



2018 Montana Net Operating Loss (NOL) for Individuals, Estates and Trusts

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

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

Before You Start

Montana Net Operating Loss (NOL) and Federal NOL

A Montana NOL arises when the sum of business deductions reduce Montana taxable income below zero. Note that because your Montana taxable income may be different than your federal taxable income, your corresponding NOL deduction may also be different. In general, you have an NOL for Montana income tax purposes if you have an NOL for federal income tax purposes. Both NOLs are computed similarly. You must file a Montana return to report a Montana NOL.

This publication has been rewritten to take into account changes in federal tax law including:

- Changes in carryback and carryforward of NOL deductions,
- Limitation of NOL arising from losses incurred after December 31, 2017, to 80 percent of taxable income,
- Inclusion of losses disallowed under IRC 461(l) into the NOL deduction.

Change in Filing Status and/or Marital Status

If your marital or filing status has changed, you must follow the federal rules and instructions for change of filing status when computing Montana NOL carrybacks, carryovers and refund limits.

Two Classes of NOL deductions

Changes in federal law in 2017 added limitations to NOL deductions stemming from losses incurred after December 31, 2017, creating two classes of NOL deductions, called Class A NOL deductions and Class B NOL deductions for the purpose of these instructions.

Montana Class A NOL deductions designate deductions that arose from losses incurred prior to January 1, 2018.

In general, Class A NOL deductions may be carried back two years and forward 20 years, with longer carryback periods for farming losses. Nonresidents do not need to track their Montana source losses included in Class A NOL deductions.

Montana Class B NOL deductions designate deductions that arose from losses incurred after December 31, 2017.

Class B NOL deductions cannot be carried back except for farming losses. They can be carried forward indefinitely, but are limited to 80 percent of taxable income. Nonresidents must track their Montana source losses included in Class B NOL deductions.

Important: If 2018 is a loss year, skip the Class A NOL deductions section and complete the 2018 NOL Schedule. The instructions for this schedule are located in the Class B NOL section.

Class A NOL Deductions

Class A NOL Tracking Table

The Class A NOL Tracking Table allows you to track the Class A NOL deductions you can carry forward to the next tax year. Because the table is organized by NOL year (Columns A and B), your NOL deductions will be listed in the order you must use them, starting from the oldest. For NOL tax years beginning before 1999, use Form NOL-Pre-99. Remember, you can carry over NOL deductions for 20 years.

The Class A NOL Tracking Table deduction also allows you to determine which NOL deduction needs to be recalculated in case you are using several NOL deductions against your 2018 taxable income.

Keep this table as a reference to complete your tax return for next year, or if the Montana Department of Revenue requests a summary of your NOL balance for 2018.

Column Instructions

Column B: Report your NOL carryover balance(s) according to the NOL year the losses were incurred. You can find these balances in Column D of the Class A NOL Tracking Table you completed for 2017. Add all the NOL balances at the bottom of the column and report this sum on Form 2, Subtractions Schedule, line 22, or on Form FID-3, Schedule B, line 8.

Column C: Starting from the first tax year you have an NOL carryover balance, deduct the NOLs in Column B from the 2018 Montana Taxable Income in the order you incurred them. Report the amount of NOL that is entirely used for each line against your 2018 taxable income. Proceed until all the 2018 Montana Taxable Income is used or the reduced taxable income is less than the NOL deduction for a given NOL year, whichever comes first. At the end of the column, add all the NOL deductions used.

See the example below.

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

Column D: Proceeding in the order in which you incurred the NOLs, if the amount in Column C is equal to the amount in column B, enter zero and go to the next year from which you have an NOL carryover balance.

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

Example: Your taxable income for 2018 is \$5,000 before your \$9,000 NOL deduction. You report \$5,000 on the first line of Class A NOL Carryover Schedule for the current year taxable income. Your NOL deduction includes a \$2,000 carryover from 2016 that you report in Column B for 2016, and a \$7,000 carryover from 2017 also reported in Column B, but on the 2017 line. Subtract your 2016 NOL of \$2,000 from \$5,000, and report the \$2,000 in

Column C. This gives you taxable income of \$3,000. Your 2016 NOL is now completely exhausted. Subtract your \$7,000 2017 NOL from \$3,000. This gives you taxable income of (\$4,000). However, because of limitations on NOL deductions, the amount you can carry over may be less than (\$4,000). To determine the amount you can report in Column D and carry over to future years from the 2017 NOL, use the Class A NOL Carryover Schedule. Your NOL deduction to carry over to 2019 is the unused part of your 2017 NOL from line 10 of the worksheet.

Class A NOL Carryover Schedule

If you had a Class A NOL deduction that resulted in taxable income on your 2018 return of zero (or less than zero, if an estate or trust), complete the Class A NOL Carryover Schedule. It will help you determine your NOL carryover to 2019. Your NOL carryover to 2019 is the total of line 10 of the worksheet and all later NOL amounts as reported on the Class A NOL Tracking Table.

If you are a nonresident, see the instructions for Form 2, Nonresident/Part-Year Resident Ratio Schedule.

Line 1 – This is the NOL deduction of the year that results in a negative number when applied to your 2018 taxable income.

Line 2 – Treat your NOL deduction for the NOL year entered at the top of the worksheet and subsequent years as a positive amount. (You can use Column D of the tracking table to determine this number). Add it to your negative taxable income (calculated without the NOL deduction). Enter the result on line 2.

Line 6 – You must recalculate the following income and deductions based on your Montana adjusted gross income:

1. The special allowance for passive activity losses from rental real estate activities.
2. Taxable Social Security and Tier 1 railroad retirement benefits.
3. IRA deductions.
4. Excludable savings bond interest.
5. Excludable employer-provided adoption benefits.
6. The student loan interest deduction.

If none of these items apply to you, enter zero on line 6.

Otherwise, increase your adjusted gross income by the total of lines 3 through 5 and your NOL deduction for the NOL year at the top of the worksheet and later years. Using this increased adjusted gross income, recalculate the items that apply, in the order listed above. Your adjustment for each item is the difference between the new amount and the amount included on your return. Combine the adjustments for previous items with your adjusted gross income before refiguring the next item. Keep a record of your computations. Enter your total adjustments for the above items on line 6.

Line 7 – Enter zero if you claimed the standard deduction and the amounts on lines 3 through 5 are zero. Otherwise, use lines 11 through 35 of the worksheet to calculate the amount to enter on this line. Complete only those sections that apply to you.

Estates and trusts. Enter zero on line 7 if you did not claim any casualty or theft loss. Otherwise, recalculate this deduction by substituting modified adjusted gross income (see below) for adjusted gross income. Subtract the recomputed deductions from those claimed on the return. Enter the result on line 7.

Modified adjusted gross income – To recalculate miscellaneous itemized deductions of an estate or trust (Form FID-3, line 15b), modified adjusted gross income is the total of the following amounts:

- The adjusted gross income on the return.
- The amounts from lines 3 through 5 of the schedule.
- The exemption amount from Form FID-3, line 22.
- The NOL deduction for the NOL year entered at the top of the Schedule and for later years.

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

- The adjusted gross income amount you used to determine the deduction claimed on the return.
- The amounts from lines 3 through 5 of the worksheet.
- The NOL deduction for the NOL year entered at the top of the Schedule and for later years.

Line 23 – If you had a contributions carryover from 2017 to 2018 and your NOL deduction includes an amount from an NOL year before 2017, you may have to reduce your contributions carryover. Reduce the contributions carryover by the amount of any adjustment you made to your 2017 charitable contributions deduction when figuring your NOL carryover to 2018. Use the reduced contributions carryover to calculate the amount to enter on line 23.

Class B NOL Deductions

Nonresidents and Part-year Resident

To accurately calculate the nonresident/part-year resident tax when a Class B NOL deduction is taken, nonresident individuals, trusts and estates must identify their Montana source losses included in their NOL deduction (Column II of the Class B NOL Deduction schedule for 2018). These Montana source losses are then reported on the Class B NOL Carryover Schedule, along with other Montana losses from Class B NOL, to compute the ratio of Montana source losses over Montana NOL. This ratio will be used to reduce your Montana source income in 2019.

Composite Tax Return Participants

If you are participating in a Montana composite return filed by a partnership or S corporation, you do not have a Montana NOL even if the partnership or S corporation reported a loss on the composite return. If you choose to use losses distributed to you from a partnership or S corporation to calculate a Montana NOL, you must revoke your election to be included in a Montana composite return and file an individual Montana income tax return.

2018 NOL Schedule

Use 2018 NOL Schedule to determine if you have a Montana NOL in 2018. This schedule helps you apply the limitations on nonbusiness capital losses, ordinary nonbusiness deductions and business capital losses used to calculate an NOL.

If you have an NOL and farming losses are included, see instructions for the Farming Losses Schedule to determine if you can carry these farming losses back two years.

If you are a resident individual, trust or estate, use Column I.

If you are a nonresident individual, trust or estate, you must use Column I and II.

Column I – NOL

Line 1a – Enter your Montana Adjusted Gross Income (for individuals, Form 2, line 10.)

Lines 2 and 3 – Calculate your nonbusiness capital losses and gains: Nonbusiness capital losses and gains are losses or gains that are not attributable to, or derived from, a trade or business.

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

Examples of nonbusiness deductions include:

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

Do not enter your business deductions that are related to your trade or business on line 6. Examples of these deductions include:

- Federal income tax paid on business profits.
- When determining the portion of federal tax attributable to income from your trade or business, multiply the federal tax by the ratio of your net business income to your Montana adjusted gross income for the year you had the federal tax. The same rule applies to federal income taxes paid by a trust or an estate. Unless they are derived from business profit, they must be included on line 6.
- Moving expenses.
- Educator expenses.
- the deduction of one-half of your self-employment tax or your deduction for self-employed health insurance.
- Domestic production activities deduction.
- Rental losses.
- Loss on the sale or exchange of business real estate or depreciable property.
- Your share of a business loss from a partnership or S corporation.
- Ordinary loss on the sale or exchange of stock in a small business corporation or a small business investment company.
- Casualty and theft losses resulting from a federally declared disaster and reported as itemized deductions.
- Loss on the sale of an account receivable (if you use an accrual method of accounting).
- Any business subtractions reported on your Subtractions Schedule, e.g., Exempt military salary of residents on active duty.

Line 7 – Nonbusiness Income: Enter only your income that is **not related** to your trade or business or your employment. Examples of nonbusiness income include:

- Interest and dividend income
- Taxable federal and state income tax refunds
- Alimony received
- Gains from the sale of a personal residence to the extent recognized in the federal adjusted gross income
- Gains or losses from the sale of assets not used in a trade or business
- Taxable IRA distributions, pensions and annuities
- Unemployment compensation
- Taxable Social Security benefits
- Income or losses from a trust or estate
- Montana additions that are considered nonbusiness from Form 2, Montana Additions Schedules

Do not include the income you received from your trade or business or your employment. Business income includes, but is not limited to, your salaries and wages, self-employment income, rental income, your share of business income from partnerships and S corporations, and ordinary gains from the sale or other disposition of business real estate or depreciable business property.

Line 11 and 12 – Business capital losses and gains: These are the capital gains and losses attributable to or derived from a trade or business before any capital losses limitation and without regard to any Section 1202 exclusion.

Line 17 – Adjustment for Section 1202 Exclusion: Enter any gain you excluded under Section 1202 on the sale or exchange of qualified small business stock.

Line 19 through line 22 – Adjustments for Capital Losses: Your amount deductible for capital losses is limited based on whether these losses are business capital losses or nonbusiness capital losses.

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

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

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

Line 23—Domestic Production Activities Deduction (DPAD). DPAD has been repealed for tax years beginning after 2017. However, in limited circumstances you may still claim a DPAD in 2018. See Form 8903 and its instructions. If you do claim a DPAD, enter the amount from Form 8903, line 25, as a positive number.

Line 24 – Montana NOLs from other years. You cannot deduct any of your NOL carryovers from other years. Enter the total amount of your NOL deduction for losses from other years that you reported on the Montana Subtractions Schedule, line 22. (Trusts and Estates use Form FID-3, Schedule B, line 8).

A taxpayer may elect under Section 965(n) to reduce the amount of the NOL for a tax year determined under Section 172 and the amount of taxable income reduced by NOL carryovers or carrybacks to such tax year under Section 172. The amount of the reduction is equal to the amount of the Section 965(a) inclusion (net of the Section 965(c) deduction). If, as a result of an election under Section 965(n), the taxable income reduced by NOL carryovers or carrybacks is reduced, the NOL deduction is reduced by the reduction amount. See Section 965(n) for more information.

Line 25 – If line 25 is more than zero you do not have an NOL. If line 25 is less than zero, this is your Montana NOL for 2018.

Column II – Montana Losses (Nonresident/Part-Year Resident)

Line 1a – Enter your Montana source income reported on Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 16. (Trusts and Estates use Form FID-3, Schedule F, line 14.) If your Montana source income is less than zero, you may have Montana source losses included in your Montana NOL. If your Montana source income for 2018 is zero or more, skip Column II. You do not have Montana source losses included in your Montana NOL.

Line 1b – Multiply the amount in Column I, line 1b, by the nonresident/part-year resident ratio on Form 2, Nonresident/Part-Year Resident Schedule, line 18. (Trusts and Estates use Form FID-3, Schedule F, line 15.)

Line 2 through 5 – Follow the instructions of Column I, but limit the reporting to items of income and losses reported on Form 2, Nonresident/Part-Year Resident Schedule. (Trusts and Estates use Form FID-3, Schedule F.)

Line 6 – If you are a nonresident individual, trust or estate, enter zero, if you are a part-year resident, multiply the amount in Column I, line 6, by the nonresident/part-year resident ratio on Form 2, Nonresident/Part-Year Resident Schedule, line 18.

Lines 7 through 23 – Follow the instructions of Column I, but limit the reporting to items of income and losses reported on Form 2, Nonresident/Part-Year Resident Schedule. (Trusts and Estates use Form FID-3, Schedule F.)

Line 24 – Reserved: No losses from Class A NOL can be reported on this line.

Line 25 – If line 25 is zero or more you do not have any Montana source losses included in your Montana NOL.

Farming Losses Schedule

When you have farming losses, you can carry them back two years. Your farming losses are the smaller of:

- The amount that would be the NOL for the tax year if only the income and deductions attributable to your farming businesses were taken into account, or
- The NOL for the tax year.

You have a farming business if your trade or business involves one or more of the following:

- Cultivating land
- Raising or harvesting any agricultural or horticultural commodity
- Operating a nursery or sod farm
- Raising or harvesting tree-bearing fruit, nuts or other crops, or ornamental trees
- Raising, shearing, feeding, caring for, training and managing animals

You do not have a farming business if:

- You perform contract harvesting,
- Someone else grows or raises an agricultural or horticultural commodity for you, or
- You merely buy or sell plants or animals grown or raised by someone else.

How to Claim Refunds from Carryback Years

You can claim a refund by filing an amended income tax return. You must file an amended return for each year to which you can apply some NOL from farming losses. In addition, you must use the Farming Losses Schedule to determine how much of your NOL deduction from farming losses can be applied (line 9a) and carried over (line 10). You must file your completed Schedule with each amended tax return. Farming loss that arose in 2018 are Class B NOL deductions. They can only reduce up to 80 percent of your taxable income as determined before application of the deduction.

Instructions for Nonresidents

If you are a nonresident carrying back farming losses, and all or part of your farming losses are Montana source losses, you must reduce your Montana source income for the carryback year by an amount equal to your Farming Losses Schedule, line 9b, multiplied by the ratio of Montana source farming losses included in your 2018 farming losses over the overall amount of farming losses from 2018. Report this reduction in Montana source losses on Nonresident/Part-year Resident Schedule, line 12.

Do not include any 2018 farming NOL deduction on your Form 2, Nonresident/Part-Year Resident Schedule, line 20.

You may determine your Montana source farming losses using any reasonable method. However, losses associated with one entity or activity cannot be reallocated to another entity or activity. For example, if you incur a loss growing soy beans in North Dakota, this loss cannot be attributed to a gain on ranching activities in Montana. If loss flow from a pass-through entity, an estate or a trust, you must use the amount of Montana source farming losses reported on your Montana Schedule K-1.

Example: In 2018 you incurred a Montana NOL of \$60,000. This Montana NOL includes \$50,000 of farming losses. You can only carry back \$50,000 to your 2016 return.

From those \$50,000 of farming losses, \$20,000 (2/5) are Montana source farming losses from an operation located in Montana.

After completing the Farming Losses Schedule, 2016 Tax Year column, the NOL deduction allowed in 2016 is \$15,000. You must reduce your Montana source income on your 2016 Schedule IV, line 12 by \$15,000 x 2/5, or \$6,000.

On your Farming Losses Schedule, you can report \$35,000 of NOL to the 2017 Tax Year column and calculate your NOL deduction and carryover amount.

Assume that line 10 of the 2017 column is \$5,000. This is the amount of NOL carry over available for future years to report on Class B NOL Carryover Schedule, line 3. Included in this amount are \$2,000 (2/5) of Montana source farming losses to report on the Class B NOL Carryover Schedule, line 8.

How to Waive the Carryback Period for Farming Losses

You can choose not to carry back your NOL farming deduction. If you want to make this choice, mark the box electing to forgo the carryback of your NOL on Form 2, page 2, or on your Form FID-3. You have to make this election by the due date (including extension of time) for filing your tax return for your NOL's tax year. Once you elect to waive the carryback period, you cannot revoke your election. If you choose to waive the carryback period for more than one NOL, you have to make a separate election for each of your NOL years.

Note that this election must be made for Montana independently from the election you may make for federal tax purposes. The election you make on your federal return is not portable to your Montana return. To have a valid waiver for Montana tax purposes you must mark the appropriate box on your Montana income tax return.

If you waive the carryback period, report the amount on your 2018 NOL Schedule, line 25, to the Class B NOL Carryover Schedule.

Farming Losses Schedule – Line Instructions

Line 1 – Enter the amount shown on your 2018 NOL Schedule, line 25, on line 1 of the column for Tax Year 2016.

Line 2 – Enter your Montana taxable income on Form 2, line 13, or Form FID-3, line 24, for that year before applying any NOL deduction from 2018. This amount may already include NOL deductions from years before 2018.

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

Note: If you are married filing separately for Montana, include any capital loss limitation adjustment in calculating your Montana adjusted gross income.

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

Line 6 – Adjustments to Montana Adjusted Gross Income. If you entered an amount on lines 3 or 4, you have to recalculate certain income and deductions.

These include:

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

For purposes of calculating your adjustment to each of these items, your adjusted gross income is increased by the total of the amounts on lines 3 and 4.

Line 7 – Adjustment to Itemized Deductions. Skip this line if, for the applicable carryback year:

- You did not itemize deductions, or
- The amounts on Schedule B, lines 3, 4 and 5 are zero.

Otherwise, complete lines 11 through 38 and enter on line 7 the amount from line 38 (or, if applicable, line 12 of the itemized deduction worksheet located on page 5 of the Form NOL.)

Estates and trusts. Recompute the miscellaneous itemized deductions shown (or as previously adjusted) on Form FID-3, line 15b, and any casualty or theft losses shown (or as previously adjusted) on Form 4684,

Casualties and Thefts, line 18, by substituting modified adjusted gross income (see below) for the adjusted gross income of the estate or trust. Subtract the recomputed deductions and losses from the deductions and losses previously shown, and enter the difference on line 7.

Modified adjusted gross income for estates and trusts.

For purposes of determining miscellaneous itemized deductions subject to the 2 percent limit, calculate your modified adjusted gross income by adding the following amounts to the adjusted gross income previously used to determine these deductions:

- The total of the amounts from lines 3 through 6.
- The exemption amount shown (or as previously adjusted) on Form FID-3, line 22.
- The income distribution deduction shown (or as previously adjusted) on Form FID-3, line 21.

For purposes of calculating casualty or theft losses, determine your modified adjusted gross income by adding the total of the amounts from lines 3 through 6 to the adjusted gross income previously used to calculate these losses.

Line 9b – NOL deduction for the Tax Year. This is the amount of deduction you can take on your return for the tax year. Report this amount on your Subtractions Schedule II, line 28.

Line 10 – NOL Carryover. Report this amount on line 1 of the column for the next year of the carryback period. After completing 2016 and 2017 columns, report the amount on Class B NOL Carryover Schedule, line 3.

Adjustment to Itemized Deductions (for Individuals)

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

Line 11 – Montana adjusted gross income before 2018 NOL carryback. This is the Montana adjusted gross income of the preceding year to which you are about to apply the 2018 NOL. This amount may already include NOL deductions from years before 2018.

Line 20 – Recalculated Mortgage Insurance Premiums. If line 13 is more than \$100,000, complete the Mortgage Insurance Premiums Deduction Worksheet. If line 13 is \$100,000 or less, you do not need to complete the worksheet. Instead, enter the amount from line 19 on line 20 and enter \$0 on line 21.

Mortgage Insurance Premiums Deduction Worksheet - Line 20

1 Enter the total premiums you paid for qualified mortgage insurance for a contract issued after December 31, 2006	1	
2 Enter the amount from Form NOL, Schedule B, line 13	2	
3 Enter \$100,000	3	
4 Is the amount on line 2 more than the amount on line 3? If No. Your deduction is not limited. Enter the amount from line 19 on line 20 of Form NOL, Schedule B and enter -0- on line 21. Do not complete the rest of this worksheet. If Yes. Subtract line 3 from line 2. If the result is not a multiple of \$1,000, increase it to the next multiple of \$1,000. For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000, etc.	4	
5 Divide line 4 by \$10,000. Enter the result as a decimal. If the result is 1.0 or more, enter 1.	5	
6 Multiply line 1 by line 5.	6	
7 Recalculated mortgage insurance premiums deduction. Subtract line 6 from line 1. Enter the result here and on Form NOL, Schedule B, line 20.	7	

Line 26 – Recalculated Charitable Contributions.

Recalculate your charitable contributions using line 24 as your adjusted gross income **unless**, for any preceding tax year:

- You entered an amount other than zero on line 23, and
- You had any items of income or deductions based on adjusted gross income that are listed in the instructions for line 6 above.

For Montana NOL carryover purposes, you must reduce any charitable contributions carryover to the extent that the NOL carryover on line 10 is increased by any adjustment to charitable contributions.

Line 38 – Complete the Itemized Deduction Limitation Worksheet on page 5 of these instructions if line 22 is more than:

- \$311,300 for 2016 (\$285,350 for head of household; \$259,400 for unmarried taxpayers; and \$155,650 if married filing separately), or
- \$313,800 for joint filers and qualifying widow(er); \$287,650 for head of household; \$261,500 for unmarried (and neither head of household nor qualifying widow(er)); and \$156,900 for married filing separately for 2017.

Use these amounts when completing line 6 of the Itemized Deduction Limitation Worksheet.

Class B NOL Carryover Schedule

The Class B NOL Carryover Schedule makes you calculate your NOL deduction carryover for 2019 in Column I.

If you are a nonresident, you must also complete Column II to keep track of your Montana source losses included in your NOL deduction carryover. Line 11 is your ratio of Montana source losses included in your NOL deduction on line 5. You will have to use this ratio to report the Montana source losses included in any NOL deduction taken in 2019.

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



2018 Montana Net Operating Loss (NOL) Schedules

Calendar year 2018 or tax year beginning _____ 2018 and ending _____

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

Class A NOL Tracking Table

2018 Montana Taxable Income →			
Column A	Column B	Column C	Column D
NOL Year	NOL Deduction Balance	NOL Deduction Absorbed	Remaining NOL Deduction Balance
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
Total →			

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

Class A NOL Carryover Schedule

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

NOL Year (This is the year for which you are calculating the amount of carryover to report on Schedule C, column D.) →

1 Enter as a positive number your NOL deduction for the year you entered above. (see instructions)	1	
2 Montana taxable income before the Montana NOL deduction from line 1. (see instructions)	2	
3 Enter as a positive number any net capital loss deduction.	3	
4 Enter as a positive number any Section 1202 exclusion.	4	
5 Enter the amount of domestic production activities deduction.	5	
6 Adjustment to Montana adjusted gross income. (see instructions)	6	
7 Adjustment to Montana itemized deductions. (see worksheet below)	7	
8 Individuals, enter deduction for exemptions. Estates and trusts, enter exemption amount.	8	
9 Montana modified taxable income. Add lines 2 through 8. If zero or less, enter zero.	9	
10 Montana NOL carryover (see instructions). Subtract line 9 from line 1. If zero or less, enter zero.	10	

Adjustments to itemized deductions (individuals only)

11a Montana adjusted gross income before the NOL deduction from Form 2, line 10.	11a	
11b NOL deduction from Form 2, Montana Subtractions Schedule, line 22.	11b	
11c Add line 11a and 11b.	11c	
12 Add lines 3 through 6 above.	12	
13 Montana modified adjusted gross income. Add lines 11c and 12.	13	

Adjustment to medical expense:

14 Medical expenses from Form 2, Itemized Deduction Schedule, line 1.	14	
15 Medical expenses from Form 2, Itemized Deduction Schedule, line 1a.	15	
16 Multiply line 13 by percentage on Form 2, Itemized Deduction Schedule, line 3.	16	
17 Subtract line 16 from line 15. If the result is zero or less, enter zero.	17	
18 Subtract line 17 from line 14.	18	

Adjustment to charitable contributions:

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

Adjustment to casualty and theft losses:

22 Casualty and theft losses from Form 2, Itemized Deduction Schedule, line 20.	22	
23 Casualty and theft losses from federal Form 4684, line 16.	23	
24 Multiply line 23 by 10 percent (0.10).	24	
25 Subtract line 24 from line 23. If zero or less, enter zero.	25	
26 Subtract line 25 from line 22.	26	

Tentative total adjustment to Montana itemized deductions:

27. Combine lines 18, 21 and 26 and enter the result here and on line 7.	27	
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2018 NOL Schedule

**I
NOL** **II
Montana
Losses**

1a Column I: Montana Adjusted Gross Income; Column II: Montana source income. See instructions	1a		
1b Standard deduction or itemized deductions taken on Form 2, line 11. (Estates and trusts, enter the charitable deduction reported on FID-3, line 13.)	1b		
1c Individuals must subtract line 1b from line 1a. Trusts and estates must add lines 1a and 1b.	1c		
2 Nonbusiness capital losses before limitation. Enter as a positive number.	2		
3 Nonbusiness capital gains (without regard to any Section 1202 exclusion.)	3		
4 If line 2 is more than line 3, enter the difference; otherwise, enter zero	4		
5 If line 3 is more than line 2, enter the difference; otherwise, enter zero	5		
6 Nonbusiness deductions. (see instructions)	6		
7 Nonbusiness income other than capital gains. (see instructions)	7		
8 Add lines 5 and 7 .	8		
9 If line 6 is more than line 8, enter the difference; otherwise, enter zero.	9		
10 If line 8 is more than line 6, enter the difference; otherwise, enter zero. Do not enter more than the amount on line 5.	10		
11 Business capital losses before limitation. Enter as a positive number.	11		
12 Business capital gains (without regard to any Section 1202 exclusion.)	12		
13 Add lines 10 and 12.	13		
14 Subtract line 13 from line 11. If zero or less, enter zero.	14		
15 Add lines 4 and 14.	15		
16 Enter the loss, if any, from line 16 of your 2018 Schedule D (Form 1040). Estates and trusts enter the loss, if any, from line 19 (column 3), of Schedule D (Form 1041). Enter as a positive number. If there is no loss on that line (and no Section 1202 exclusion), skip lines 16 through 21 and enter on line 22 the amount from line 15.	16		
17 Section 1202 exclusion. Enter as a positive number.	17		
18 Subtract line 17 from line 16. If zero or less, enter zero.	18		
19 Enter the loss, if any, from line 21 of your 2017 Schedule D (Form 1040). Estates and trusts, enter the loss, if any, from line 20 of Schedule D (Form 1041). Enter as a positive number.	19		
20 If line 18 is more than line 19, enter the difference; otherwise, enter zero.	20		
21 If line 19 is more than line 18, enter the difference; otherwise, enter zero.	21		
22 Subtract line 20 from line 15. If zero or less, enter zero.	22		
23 Domestic production activities deduction from your 2018 return. (see instructions)	23		
24 NOL deduction for losses from other years. Enter as a positive number.	24		
25 NOL. Combine lines 1, 9, 17 and 21 through 24. If the result is less than zero, enter here. If the result is zero or more, you do not have an NOL.	25		

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Farming Losses Schedule

Complete one column before going to the next column (see instructions).

		2018 NOL applied to Tax Year 2016	2018 NOL applied to Tax Year 2017
1 NOL deduction. (see instructions) Enter as a positive number.	1		
2 Montana taxable income before 2018 NOL carryback (see instructions). Estate and trusts, increase this amount by the sum of charitable deduction and income distribution deduction.	2		
3 Net capital loss deduction. (see instructions)	3		
4 Section 1202 exclusion. Enter as a positive number.	4		
5 Domestic production activities deduction.	5		
6 Adjustment to Montana adjusted gross income. (see instructions)	6		
7 Adjustment to Montana itemized deductions. (see instructions)	7		
8 Individuals, enter deduction for exemptions. Estates and trusts, enter exemption amount.	8		
9a Modified taxable income. Add lines 2 through 8. If zero or less, enter zero.	9a		
9b Enter the lesser of line 9 or 80 percent of your taxable income.	9b		
10 NOL carryover (see instructions). Subtract line 9b from line 1 If zero or less, enter zero.	10		

Adjustments to Itemized Deductions Complete lines 11 through 38 for the carryback year(s)
for which you itemized deductions only if line 3, 4, or 5 above is more than zero

11 Montana adjusted gross income before 2018 NOL carryback.	11		
12 Add lines 3 through 6 above.	12		
13 Modified adjusted gross income. Add lines 11 and 12.	13		
14 Medical expenses from Form 2, Schedule III, line 4 (or as previously adjusted).	14		
15 Medical expenses from Form 2, Schedule III, line 1 (or as previously adjusted).	15		
16 Multiply line 13 by percentage from Schedule III (Form 2), line 3.	16		
17 Subtract line 16 from line 15. If the result is zero or less, enter zero.	17		
18 Subtract line 17 from line 14.	18		
19 Mortgage insurance premiums from Form 2, Schedule III (or as previously adjusted).	19		
20 Refigured mortgage insurance premiums. (see instructions)	20		
21 Subtract line 20 from line 19.	21		
22 Modified adjusted gross income from line 13.	22		
23 Enter as a positive number any NOL carryback from a year before 2018 that was deducted to figure line 11.	23		
24 Add lines 22 and 23.	24		
25 Charitable contributions (including any carryovers) from Form 2, Schedule III (or as previously adjusted).	25		
26 Refigured charitable contributions. (see instructions)	26		
27 Subtract line 26 from line 25.	27		
28 Casualty and theft losses from federal Form 4684, line 18, (or as previously adjusted).	28		
29 Casualty and theft losses from federal Form 4684, line 16, (or as previously adjusted).	29		
30 Multiply line 22 by 10 percent (0.10).	30		
31 Subtract line 30 from line 29. If zero or less, enter zero.	31		
32 Subtract line 31 from line 28.	32		
33 Miscellaneous itemized deductions from Form 2, Schedule III, line 26.	33		
34 Miscellaneous itemized deductions from Form 2, Schedule III, line 23.	34		
35 Multiply line 22 by 2 percent (0.02).	35		
36 Subtract line 35 from line 34. If zero or less, enter zero.	36		
37 Subtract line 36 from line 33.	37		
38 Complete the worksheet in the instructions if line 22 is more than the applicable amount shown in the instructions. Otherwise, combine lines 18, 21, 27, 32 and 37; enter the result here and on line 7.	38		

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Itemized Deductions Limitation Worksheet

Tax Year 2016

Tax Year 2017

1 Add the amounts from Farming Losses Schedule, lines 17, 20, 26, 31 and 36 and the corresponding amounts from Form 2, Itemized Deductions Schedule: a. Medical and long term care insurance premiums b. Federal, state, sales, income, real estate, motor vehicle and other taxes c. Home mortgage and investment interest d. Child and Dependent Care Expense, Form 2441-M e. Other miscellaneous deductions f. Gambling losses	1		
2 Add the amounts from Farming Losses Schedule, lines 17 and 31 and the corresponding amounts from Form 2, Itemized Deductions Schedule: a. Medical and long term care insurance premiums b. Federal income taxes c. Investment interest d. Child and Dependent Care Expense, Form 2441-M e. Gambling losses	2		
3 Subtract line 2 from line 1. If zero or less, stop here; combine the amounts from Farming Losses Schedule, lines 18, 21, 27, 32 and 37, and enter the result on line 38 and on line 7 of Farming Losses Schedule.	3		
4 Multiply line 3 by 80 percent (0.80).	4		
5 Enter the amount from Farming Losses Schedule, line 22.	5		
6 Enter the applicable amount: See instructions for Farming Losses Schedule, line 38.	6		
7 Subtract line 6 from line 5.	7		
8 Multiply line 7 by 3 percent (0.03).	8		
9 Enter the smaller of line 4 or line 8.	9		
10 Total itemized deductions from Form 2, Schedule III, or as previously adjusted.	10		
11 Subtract line 9 from line 10.	11		
12 Subtract line 13 from line 10. Enter the difference here and on Farming Losses Schedule, line 7.	12		

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Class B NOL Carryover Schedule

	I	II
1 NOL Deduction Carryover. [reserved line]	1	
2 2018 NOL Schedule, Column I, line 25. Subtract any farming losses carried back to 2016 and 2017.	2	
3 2018 NOL farming loss deduction carryover from the Farming Losses Schedule, 2017 column, line 10.	3	
4 Losses disallowed under IRC 461(l) in 2018.	4	
5 Add lines 1 through 4. This is the amount of NOL Deduction to carry over to 2019.	5	
6 Montana source losses included on line 1. [reserved line]	6	
7 Montana source losses from the 2018 NOL Schedule, Column II, line 25. Do not include any Montana source farming losses carried back to 2016 or 2017.	7	
8 Amount of farming losses included on line 3.	8	
9 Montana source losses included in the losses disallowed under IRC 461(l) in 2018.	9	
10 Add lines 6 through 9, this is the total amount of MT source losses included in your NOL deduction to carryover to 2019.	10	
11 Divide line 10 by line 5, this is your ratio of Montana source losses included in your Montana NOL deduction for 2019 reported on line 5.	11	