Preparer

Paid preparers are required to sign the return and include his or her address and Preparer Tax Identification Number (PTIN) in the space provided.

## May the DOR discuss this return with the tax preparer?

If the PTE marks yes, we can discuss any concerns that we might have with the 2021 tax return—a missing schedule, for example—with the PTE’s tax preparer. If the PTE does not mark the box, we cannot discuss the return with anyone but an owner or someone to whom the PTE has given a power of attorney that allows us to discuss the return with him or her.

If yes is marked on a return by the PTE, the PTE is authorizing us to contact the tax preparer to answer any questions that arise while we are processing the 2021 tax return.

By marking the box, the PTE is also authorizing us to:

- request 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 PTE’s return or the status of the PTE’s refund or payments;
- discuss certain notices from us about math errors, offsets, and return preparation.

*Note:* The department will only send notices directly to the PTE, not to the tax preparer.

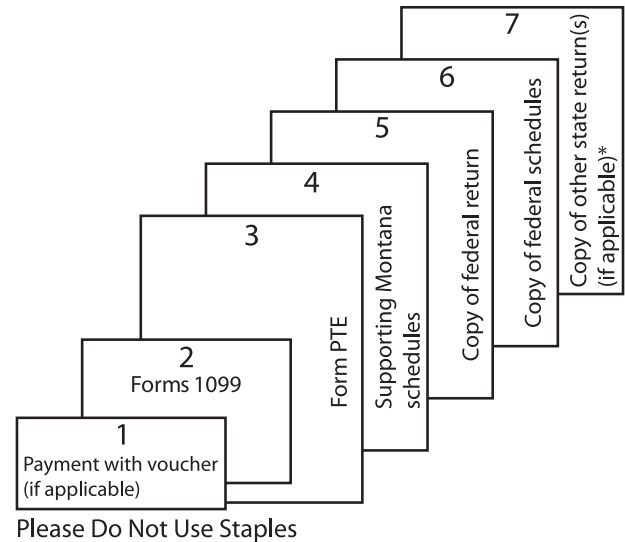
The PTE is not authorizing the tax preparer to receive any refund check, bind the PTE to anything (including any additional tax liability), receive any information about any other tax year or tax matter, or otherwise represent the PTE before the department.

Be aware that this authorization cannot be revoked. The authorization will, however, automatically end no later than the due date, without regard to extensions, for filing next year’s (2022) tax return. This is March 15, 2023, for most PTEs.

If the PTE wants to expand or change the tax preparer’s authorization (for example, to verify any estimated payments it will make in the future), it can use Form POA (Power of Attorney, Authorization to Disclose Tax Information). Form POA can be filed electronically and is available at [MTRevenue.gov](https://www.mt.gov/MTRevenue.gov).

## Assemble the Return

If the PTE is filing a return on paper, assemble the return, without using staples, according to the following diagram. Include all Forms 1099.



*\*Include a copy of the returns from another state if the PTE is a multistate entity.*

## Schedule I—Apportionment Factor for Multistate PTEs

**TIP**—If the PTE is a simple entity, skip this schedule.

After the PTE determines its amount of apportionable income, it will apply the apportionment factor to calculate the portion of Montana source income included in this apportionable income. The apportionment factor is the standard UDITPA (Uniform Division of Income for Tax Purposes Act) three-factor formula of property, payroll and receipts.

*Important:* Include only the PTE’s own items of property, payroll and receipts. Do not add in any other PTE’s property, payroll, or receipts, unless they are from a DE that is a segment of the PTE’s own activities.

The PTE must ask the department if it can determine the amount of income that it attributes to Montana on some basis other than the apportionment method. If the department allows the PTE to use an alternative method, the PTE will still need to complete and submit Schedule I.

See Title 15, Ch. 31, part 3, MCA, and Title 15, Ch. 1, part 6, MCA, for additional filing information.



To calculate each of the separate factors in the apportionment factor, use the following formula: column B divided by column A, multiplied by 100. Round out to the fourth decimal (example: 25.5555%).

**Line 1–Property Factor.** The property factor is a fraction. The numerator is the average value of the PTE’s real and tangible personal property owned, leased or rented and used in Montana in the production of apportionable income during the tax period. Mobile property is generally included in the Montana column based on the portion of the year the property was located in the state. Enter the numerator values in column B of Schedule I. The denominator is the average value of all of the PTE’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 I.

**Line 2–Payroll Factor.** The payroll factor is a fraction. The numerator is the total amount that the PTE 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 I. The denominator is the total amount that the PTE paid for compensation attributable to the production of apportionable income during the tax period. Enter the denominator values in column A of Schedule I.

**Line 3–Receipts Factor.** Receipts mean all gross receipts of the PTE exclusive of nonapportionable income and intercompany transactions. The receipts factor is a fraction. The numerator is the PTE’s total receipts in Montana during the tax period. Enter the numerator values in column B of Schedule I. The denominator is the PTE’s total receipts everywhere during the tax period. Enter the denominator values in column A of Schedule I.

**Line 4–Double-Weighted Receipts Factor.** If you are a PTE with a tax year starting after June 30 2021, enter the amount you reported on line 3.

**Line 6–Apportionment Factor.** If you are a PTE with a tax year starting after June 30, 2021, divide line 5 by the number of factors that can be included in the calculation. Because your receipts factor is double-weighted, the receipts factor is counted twice in the number of factors.

## Schedule II–Montana PTE Tax Credits

### Credits–Lines 1 through 22

Complete these lines for applicable tax credits, and include the forms indicated with your tax return when applicable:

1. Dependent Care Assistance Credit (Form DCAC)
2. College Contribution Credit (Form CC)
3. Health Insurance for Uninsured Montanans Credit (Form HI)
4. Recycle Credit (Form RCYL)
5. Alternative Energy Production Credit (Form AEPC)
6. Contractor’s Gross Receipts Tax Credit
7. Alternative Fuel Credit (Form AFRCR)
8. Infrastructure User Fee Credit (Form IUFC)
9. Historic Property Preservation Credit (Federal Form 3468)
10. Mineral and Coal Exploration Incentive Credit (Forms Mine-Cert and Mine-Cred)
11. Empowerment Zone Credit
12. Biodiesel Blending and Storage Credit (Form BBSC)
13. Innovative Educational Program Credit
14. Student Scholarship Organization Credit
15. Emergency Lodging Credit (Form ELC)
16. Unlocking Public Lands Credit
17. Apprenticeship Tax Credit
18. Media Credit (Form MEDIA-Claim)
19. Trades Education and Training Credit

You can claim a credit against your tax liability for the expenses incurred in providing education and training in a trade profession for an employee. The credit is equal to 50 percent of the cost of the qualifying trade profession education or training expenses, not to exceed \$2,000 per employee and \$25,000 total. The credit is claimed in the year the cost is incurred. The employee must work or plan to work in Montana for at least 6 months of the year in which the education or training occurs

When you claim this credit, include a statement with your return listing the following:

- Name of each employee for which the credit is claimed,
- Lasts four digits of each employee’s SSN,
- Cost of the education or training for each employee,
- Trade profession (found on [MTRevenue.gov](http://MTRevenue.gov)),
- Name, address, and FEIN of each institution providing the education or training, and
- Method of training

## Credit Recapture—Lines 20 through 22

Complete these lines if the following occurred:

**Line 20.** The PTE's federal rehabilitation credit, on which the Montana historical property preservation credit was based, was recaptured.

**Line 21.** The PTE's biodiesel sales were not at least 2 percent of all diesel sales by the end of the third year after the credit was initially claimed, or the facility ceased blending biodiesel for sale.

**Line 22.** The PTE's biodiesel facility ceased operations for a period of 12 consecutive months within five years of claiming the credit.

## Schedule IV—Montana PTE Composite Income Tax Schedule

**TIP**—If the PTE is a simple entity, skip this schedule.

A PTE can elect to file a composite tax return and pay composite tax on behalf of eligible participants.

Owners can elect to be a participant in a composite return if they:

- are a nonresident individual, nonresident estate, nonresident trust, foreign C corporation, tax-exempt entity or a second-tier pass-through entity;
- have no other Montana source income (other than Montana source income from another pass-through entity that is also electing to file a composite return on the owner's behalf); and
- consent to be included in the return by providing the entity with a written power of attorney, authorizing the entity to file and act on their behalf.

Owners who are nonresidents, foreign C corporations, tax-exempt entities or second-tier pass-through entities and who properly elect to participate in the composite tax return do not have to file a Montana income tax return. However, if the owner has Montana source income from a different source in the same tax year, the owner is not eligible to participate unless that other income is from pass-through entities that file composite returns on behalf of the owner.

Participants that receive separately stated deductions subject to an election or limitation on their own return should consult with a tax professional prior to making an election to be included on a composite return. Such separately stated deductions are not allowed in the composite tax calculation.

The Montana tax credits claimed by the pass-through entity cannot be applied to reduce the entity's composite tax liability.

A PTE can include an owner in filing a composite tax return only if the owner has provided a power of attorney that authorizes the entity to file the composite return and act on the owner's behalf. The entity does not submit the power of attorney with its tax return; it retains the power of attorney as authorization from the owner.

If the PTE files a composite tax return, it is responsible for:

- paying the composite tax liability,
- paying any additional tax, penalty and interest for the composite tax liability,
- representing the participants in any appeals, claims for refunds, hearings or court proceedings, and
- making quarterly estimated payments of the composite tax liability.

If more space is needed, complete additional copies of Schedule IV (available at [MTRevenue.gov](http://MTRevenue.gov) under Forms). We do not accept copies of federal Schedule K-1, spreadsheets or any other forms in place of a completed Schedule IV.

If a Schedule IV is not completed, the processing of the entity's return will be delayed until we receive this completed schedule. The return may be subject to a late filing penalty.

### Part I

Enter the number of participants in the composite income tax return.

### Part II

The composite tax ratio is the ratio of the PTE's Montana source income to the PTE's income from all sources for federal income tax purposes.

**Column 1.** Enter the amount from Form PTE, line 14.

This is the PTE's federal income from all sources.

**Column 2.** Enter the amount from Form PTE, line 20.

This is the PTE's total Montana source income.

**Column 3.** Divide column 2 by column 1. The result is the composite tax ratio. Round to 6 decimal places and do not enter more than 1.000000.

### Part III

**Column A—Name of Eligible Participants.** List the name of the participant as it appears on Montana Schedule K-1.

**Column B–Social Security Number (SSN) or Federal Employer Identification Number (FEIN).**

Enter the SSN or FEIN of the participant as it appears on Montana Schedule K-1.

**Column C–Owner’s Share of Federal Income from Entity.** Enter the participant’s share of the PTE’s total federal income (loss) from all sources.

**For the purpose of calculating composite income tax,** divide the participant’s Montana source income as reported on the owner’s Montana Schedule K-1, Part 5, line 1, by Form PTE, line 20, to determine ownership percentage for Montana composite tax purposes.

Multiply the percentage by Form PTE, line 14, to calculate the participant’s share of federal income for composite tax purposes.

*Example:*

Participant’s Montana source income (MT Schedule K-1, Part 5, line 1)	\$7,200
Total Montana source income (page 1, line 20)	\$12,000
Participant’s ownership percentage	60.00%
Total Federal income (page 1, line 14)	\$100,000
Participant’s Share of Federal Income	\$60,000

**Column D–Standard Deduction.** Each eligible participant is allowed one standard deduction equal to 20 percent of column C, but not less than \$2,140 or more than \$4,830.

**Column E–Exemption.** Each participant is allowed one exemption of \$2,580.

**Column F–Calculate Montana Taxable Income.** Subtract the amounts in column D and column E from column C. Enter the result in this column, but not less than \$0.

**Column G–Tax from Tax Table.** If the result in column F is greater than \$0, use the tax table at the bottom of Schedule IV to calculate the tax on the amount in column F. Enter the result in this column. Enter \$0 if the amount in column F is \$0.

**Column H–Montana Composite Income Tax Liability.** If the amount in column G is greater than \$0, multiply the amount in column G by the composite tax ratio from Part II and enter the result. If the amount in column G is \$0, enter \$0. This is the participant’s Montana composite tax liability.

*Example:* Assume that PTE ABC’s composite tax ratio is 0.2500 (Part II). Also assume that Owner Y is an eligible participant in the composite return. The federal income from all sources is \$60,000. Y’s composite tax liability is calculated in the following table.

Y’s share of federal PTE income from all sources (column C)	\$60,000
Standard deduction (column D)	(\$4,830)
Exemption allowance (column E)	(\$2,580)
Column F (C-D-E)	\$52,590
“Resident” Tax based on tax table	\$3,032
Y’s Montana composite income tax (column H) is \$3,032 x 0.2500	\$758

**Schedule VI–Reporting of Special Transactions**

Mark the appropriate boxes indicating which forms were filed with the IRS or, if the PTE is a partnership, what type of procedure was used following a federal adjustment.

If any statements are answered yes, the entity must include a copy of the applicable form.

For purposes of statement 8, “related” has the same meaning given the term in; 26 USC 267(b) or 26 USC 707(b).

**Disregarded Entities Owned by the Pass-Through Entity**

**TIP** - If the PTE is a simple entity, skip Schedules VII and DE.

Pass-through entities are required to report their Montana source income from the disregarded entities they own.

The PTE will report all disregarded entities it owns on Schedule VII. Schedule DE is required for any DE with Montana source income from its own activities. If Form PTE is filed late, a late filing penalty applies for each DE reporting Montana source income on Schedule VII.

**Schedule VII–List of Disregarded Entities**

Identify all disregarded entities owned by the PTE on this schedule.

**Column A–Name.** Enter the DE’s name, as set forth in the charter or other legal document creating it.

*Note:* Each entity is deemed to have the same mailing address as its owner.

**Column B–FEIN.** Enter the DE’s federal employer identification number.

**Column C–Montana SOS Registration Number.** Enter the DE’s Montana Secretary of State

registration number. See the instructions on page 3.

**Column D–LLC.** Mark this box if the DE is a LLC.

**Column E–Q Sub.** Indicate if the DE is a qualified subchapter S subsidiary (Q Sub). If the entity is a Q Sub, enter its election date in column F.

**Column G–DE has Multistate Activities.** Mark this box if the DE has activities in more than one state.

**Column H–DE is a Segment of the PTE.** A segment of a PTE is a DE that holds a function that is essential to the sourcing of the PTE’s apportionable income derived from its own activities. For example, if the purpose of the DE is to hold property used in the trade or business of its owner or pay the compensation of employees involved in the trade or business of its owner, then the DE is a segment. Mark the box to indicate that the DE is a segment.

**Column I–Montana Source Income from DE’s Own Activities.** Enter the amount of Montana source income from Schedule DE, line 17 of the Montana column. **If the DE does not have activities of its own, enter 0 (zero) in the Montana source income box.**

Montana source income (loss) from entities that the disregarded entity owns are not reported in this box.

Include a statement for any DE with a final tax year and include the tax ID number.

## Schedule DE

**TIP**–If the PTE is a simple entity, skip this schedule.

Complete a separate schedule for each DE that the PTE owns that has activities in Montana. This schedule is used to determine the DE’s Montana source income derived from the DE’s own activities. See ARM 42.9.107 for information on sourcing pass-through entity income.

Montana source income flowing through the DE is not included in this determination.

A segment’s item of income (loss), deduction and apportionment are reported on the return of the DE’s owner. Do not include them on this schedule.

Complete the Everywhere column first.

Report the name and the FEIN number of the entity as reported on Schedule VII.

**Everywhere column.** Report items of income (loss), and deductions attributable to the DE’s own activities in the Everywhere column. Report Montana adjustments to everywhere income on lines 15 and 16. See the Montana Adjustments

Worksheet instructions on page 12 for information on Montana adjustments.

If the DE has apportionable income (loss) from its own activities, mark the box on page 1, line 17 and complete the apportionment factor section at the bottom of the Everywhere column. See the instructions for the Schedule I to determine the DE’s apportionment factor.

**Montana column.** Add the amount of apportionable income (loss), deduction, or Montana adjustment to income with the nonapportionable income (loss), deduction, or Montana adjustment to income on each line.

Apportionable income (loss), deduction, or adjustment is the result of the amount in the Everywhere column multiplied by the apportionment factor.

**Line 17.** Report the total amount of Montana source income on Schedule VII, column G.

## Montana Source Income Schedule

**TIP**–If the PTE is a simple entity, skip this schedule.

Use this schedule to report the amount of Montana source income based on the type or character of the income, loss or deduction from:

Montana Schedules K-1 received by the entity

- Schedules DE
- Montana source income from the PTE’s own nonapportionable income
- Montana source income from the PTE’s own apportionable income.

**Do not include Montana source adjustments from the Montana Adjustments Worksheet.**

**Column D–Montana source income from PTE’s apportionable activities.** Use the Apportionable Income Worksheet on page 16 to calculate your Montana source income per income type.

## Montana Adjustments Worksheet

**TIP**–If the PTE is a simple entity, only complete Parts 1 and 2, column E.

Use this worksheet to report the adjustments to the PTE’s income on page 1, Schedule DE, and on any Montana Schedules K-1 the PTE received. Use the names and codes found below.



List the name of the adjustment and report the code that corresponds with the adjustment.

Then report the Montana adjustments to everywhere income and Montana source income based on the type (apportionable or nonapportionable) and origin of the income (Montana Schedule K-1 or Schedule DE). The adjustments apportioned to Montana are calculated by multiplying everywhere adjustments to apportionable income by the apportionment factor from Schedule I.

*Important:* Include a copy of this worksheet with your return.

### Montana Additions—Codes

- AA** Interest and mutual fund dividend income that the entity received from bonds and obligations of another state, territory, or political subdivision of another state (county, municipality, district, etc.)
- AB** State, local, and foreign income taxes based on income or profits
- AC** Taxes paid by the S corporation on its federal Form 1120S that resulted in a reduction of federal taxable income (e.g., built-in gains tax)
- AD** Recoveries
- AE** Addition for dependent care assistance credit adjustment
- AF** Farm and ranch risk management account taxable distributions
- AG** Title plant depreciation and amortization
- AH** Add-back of expenses used to claim the MEDIA Credit
- AI** Addback of expenses used to claim the Trades Education and Training Credit
- AZ** Other additions

### Montana Subtractions—Codes

*Note:* Montana subtractions do not include separately stated deductions that are subject to an election or limitation on the owner's income tax return (e.g., depletion from oil and gas).

- SA** Interest on United States government obligations and mutual fund dividends attributable to that interest
- SB** Business-related expenses for purchasing recycled material
- SC** Business expenses not deducted due to an existing federal credit
- SD** Certain expenses incurred by medical marijuana providers
- SE** Sales of land to beginning farmers
- SG** Certain gains recognized by a liquidating corporation
- SH** Farm and ranch risk management account deposits

- SI** Donation of mineral exploration information to the Montana Tech Foundation
- SJ** Gain on eligible sale of mobile home park
- SK** Contributions made by a small business to its independent liability fund
- SL** Portion of an investment made in a building for the purpose of conserving energy
- SM** Refund of state, local or foreign income tax added on a previous return

### Montana Schedule K-1

**TIP**—If the PTE is a simple entity, only complete the Everywhere column (column I) in Parts 3 and 4. Leave the Montana column (column II) blank and go to Part 5.

*Note:* These instructions should be used to prepare the Montana Schedule K-1 for each owner.

For instructions on how the owners report information received on a Montana Schedule K-1 on their own return, refer to the owner's instructions that accompany the Montana Schedule K-1.

The PTE is required to use the Montana Schedule K-1 to provide information that its owners will need to complete their Montana income tax return.

Each Montana Schedule K-1 must be an exact replica of the official form. A Montana Schedule K-1 must be completed for each owner regardless if they held an interest in the PTE only for part of the year. The PTE is responsible for reporting each owner's applicable information on the Montana Schedule K-1, including if the owner is a participant in a composite tax return.

The PTE must include a copy of each owner's Montana Schedule K-1 when filing Form PTE with the department. A copy is kept as part of the entity's records and each owner is given their own separate copy (with a copy of the Owner's Instructions for Schedule K-1).

If the entity does not include completed copies of Montana Schedule K-1 for each owner with Form PTE, the processing of the entity's return will be delayed until we receive this information and late filing penalties may apply.

Due to processing limitations, partnerships with more than 2,000 partners must send their Montana Schedules K-1 on an electronic spreadsheet that is exportable and sortable on a compact disc or flash drive.

## Part 1—Pass-Through Entity Information

Mark the applicable boxes:

- Amended Schedule K-1. Mark this box if the entity is amending the owner's Montana Schedule K-1.
- Final Schedule K-1. Mark this box if this is the last Montana Schedule K-1 that the PTE will issue to the owner.

Fill in the entity's Federal Employee Identification Number (FEIN), name and address.

## Part 2—Owner Information

Enter the name and address of the owner at the end of the tax year. Enter the owner's FEIN or SSN as the entity reported it for federal income tax purposes.

**Beneficial Owner FEIN or SSN.** If the owner listed in Part 2 is not the person reporting the income, enter the FEIN or SSN of the person reporting the income if that person is:

- a C corporation filing a combined return,
- the grantor of a grantor trust, or
- the owner of a disregarded entity such as a single member LLC.

**Beneficial Owner of a Marijuana Business.** If the PTE is a marijuana business, disclose the FEIN or SSN of controlling beneficial owners (CBO) of that business on Montana Schedule K-1.

In general, a CBO of a marijuana business is any person that:

- owns 5 percent or more of the interest of the business, including any manager or fiduciary of the owner,
- has control powers over the business, or
- is a qualified institutional investor, such as a bank, an insurance company, or a pension fund, that owns or acquires 15 percent of the beneficial ownership of the business.

If the CBO is a direct owner of the PTE and an individual, repeat the SSN of the owner in the beneficial owner's SSN field.

If the CBO is a direct owner of the PTE and an entity, disclose the FEIN or SSN of this owner's manager or trustee in the beneficial ownership field. If there is more than one CBO related to that owner, include a statement with the Montana Schedule K-1 disclosing the FEIN or SSN of the additional CBOs.

If the CBO is not related to a direct owner of the PTE, issue a Montana Schedule K-1 with only Parts 1 and 2 completed. Complete the beneficial ownership FEIN or SSN and the owner's FEIN or SSN field in Part 2. The beneficial owner field may be a duplicate of the owner's FEIN or SSN. If you

do not know the FEIN or SSN of the CBO enter 111-44-7777 in both SSN fields.

**Owner Type.** Enter the owner type code for the owner in the space provided. The owner type codes applicable to owners of an entity are:

- C** C corporation
- D** Disregarded entity
- E** Estate
- F** Foreign C corporation
- I** Individual
- P** Partnership
- PTP** Publicly traded partnership
- S** S corporation
- T** Trust
- TE** Tax-exempt entity

**Residency.** Mark the Resident box only if the owner is a resident individual, estate, or trust on the last day of the entity's tax year. Mark the Nonresident box only if the owner is a nonresident individual, estate or trust on the last day of the entity's tax year. If residency status is unknown, treat the owner as a nonresident.

**Composite Tax Election.** If the owner is a participant in a composite income tax return filed by the entity (see Schedule IV), mark the box. Participants in a composite income tax return do not file a Montana income tax return.

**Form PT-AGR.** If the owner filed a Form PT-AGR (Pass-Through Entity Owner Tax Agreement) enter the year that the agreement was provided to the Department of Revenue. For example, if the entity or owner filed the agreement with the department in 2021, enter "2021." For information about Form PT-AGR, see **Exemption Through Agreement**, page 14.

**Profit/Loss Percentage.** Enter each owner's profit/loss percentage. The percentage is equal to the profit/loss percentage reported on each owner's federal Schedule K-1. This percentage is used to determine an owner's share of mineral royalty or pass-through withholding paid on behalf of the entity. Round out to the fourth decimal (example: 25.5555%).

**Capital/Ownership Percentage.** Enter each owner's capital percentage. The percentage is equal to the percentage reported on each owner's federal Schedule K-1. Round out to the fourth decimal (example: 25.5555%).

**Note for Parts 3 and 4:** If the owner is a resident of Montana and an individual (I), a trust (T), or an estate (E), do not complete Column II for Parts 3 and 4. When an individual, estate, or trust is a resident, Montana source income is the everywhere income.

**Part 3–Montana Adjustments**

Montana adjustments can result from the PTE’s own activities, a DE’s activity or flow-through income from a lower-tier pass-through entity. Use Montana Adjustments Worksheet to determine the total amounts of adjustments you must distribute to your owners. See Montana Adjustments Worksheet instructions on page 12.

Partnerships may have special allocations of income (loss) or deduction.

**Line 1–Montana Additions.** Report the owner’s distributive share of total Montana additions to everywhere income in the Everywhere column, line 1. You will find the total of everywhere Montana additions on the Montana Adjustments Worksheet, Part 1, column E.

Report the owner’s distributive share of additions sourced to Montana in the Montana column. The total of Montana source additions is reported on Montana Adjustments Worksheet, Part 3, column E.

**Line 2–Montana Subtractions.** Report the owner’s distributive share of total Montana subtractions from everywhere income in the Everywhere column, line 2. The total of everywhere Montana subtractions on Montana Adjustments Worksheet, Part 2, column E.

Report the owner’s distributive share of subtractions sourced to Montana, in the Montana column, line 2. The total of Montana source subtractions is reported on Montana Adjustments Worksheet, Part 4, column E.

**Part 4–Montana Source Income**

Owners will need this information to calculate their tax liability when they file their Montana income tax returns. If the owner is a resident individual, estate, or trust, Montana source income equals the everywhere income, and column II (Montana) must remain blank.

**Column I–Everywhere.** Report the owner’s distributive share of everywhere income based on the character of the income (loss) or deduction. Multiply the amounts reported on page 1, lines 1 through 13, by the owner’s profit and loss percentage from Montana Schedule K-1, Part 2. Report the amounts on the corresponding line.

The owner’s distributive share of the amount reported on page 1, line 13a, must be reported on Part 4, column I, line 12. The combined amount of other deductions must be reported on Part 4, column I, line 13.

If the PTE is a partnership, apply any special allocation without regard to the owner’s distributive share of income or loss, and provide a statement with the Montana Schedule K-1 you send with the PTE’s return detailing the nature and the amount of that allocation.

**Column II–Montana.** Report the owner’s distributive share of Montana source income based on the character of the income (loss) or deduction reported on Montana Source Income Schedule, column E (see instructions below). For each line on column E, multiply the amount by the owner’s profit and loss percentage from Montana Schedule K-1, Part 2.

Otherwise, if the PTE is a partnership, apply any special allocation of Montana source income without regard to the owner’s distributive share of income or loss, and provide a statement with the Montana Schedule K-1 you send with the PTE’s return detailing the nature and the amount of that allocation.

**Guaranteed payments.** The guaranteed payments remain with the partner receiving the payment as reflected on the federal Schedule K-1.

**Part 5–Information**

**Line 1–Owner’s share of Montana source income (loss).** Do not calculate this total for resident individual, trust and estate owners.

Enter the total of each owner’s distributive share of Montana source income (loss). Calculate the total using the amounts found in the Montana column, using the following formula:

**Add:**

Part 3, line 1	
Part 4, lines 1-11	

**Subtract:**

Part 3, line 2	
Part 4, lines 12 and 13	
<b>Total Montana Source Income</b>	

**Line 2–Composite Income Tax Paid on Behalf of Owner.** Enter the amount of Montana composite income tax paid on the owner’s behalf. This amount is calculated for each participating owner on Schedule IV.

**Line 3a–Montana income tax withheld on behalf of owner.** If the owner is a participant in the entity’s composite return, pass-through withholding does not apply, enter 0 (zero) and go to line 4.



Otherwise, if the PTE has an owner who is a nonresident individual, nonresident estate, nonresident trust, foreign C corporation, tax-exempt entity, or second-tier pass-through entity at any time during the year, the PTE must pay pass-through withholding on behalf of the owner if the owner has more than \$1,000 of Montana source income on line 1.

**Exemption through agreement.** In the case of an owner that is a nonresident individual, nonresident estate, nonresident trust, foreign C corporation, or tax-exempt entity, withholding is not required if the owner has a valid Form PT-AGR on file. See the Form PT-AGR instructions for more information.

In the case of a second-tier pass-through entity owner, withholding is not required if the second-tier entity is a domestic second-tier pass-through entity. A domestic second-tier pass-through entity is a pass-through entity, with a Form PT-AGR on file, whose interest is entirely held, either directly or indirectly, by any combination of resident individuals, estates, trusts, domestic C corporations, or any other entities, organizations, or accounts whose principal place of business or administration is located in the state of Montana.

If the owner was not compliant with their tax filing and payment obligations, and the PTE was notified that it must withhold tax on behalf of the owner, the Form PT-AGR is not valid and withholding is required.

If line 1 is more than \$1,000 and there is not a valid Form PT-AGR on file, enter the amount of withholding the PTE must pay on behalf of the owner. For nonresident individuals, estates, trusts, and second-tier pass-through entities, the amount required to be withheld is 6.9 percent of the owner's distributive share of Montana source income reported on line 1. For a foreign C corporation or tax-exempt entity, the amount is 6.75 percent of the owner's distributive share of Montana source income reported on line 1.

**Line 3b—Montana income tax withheld by a lower-tier pass-through entity.** If line 3a is zero enter the lesser of:

- The owner's Montana source income on line 1 multiplied by 6.9 percent, or
- The owner's Profit/Loss Percentage reported in Part 2, multiplied by the amount on Form PTE, line 24a.

**Line 4—Montana mineral royalty tax withheld.**

If lines 2 and 3a are zero and the PTE received a federal Form 1099 because the PTE had Montana mineral royalty tax withheld from its mineral royalty income in Montana, enter the owner's pro rata share of the amount withheld on this line.

Determine the owner's pro rata share of the amount withheld by multiplying the amount on Form PTE,

line 23a, by the owner's profit/loss percentage in Part 2.

**Line 5—Other information.** Enter each owner's distributive share of items other than those listed on lines 2 through 5 that are necessary to file the owner's Montana income tax return. List the type of item on this line. If additional space is needed, include a detailed statement.

If the PTE made a contribution that meets the requirements for the Montana qualified endowment credit, report the amount of contribution distributed to the owner on this line.

## Part 6—Montana Tax Credits and Recapture

**Line 1—Contractor's gross receipts tax credit.**

Enter each owner's distributive share of the contractor's gross receipts (CGR) tax credit. Also enter the CGR Account ID number on this line. The PTE received the CGR Account ID when it registered with the Department of Revenue. If the owner does not have the CGR Account ID number on record, contact us. If the owner receives credit from more than one CGR account, mark the box indicating multiple accounts and include a statement detailing how much credit each owner receives from each CGR account.

**Line 2—Other credit/recapture information.** Enter each owner's distributive share of tax credits and tax credit recapture amounts that were not reported on Part 6, line 1.

These tax credits and tax credit recapture amounts are reported on Schedule II. If you need additional space, include a schedule.

## Part 7—Montana Adjustments Detail

Use this section to report the detail of the owner's distributive share of Montana adjustments on Part 3, lines 1 and 2. See page 12 for a list of the Montana adjustment codes.

Report the code corresponding to each adjustment. The code for each adjustment starts with a number, which is the number of the column where the adjustment is reported on Montana Schedule K-1 (1 for the Everywhere column or 2 for the Montana column), and is followed by two letters associated with the adjustment. (See below.)

*Example:* A PTE reports an addition on the Montana Adjustments Worksheet for state income taxes based on income or profits (code AB). The owner's distributive share of the everywhere AB addition is \$1,000, and the Montana distributive share of this addition is \$500.

The PTE reports two entries in Part 7:

- A first entry of \$1,000 with code 1AB
- A second entry of \$500 with code 2AB



## Apportionable Income Worksheet

Use this worksheet to segregate the PTE's income per income type for lines 16b, 16c, and 16d, and determine the PTE's income that is apportioned to Montana (column G) before adjustments. The PTE must include the amounts from column G on the Montana Source Income Schedule, column D. If you are a simple entity, you do not need to use this worksheet.

	A Federal Schedule K	B (line 16b) Federal Schedules K-1	C (line 16c) Disregarded entities	D (line 16d) Nonapportionable income	E Apportionable Income (A-B-C-D)	F Apportionment factor from Schedule I, line 5	G Income apportioned to Montana (E x F)
1 Ordinary business income (loss)							
2 Net rental real estate income (loss)							
3 Other net rental income (loss)							
4 Guaranteed payments							
5 Interest income							
6 Ordinary dividends							
7 Royalties							
8 Net short-term capital gain (loss)							
9 Net long-term capital gain (loss)							
10 Net §1231 gain (loss)							
11 Other income (loss).							
12 §179 expense deduction apportionable and/or allocable to Montana							
13 Other expense deductions apportionable and/or allocable to Montana							
14 Total							