

2022 Montana Form PTE

Pass-Through Entity Instructions

MONTANA DEPARTMENT OF REVENUE



MONTANA
DEPARTMENT OF
REVENUE

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Electronically!

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Dear Montana Taxpayer,

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

We encourage you to continue filing electronically if possible. Last year, 87 percent of business taxpayers filed electronically. Taxpayers have found that e-filing is easy and convenient, ensuring 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](https://mtrevenue.gov), call (406) 444-6900 or Montana Relay at 711 for the hearing impaired, or email DORHelp@mt.gov.

Best regards,

Your Montana Department of Revenue

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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?

2022 Montana Legislative Changes

Income Tax Reduction. Montana's top marginal tax rate has decreased from 6.9% to 6.75% for Tax Year 2022. This rate will stay in effect for Tax Year 2023 subject to the American Rescue Plan Act (ARPA) Savings Clause. The Savings Clause may cause the rate to revert back to 6.9% for 2023 if Montana's receipt of ARPA funds is jeopardized. See MTRevenue.gov for more information about the ARPA Savings Clause.

Innovative Educational Program and Student Scholarship Organization Credits. The tax credits for contributions made to a Montana public school district or an approved Student Scholarship Organization have increased from \$150 to \$200,000 per person in Tax Year 2022. For Tax Years 2023 and 2024, the credits are subject to the American Rescue Plan Act (ARPA) Savings Clause. The Savings Clause may cause the tax credit to revert back to the credit amounts in Tax Year 2021 if Montana's receipt of ARPA funds is jeopardized. See MTRevenue.gov for more information about the ARPA Savings Clause.

Jobs Growth Incentive Credit. The Jobs Growth Incentive Credit is a new tax credit available to qualifying Montana employers who create qualifying net employee growth in Montana. The credit is available Tax Years 2022 through 2028 and is equal to half of the eligible employer's taxes paid under Federal Insurance Contributions Act (FICA) for qualifying new employees. While the credit is nonrefundable, it may be carried forward for up to 10 years. Employers may apply to the Department of Labor and Industry to claim the credit. Taxpayers approved to claim the credit complete the Form JGI and enter the claimable credit on Schedule II.

Repealed Tax Credits. The following tax credits were repealed beginning in Tax Year 2022. Tax Year 2021 was the last year these credits were available. While the credits are repealed, credits denoted with an asterisk may be carried forward until the amount of credit is exhausted or the carryforward expires, whichever comes first.

- Adoption Credit*
- Alternative Energy Production Credit*
- Alternative Energy System Credit*
- Alternative Fuel Credit
- Biodiesel and Blending Credit*

- College Contribution Credit
- Dependent Care Assistance Credit*
- Elderly Care Credit
- Emergency Lodging Credit
- Empowerment Zone Credit*
- Energy Conservation Installation Credit
- Geothermal System Credit*
- Health Insurance for Uninsured Montanans Credit
- Mineral and Coal Exploration Incentive Credit*

Form Changes

Page 1 – Line 4. Lines 4a and 4b were added to allow partnerships to differentiate the guaranteed payments made to partners for either services or capital.

Page 1 – Line 18. An additional checkbox was added preceding line 18, allowing pass-through entities to indicate their level of Montana activity which precludes them from completing Schedule I.

Page 2 – Line 21b. Line 21b was added to allow pass-through entities to report any Montana source income which was included in income moved from a prior period on federal Form 8082.

Page 4 (Schedule II). The schedule is now presented as a table to allow PTEs to clearly report the detail of all credits claimed. See instructions for Schedule II for information about credits and credit reporting.

Montana Schedule K-1. Checkboxes were added to Parts 2 and 5 to indicate when distribution figures do not correspond with profit-loss and/or ownership percentages, and when an owner is a 2nd-tier domestic pass-through entity, respectively. The PT-AGR filing checkbox was relocated from Part 2 to Part 5. Part 6 is now presented in table format for PTEs to enter their detailed tax credit information.

Interest Rate for 2023

Effective January 1, 2023, the annual interest rate assessed on outstanding balances is 5 percent.

This rate also applies to underpayment of estimated taxes. Interest is calculated daily.

General Instructions

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 to be 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, 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
- does not own a DE
- does not report inconsistent treatment of any distributive share of partnership income, loss, deduction, or credit

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 can be filed online using 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 2022 Montana pass-through entity return is March 15, 2023.

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, does 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 or 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 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, trust, second-tier pass-through entity, or a foreign C corporation at any time during the year, additional schedules or forms may apply:

- Form PT-AGR (Montana Pass-Through Entity Owner Tax Agreement). Eligible owners can file this to attest that they will file their return and pay any tax due. See Form PT-AGR Instructions for more information.
- Schedule IV (Montana Composite Income Tax Schedule). 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, the PTE 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 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. 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 2022" 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.

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 and 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 2022) or 21a.

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

Administrative Adjustment Request. If the partnership makes an Administrative Adjustment Request (AAR), it must complete Schedule VI, questions 6 and 7, and include federal Forms 8985, 8986, and/or 8082, with 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.

Line Instructions

Entity Information

Apportionable Income Worksheet. Begin by filling out the Apportionable Income Worksheet included as the final page of these instructions. Include a copy of the worksheet with your return. Simple entities do not need to fill out this worksheet.

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 2021 Form PTE if the PTE’s fiscal year began in the 2021 calendar year.

Mark the Final Return box if the PTE ceased to exist during Tax Year 2022.

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.

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 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. Use this line only if the PTE is a partnership; S corporations must leave these fields blank or enter 0 (zero). Enter the combined total of lines 4a and 4b.

Line 4a-Guaranteed payments for services.
Enter the amount reported on Form 1065, Schedule K, line 4a.

Line 4b-Guaranteed payments for capital.
Enter the amount reported on Form 1065, Schedule K, line 4b.

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.

Lines 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 – 100% Montana activity 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.

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. Include Montana additions and subtractions from the Montana Adjustments Worksheet (Column C, Parts 3 and 4) in the total.

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, mark the “Schedule I not required – 100% Montana activity” checkbox, enter 100 percent as the apportionment percentage, and enter the full amount that is reported on line 17.

For multistate entities without Montana activity, mark the “Schedule I not required – 0% Montana activity” checkbox, 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.

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. Any adjustments to Montana source flow-through income stemming from inconsistent treatment reported on federal Form 8082 are also included in this amount.

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. Any adjustments to Montana source income stemming from inconsistent treatment reported on federal Form 8082 that is not flow-through income are reported on this line.

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 the instructions for Schedule IV.

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 21b—Previously unreported Montana source income from federal Form 8082. If you reported an inconsistent treatment of pass-through income or loss from a previous year resulting in a correction to the current year, report the corresponding Montana source income on this line. This amount can be either positive or negative.

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 MTRevenue.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 2022 composite tax or pass-through withholding made on or before March 15, 2023.

Line 26d. If the PTE is amending the 2022 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 2022 tax liability.

Line 26e. If the PTE is amending the 2022 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 2022, 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.

1	Enter the total 2022 composite tax reported on page 2, line 21	1
2	Enter 90 percent of line 1	2
3	Enter the total of page 2, line 25 and line 26a, attributable to composite tax participants	3
4	Subtract line 3 from line 1. If the result is \$500 or less, stop here . The PTE does not owe interest on its underpayment.	4
5	Enter the 2021 composite tax from the 2021 Form PTE, line 21	5
6	Enter the smaller of line 2 or line 5	6
7	Enter the total of line 3 and the amount reported on line 26b attributable to composite tax participants	7
8	Subtract line 7 from line 6. If zero or less, stop here . The PTE does not owe interest on its underpayment.	8
9	Multiply line 8 by 0.0289	9
10	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 0.000137.	10
11	Subtract line 10 from line 9. Enter the result here and on line 28b. This is the PTE’s underpayment interest.	11

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, 2023, the interest rate is 5 percent. To calculate the amount of interest, multiply line 27 by 0.0137% (0.000137), and then multiply that product by the number of days between March 15, 2023, 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, 2023.

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.

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 – 2023 Estimated Tax Payments. All or part of the overpayment that the PTE reported on line 30 can be refunded or carried over as a 2023 estimated tax payment. Enter the amount of the overpayment reported on line 31 that the PTE wants applied to its 2023 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 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." The check number is 1234. The word "Sample" is written diagonally across the center of the form.

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 2022 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 2022 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.

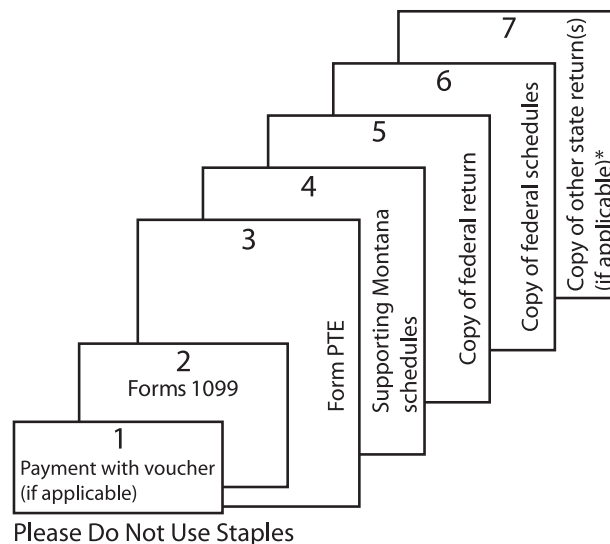
The PTE is not authorizing the tax preparer to receive any refund check, bind the PTE to anything (including any additional tax liability), receive any information about any other tax year or tax matter, or otherwise represent the PTE before the department.

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 (2023) tax return. This is March 15, 2024, 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://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. Enter the amount you reported on line 3.

Line 6-Apportionment Factor. 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

To claim a credit, enter its code (Column A), credit authorization number, if applicable (Column B), and amount (Column C) in the table provided.

You will receive a credit authorization number if you are eligible to claim the Contractor’s Gross Receipts Tax Credit, Innovative Educational Program Tax Credit, Student Scholarship Organization Tax Credit, or Media Tax Credit.

Example: The PTE is claiming a contractor’s gross receipts credit of \$2,000 with an authorization number of 1234567-004-CGR. Enter code “CGR” in Column A, “1234567-004-CGR” in Column B, and \$2,000 in Column C. The PTE must allocate a distributive share of each credit it claims to each

owner based on their percentage of profit and loss, unless specific instructions on the individual credit form allow for an alternative. Report that distributive share on each owner’s Montana Schedule K-1, Part 6.

Credit Name	Credit Code
Apprenticeship Tax Credit	APP
Contractor’s Gross Receipts Tax Credit*	CGR
Historic Property Preservation Credit**	HPP
Infrastructure User Fee Credit*	IUF
Innovative Educational Program Credit	IEP
Jobs Growth Incentive Credit*	JGI
Media Credit*	MED
Qualified Endowment Credit*	QET
Recycle Credit*	RCY
Student Scholarship Program Credit	SSO
Trades Education and Training Credit*	TET
Unlocking Public Lands Credit	UPL
<i>*Montana credit form required with return</i>	
<i>**Federal credit form required with return</i>	

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 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 found on Form PTE, line 14. Exclude any guaranteed payments for services. This is the PTE's federal income from all sources.

Column 2. Enter the amount found on Form PTE, line 20. If guaranteed payments for services were excluded from Column 1, then reduce the amount

from Line 20 in the same proportion Column 1 was reduced by guaranteed payments. This is the PTE's total Montana source income.

Example. Form PTE, Line 14 equals \$150,000 and there are guaranteed payments for services of \$50,000. Column 1 is reduced by one third, resulting in a figure of \$100,000.

If Form PTE, Line 20 equals \$60,000, Column 2 must also be reduced by one third. The amount reported in Column 2 must be \$40,000.

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. This amount is calculated based on Montana Schedule K-1, Part 4, Column I. For each owner, add lines 1 through 11, excluding guaranteed payments paid for services performed outside of Montana, then subtract lines 12 and 13.

Column D – Standard Deduction. Each eligible participant is allowed one standard deduction equal to 20 percent of column C, but not less than \$2,260 or more than \$5,090.

Column E – Exemption. Each participant is allowed one exemption of \$2,710.

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 0.250000 (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)	(\$5,090)
Exemption allowance (column E)	(\$2,710)
Column F (C-D-E)	\$52,200
“Resident” Tax based on tax table	\$2,921
Y’s Montana composite income tax (column H) is \$2,921 x 0.250000	\$730

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.

K-1 income received by DEs owned by the PTE should be reported on line 19a.

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 General Instructions for more information.

Column D – LLC. Mark this box if the DE is an 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 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 A – Montana source income from Montana Schedules K-1. Include the totals of each income type from all Montana K-1s received in the corresponding field. For entities with adjustments stemming from inconsistent treatment reported on federal Form 8082, also report the total Montana source adjustments per income type. Please include any Montana Schedules K-1 and associated statements and provide a brief explanation of the adjustment.

Column B – Montana source income from Schedule DE. Include the totals of each income type from all Schedules DE in the corresponding field.

Column C – Montana source income from nonapportionable income. Include the totals of each income type in the corresponding field. Please provide a statement with an explanation of the nature of the nonapportionable income with the return.

For entities with adjustments stemming from inconsistent treatment on a federal Form 8082, also report the total Montana source adjustments per income type. This includes adjustments of apportionable income determined using the apportionment factor of the year the adjustment stems from. Please include a statement with a short explanation of the adjustment.

Column D – Montana source income from PTE's apportionable activities. Use the Apportionable Income Worksheet (see last page of these instructions) to calculate your Montana source income per income type.

Montana Adjustments Worksheet

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.

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

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 marijuana businesses
- 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 who:

- 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 an individual and a direct owner of the PTE, 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.

Special Allocation. Mark this box if the amounts allocated to the owner in Part 3 or Part 4 do not correspond with the owner's reported profit/loss or capital/ownership percentage.

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.

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. Also, 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 paid for services performed in Montana must be included in Column II, line 4. When reporting guaranteed payments for services, check the special allocation box in Part 2. Guaranteed payments for the use of capital are sourced to Montana like ordinary business income.

Part 5 – Information

Form PT-AGR. If the owner filed a Form PT-AGR (Pass-Through Entity Owner Tax Agreement), mark the box and 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." 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 and has a valid PT-AGR on file.

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.

Domestic 2nd-Tier PTE. If the owner is a domestic second-tier pass-through entity, mark the box. 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.

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	
Total Montana Source Income	

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, and there is not a valid Form PT-AGR on file, 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. The amount is 6.75 percent of the owner’s distributive share of Montana source income reported in 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 6.75 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.

Part 6 – Montana Tax Credits and Recapture

In the appropriate column, enter the code for each credit being claimed along with the corresponding credit identification number and amount. See the Form PTE instructions for Schedule II for a list of the available credits and corresponding codes. If additional credits are being claimed, include a detailed statement.

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 the Montana Adjustments Worksheet in these instructions 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							