



Tax Years 2018, 2019, and 2020
Montana Net Operating Loss (NOL)
for Individuals, Estates, and Trusts

Form NOL
V1 7/2020

15-30-2119, MCA, and ARM 42.15.318, ARM 42.30.106

Contents

Before You Start i
CARES Act..... i
Montana Net Operating Loss (NOL) and Federal NOL..... i
Change in Filing Status and/or Marital Status..... i
Two Classes of NOL Deductions i
Net Operating Loss (NOL) Schedules..... ii
NOL incurred in 2018, 2019, or 2020..... ii
Composite Tax Return Participants..... ii
Class B NOL Schedule..... ii
Column I–NOL ii
Column II–Montana Losses (Nonresident/Part-Year Resident) iv
Class B Carryback Schedule..... iv
How to Complete the Carryback Schedule v
How to Claim Refunds from Carryback Years..... v
How to Waive the Carryback Period v
Class B NOL Carryback Schedule–Line Instructions..... v
Adjustment to Itemized Deductions (for Individuals) vi
Mortgage Insurance Premiums Deduction Worksheet–Line 20.....vii
NOL Carryover Deductionvii
Class A NOL Tracking Table..... ix
Column Instructions ix
Class A/B NOL Carryover Determination Schedule x
Class B NOL Carryover Schedule..... xi
Class B NOL Schedule..... 1
Class B NOL Carryback Schedule..... 2
Itemized Deductions Limitation Worksheet..... 3
Class A NOL Tracking Table..... 4
Class A/B NOL Carryover Determination Schedule..... 5
Class B NOL Carryover Schedule..... 6

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

Before You Start

CARES Act

The federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted on March 27, 2020, addresses net operating losses (NOLs) and other related provisions, such as:

- Section 2303 of the CARES Act allows a five-year carryback for NOLs arising in the 2018, 2019, and 2020 tax years. That section of the act also temporarily repeals the 80% of income limitation for tax years beginning before 2021.
- Section 2304 temporarily repeals the loss limitation under section 461(l) of the Internal Revenue Code for tax years beginning before January 1, 2021.
- Section 2306 added a special rule to section 163(j) of the IRC for tax years 2019 and 2020.
- Section 2307 made some technical amendments to section 168(e) of the IRC relative to qualified improvement property.

These provisions may reduce your taxable income in 2018 and 2019. You may have to amend your 2018 and/or 2019 return and recalculate your NOL for those years before carrying back any NOL incurred in those years.

Note that if you incurred an NOL in 2018, 2019, or 2020, you may waive the five years carryback period for any of those years on your 2020 Montana income tax return.

A taxpayer cannot carry back a 2020 NOL before tax year 2020 has ended. To carry back a 2020 NOL, you must complete your 2020 return and include the Class B NOL Schedule.
--

Montana Net Operating Loss (NOL) and Federal NOL

A Montana NOL arises when the sum of business deductions reduces Montana taxable income below zero. If your Montana taxable income is 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.

If you are a nonresident individual, estate, or trust, you also incur a Montana NOL based only on your income from all sources during the tax year. An overall Montana source loss on your nonresident schedule is not enough to create a Montana NOL. However, when you incur a Montana Class B NOL (see definition later) you must keep records of your Montana source losses included in your Montana Class B NOL to accurately calculate the nonresident tax, if any, in tax years when you take an NOL deduction. See Example 4 in the NOL Deduction and Carryover Amounts section.

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. The CARES Act of 2020 does not change this classification because any NOL incurred after December 31, 2017, may still be carried over to tax years beginning after December 31, 2020, and the limitations suspended for tax years beginning before January 1, 2021, will apply.

Class A NOL

Montana Class A NOL deductions designate NOL amounts that arose from losses incurred in a tax year beginning prior to January 1, 2018.

In general, Class A NOL amounts 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. They cannot be used to reduce their Montana source income when carrying over Class A NOL deductions.

Class B NOL

Montana Class B NOL deductions designate NOL amounts that arose from losses incurred in tax years beginning after December 31, 2017. Class B NOL amounts cannot be carried back except for NOL incurred in 2018, 2019, and 2020 (see CARES Act). They can be carried forward indefinitely but are limited to 80 percent of taxable income starting with tax years beginning after December 31, 2020. Nonresidents must track their Montana source losses included in Class B NOL amounts.

Net Operating Loss (NOL) Schedules

NOL incurred in 2018, 2019, or 2020

You may have incurred a Montana Class B NOL in 2018, 2019, or 2020 if your Montana taxable income is less than zero. Individuals may figure their taxable income by subtracting their standard or itemized deduction and their personal exemptions from adjusted gross income.

Important: If you are amending your 2018 or 2019 return based on the changes enacted by the CARES Act, use the Class B NOL Schedule to calculate your NOL. An NOL amount recalculated based on the CARES Act replaces any Class B NOL amount that was determined before amending your 2018 or 2019 return.

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.

Class B NOL Schedule

Use the Class B NOL Schedule to determine if you have a Montana NOL in 2018, 2019, or 2020. This schedule helps you apply the limitations on nonbusiness capital losses, ordinary nonbusiness deductions that exceed nonbusiness income and business capital losses used to calculate an NOL.

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

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

Column I–NOL

Line 1a—Enter your Montana Adjusted Gross Income (for estates and trusts, Form FID-3, line 24, plus the total charitable deduction, Montana income distribution deduction, and exemption amount.)

Lines 2 and 3—**Calculate your nonbusiness capital losses and gains.** These 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, 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); and
- 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 an estate or a trust. 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 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; and
- Montana additions that are considered nonbusiness.

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). You cannot take the domestic production activities deduction when figuring your NOL. Enter as a positive number on line 23 any domestic production activities deduction claimed on your return.

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. (Estates and Trusts use Form FID-3, Schedule B, NOL carryover line).

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 2020.

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

If Column I, line 25 shows a Montana NOL and your Montana source income for the NOL year is less than zero, your Montana NOL may include Montana source losses. Complete Column II.

If Column I, line 25 shows that you do not have an NOL, or if your Montana source income for the NOL year is zero or more, skip Column II. You do not have a Montana NOL, or your Montana NOL does not include Montana source losses.

Line 1a—Enter your Montana source losses reported on Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 16. (Estates and Trusts use Form FID-3, Schedule F, Column B, line 14.)

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. (Estates and Trusts use Form FID-3, Schedule F, line 15.)

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

Line 6—If you are a nonresident individual, trust or estate, enter “0” (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 for Column I, but limit the reporting to items of income and losses reported on Form 2, Nonresident/Part-Year Resident Schedule. (Estates and Trusts use Form FID-3, Schedule F.)

Line 24—Report the amount of Montana source net operating loss from your Form 2, Nonresident/Part-Year Resident Ratio Schedule, line 15. (For trusts and estates, this is the amount of Montana source net operating losses included on Schedule F, Column B, line 13.)

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

Class B Carryback Schedule

Use the Class B Carryback Schedule to determine the amount of NOL from 2018, 2019, and 2020 you may carry over from year to year in the carryback period.

Class B NOL incurred in 2018, 2019, or 2020 can be carried back five years, under the CARES ACT without any limitation based on taxable income regardless of the character of the loss.

How to Complete the Carryback Schedule

Use a column for each year of the carryback period starting with the earliest year. Complete a column for each tax year of your NOL carryback period starting with the earlier year. If line 10 on that column is more than zero, carry this amount to the next year.

Important notes for nonresidents:

1. You must complete the Class B NOL Carryover Schedule each time you carry an NOL amount from a year to another. The Class B NOL Carryover Schedule lets you calculate the amount of Montana source losses included in your Class B NOL deduction to use in your nonresident schedule.
2. You may have to take a Class B NOL deduction in the carryback periods that includes NOL amounts from several years. For example, your NOL deduction applied to 2014 may include a 2018 NOL amount and a 2019 NOL amount. When this happens, the amount of Montana source losses included in your NOL deduction must be recalculated using the ratio from the Class B NOL Carryover Schedule.

Before you carry back NOL amounts to a tax year, you must apply the NOL carryover amounts from tax years preceding the carryback year. See the NOL Carryover Deduction section for more information on how to apply a carryover deduction. There can be many different complicated scenarios. Please contact the department with your questions.

How to Claim Refunds from Carryback Years

You can claim a refund by filing an amended income tax return for each year in which you take an NOL deduction. You must file your completed Class B NOL Schedule and Carryback Schedule for each year with your amended tax return.

Instructions for nonresidents:

You must reduce your Montana source income on your amended returns by the amount of Montana source losses included in your NOL deduction. The amount of Montana source losses allowed must be reported on Form 2, Nonresident/Part-Year Resident Tax Schedule, line 14, entered as a negative number, or on the amended Form FID-3 Schedule F, line 8, entered as a negative number.

On your amended returns, enter only Class A NOL on your Form 2, Nonresident/ Part-Year Resident Schedule, line 20.

How to Waive the Carryback Period

You can choose to waive the carryback deduction for 2018, 2019, or 2020. If you do, mark the box electing to forgo the carryback of your 2018, 2019, or 2020 NOL on your 2020 Form 2, page 3, or on your 2020 Form FID-3. You must make this election by the due date (including extension of time) for filing your 2020 tax return. Previous waivers pertaining to farming losses are no longer valid. 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 must 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. 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 Class B NOL Schedule, line 25, to the Class B NOL Carryover Schedule for the next year this Class B NOL amount can be taken as a deduction.

Class B NOL Carryback Schedule—Line Instructions

Begin by entering the Tax Year that you are carrying back your Class B NOL to in the first column.

Line 1—Enter the amount from line 25 of the Class B NOL Schedule that is being carried back.

Line 2—Enter your Montana taxable income from Form 2 or Form FID-3 for the tax year you entered above before applying any Class B NOL deduction. This amount may already include Class A NOL deductions.

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

Note: If you are married filing separately for Montana, include any capital loss limitation adjustment when 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 must 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 2 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.

Line 8—Enter the exemption(s) for the tax year above.

Line 9—Modified taxable income. Add lines 2 through 8. If zero or less, enter “0” (zero).

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;
- The income distribution deduction shown (or as previously adjusted) on Form FID-3;

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 10—NOL Carryover. Report and include this amount on line 1 of the next column and next carryback tax period.

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 Deductions Schedule.

Line 11—Montana adjusted gross income before Class B NOL deduction. This is the Montana adjusted gross income for the tax year you enter above. This amount may already include Class A NOL.

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 line 19	2	
3 Enter \$100,000	3	
4 Is the amount on line 2 more than the amount on line 3?		<input type="checkbox"/> Yes <input type="checkbox"/> No
If No. Your deduction is not limited. Enter the amount from line 19 on line 20 and enter "0" (zero) 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 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:

- \$300,000 for joint filers and qualifying widow(er)s, \$275,000 for head of household, \$250,000 for unmarried (and neither head of household nor qualifying widow(er)s), and \$150,000 for married filing separately for 2013;
- \$305,050 for joint filers and qualifying widow(er)s; \$279,650 for head of household; \$254,200 for unmarried (and neither head of household nor qualifying widow(er)s); and \$152,525 for married filing separately for 2014.
- \$309,900 for joint filers and qualifying widow(er)s; \$284,050 for head of household; \$258,250 for unmarried (and neither head of household nor qualifying widow(er)s); and \$154,950 for married filing separately for 2015.
- \$311,300 for joint filers and qualifying widow(er)s; \$285,350 for head of household; \$259,400 for unmarried (and neither head of household nor qualifying widow(er)s); and \$155,650 for married filing separately for 2016.
- \$313,800 for joint filers and qualifying widow(er)s; \$287,650 for head of household; \$261,500 for unmarried (and neither head of household nor qualifying widow(er)s); and \$156,900 for married filing separately for 2017.

Use these amounts when completing line 6 of the Itemized Deductions Limitation Worksheet on page 3.

NOL Carryover Deduction

Your NOL deduction taken in 2018, 2019, or 2020 may include Class A NOL amounts, Class B NOL amounts, or both.

If you are taking an NOL deduction that includes only Class A NOL, report all your Class A NOL as an NOL deduction on your income tax return. If your taxable income after applying your NOL

deduction is less than zero, complete Class A Tracking Table and the Class A/B NOL Carryover Schedule to figure the amount of Class A NOL you can carry over to the next tax year.

If you are taking an NOL deduction that includes only Class B NOL amounts, complete Class A/B NOL Carryover Determination Schedule to figure the deductible amount of NOL you can report on the Subtractions Schedule of your income tax return. The deductible amount of Class B NOL is the smaller of your modified taxable income, or your Class B NOL deduction. Report the amount you can carry over to the next tax year on the Class B NOL Carryover Schedule.

Example 1: In 2020 your taxable income before any NOL deduction is \$5,000, and your NOL carryover amount applied to the current year consists of \$11,000 of Class B NOL. Your modified taxable income determined on your Class A/B NOL Carryover Schedule is \$6,000. You report \$6,000 as a Montana NOL deduction and \$5,000 (\$11,000 - \$6,000) on line 1 of the Class B NOL Carryover Schedule.

If you are taking an NOL deduction that includes Class A and Class B NOL, you must take your Class A NOL as a deduction first.

If the total of your Class A NOL applied to a taxable year is more than your taxable income figured without any NOL deduction, complete the Class A Tracking Table and Class A/B NOL Carryover Determination Schedule to figure the amount of Class A NOL you can carry over to the next year. In this case, any Class B NOL amounts from previous tax years that you cannot take are carried over to the next tax year on line 1 of the Class B NOL Carryover Schedule.

If your Class A NOL applied to a taxable year is less than your taxable income figured without any NOL deduction, complete the Class A/B NOL Carryover Determination Schedule to determine the deductible amount of Class B NOL. When making that determination, reduce your taxable income on line 2 of the Class A/B NOL Carryover Determination Schedule by the amount of Class A NOL deduction. The amount of Class B NOL you can carry over to the next tax year on the Class B NOL Carryover Schedule is the difference

between your Class B NOL carryover amounts from previous years and the deductible amount.

Example 2: Same as example 1, except that the NOL carryover amounts applied to the taxable year includes \$8,000 of Class A NOL carryover amount and \$3,000 of Class B carryover amount. You must reduce your taxable income by the \$8,000 of Class A NOL carryover amount first. Because your Class A NOL amount is more than your taxable income figured without NOL deduction, your NOL deduction equals your Class A NOL amounts and you report \$8,000 of NOL deduction of your Subtractions Schedule of your income tax return. You must complete the Class A Tracking Table and the Class A/B NOL Carryover Determination Schedule to determine the amount and NOL year of Class A NOL to carry over to 2021. Report the unused \$3,000 of Class B NOL carryover amount on the Class B Carryover Schedule, line 1.

Example 3: Same as example 1, except that the NOL carryover amounts applied to the taxable year includes \$2,000 of Class A NOL carryover amount and \$9,000 of Class B carryover amount. Since your Class A carryover amount is less than your taxable income figured without any NOL deduction, your NOL deduction includes all your Class A NOL carryover amount from prior years and some of your Class B NOL carryover amount. You complete the Class A/B NOL Carryover Determination Schedule reducing your taxable income by \$2,000 of Class A NOL carryover amount because your amount of Class A NOL is less than the taxable income for the tax year. You determine that your modified taxable income is now \$4,000. Your deductible amount of Class B NOL is \$4,000. You report \$6,000 (\$2,000 + \$4,000) of NOL deduction on the Montana NOL line of your Subtractions Schedule, and \$5,000 (\$9,000 - \$4,000) of Class B carryover amount on the Class B NOL Carryover Schedule, line 1.

A nonresident individual, estate, or trust taking an NOL deduction that includes some Class B NOL

carryover amounts must reduce the nonresident ratio on their income tax return by the amount of Montana source losses included in their deductible Class B NOL carryover amount. This amount of Montana source losses equals the deductible amount of Class B NOL multiplied by the ratio they calculated on the Class B NOL Carryover Schedule.

Example 4: You are a nonresident. Your taxable income figured without any NOL deduction is \$50,000. You are taking an NOL deduction that includes only a Class B NOL carryover amount of \$40,000 on your income tax return. Your taxable income is reduced to \$10,000. On the Class B NOL Carryover Schedule, line 9, your ratio of Montana source NOL is 10% (0.1). Your total Montana source income before Montana source NOL is \$25,000. You must reduce your Montana source income to \$21,000 by reporting a Montana source loss of (\$4,000) ($(\$40,000) \times 0.1$) on your Nonresident Ratio Schedule, line 15, entered as a negative number if you are an individual.

Note: Estates and trusts reduce their Montana source income by the amount of Montana source losses included in the NOL deduction by reporting the amount of Montana source losses as a negative number on Form FID-3, Schedule F, Column II, line 13.

Class A NOL Tracking Table

The Class A NOL Tracking Table allows you to track the Class A NOL you used, and amounts carried forward to the next tax year. Because the table is organized by NOL years (Columns A and B), your NOL will be listed in the order you must use them, starting from the oldest.

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

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

Column Instructions

Column B—Report your NOL carryover balances 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 the previous year. Total 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 7.

Column C—Starting from the first tax year you have an NOL carryover balance, deduct the NOLs in Column B from the Montana Taxable Income in the order you incurred them. Report the amount of NOL that is entirely used for each line against your taxable income. Proceed until all the 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: 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 “0” (zero) and go to the next year with 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/B NOL Carryover Determination Schedule to figure how much you need to report in Column D for that loss year. Copy the total amount from Column B to Column D for the subsequent years.

Example 5: Your taxable income for 2020 is \$5,000 before your \$9,000 NOL deduction. You report \$5,000 on the first line of the Class A/B NOL Carryover Determination 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 utilized. 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/B NOL Carryover Determination Schedule. Your NOL deduction to carry over to 2021 is the unused part of your 2017 NOL.

Class A/B NOL Carryover Determination Schedule

Line instructions

Line 1—This is the NOL amount of Class A or Class B NOL you are applying to the taxable year and for which you are calculating the carryover amount. You must deduct Class A NOL amounts before you can use any Class B NOL amount.

Line 2—Enter your taxable income without the NOL deduction for the year listed at the top of schedule, but with Class A NOL deduction from prior years.

If you are determining your deductible and carryover amount of Class B NOL, reduce this amount by any amount of Class A NOL applied first.

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

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

If none of these items apply to you, enter “0” (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 schedule 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 recalculating the next item. Keep a record of your computations. Enter your total adjustments for the above items on line 6.

Line 7—Enter “0” (zero) if you claimed the standard deduction and the amounts on lines 3 through 5 are zero. Otherwise, use lines 11 through 25 to calculate the amount to enter on this line. Complete only those sections that apply to you.

Estates and trusts. Enter “0” (zero) on line 7 if you did not claim any casualty or theft loss. Otherwise, recalculate these deductions 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 for 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;
- The exemption amount from Form FID-3, line 23; and
- 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 for 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; and
- The NOL deduction for the NOL year entered at the top of the Schedule and for later years.

Lines 20 and 21—You may be entitled to a larger charitable contributions deduction in determining modified taxable income (line 20) than the charitable contribution deduction you were allowed

in determining taxable income (line 19). Because of this, the amount you enter on line 21 may be negative. To the extent that these additional charitable contribution deductions decrease the amount of NOL that is used, you must reduce your charitable contribution carryover.

Class B NOL Carryover Schedule

You must use the Class B NOL Carryover Schedule to calculate your Class B NOL carryover amount from a tax year to another, whether you are carrying a Class B NOL amount forward or back. The Class B NOL carryover amount is calculated in Column I.

Each line of the schedule helps you compile all Class B NOL amounts from prior or later years (carried back) into one aggregate of NOL deduction amount, applied against taxable income after any Class A NOL deduction.

If you are carrying Class B NOL back, complete this schedule each time you complete a column on the Carryback Schedule. Include on the schedule all the Class B NOL amounts that you are taking as a deduction in the following year. For example, if you are carrying over a 2018 Class B NOL from 2013 to 2014, include any Class B NOL amount incurred in 2019.

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

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



2018, 2019, and 2020 Montana Net Operating Loss (NOL) Schedules for Individuals, Estates, and Trusts

Form NOL
V1 6/2020

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

Calendar year 2018, 2019, 2020, or tax year beginning _____ 2018, 2019, 2020 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 B 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 12. (Estates and trusts, enter the charitable deduction reported on FID-3, line 13.)	1b		
1c Individuals must subtract line 1b from line 1a. Estates and trusts 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 "0" (zero).	4		
5 If line 3 is more than line 2, enter the difference; otherwise, enter "0" (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 "0" (zero).	9		
10 If line 8 is more than line 6, enter the difference; otherwise, enter "0" (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 "0" (zero).	14		
15 Add lines 4 and 14.	15		
16 Enter the loss, if any, from line 16 of your 2018, 2019, or 2020 Schedule D (Form 1040 or 1040-SR). 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 the amount from line 15 on line 22.	16		
17 Section 1202 exclusion. Enter as a positive number.	17		
18 Subtract line 17 from line 16. If zero or less, enter "0" (zero).	18		
19 Enter any loss, from line 21 of your 2018, 2019, or 2020 Schedule D (Form 1040 or 1040-SR). Estates and trusts, enter any loss 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 "0" (zero).	20		
21 If line 19 is more than line 18, enter the difference; otherwise, enter "0" (zero).	21		
22 Subtract line 20 from line 15. If zero or less, enter "0" (zero).	22		
23 Domestic production activities deduction from your 2018, 2019, or 2020 return. (See instructions)	23		
24 NOL deduction for losses from other years. Enter as a positive number.	24		
25 NOL. Combine lines 1c, 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		

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 B NOL Carryback Schedule

Class B NOL applied to Tax Year _____ Class B NOL applied to Tax Year _____

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

1 NOL deduction. (See instructions) Enter as a positive number.	1			
2 Montana taxable income before any Class B NOL carryback (see instructions). Estates 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			
9 Modified taxable income. Add lines 2 through 8. If zero or less, enter "0" (zero).	9			
10 NOL carryover. (See instructions) Subtract line 9 from line 1. If zero or less, enter "0" (zero).	10			

Adjustments to Itemized Deductions

Complete lines 11 through 38 for the carryback years for which you itemized deductions only if line 3, 4, or 5 above is more than zero.

11 Montana adjusted gross income before Class B NOL deduction.	11			
12 Add lines 3 through 6 above.	12			
13 Modified adjusted gross income. Add lines 11 and 12.	13			
14 Medical expenses deducted on Form 2, Itemized Deductions Schedule.	14			
15 Gross medical expenses from Form 2, Itemized Deductions Schedule.	15			
16 Multiply line 13 by the floor percentage from Form 2, Itemized Deductions Schedule.	16			
17 Subtract line 16 from line 15. If the result is zero or less, enter "0" (zero).	17			
18 Subtract line 17 from line 14.	18			
19 Mortgage insurance premiums from Form 2, Itemized Deductions Schedule.	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 Class A NOL carryback from a year before the Class B NOL deduction that was deducted to figure line 11.	23			
24 Add lines 22 and 23.	24			
25 Charitable contributions (including any carryovers) from Form 2, Itemized Deductions Schedule.	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 "0" (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 "0" (zero).	36			
37 Subtract line 36 from line 33.	37			
38 For Tax Years 2014 to 2017, complete Itemized Deductions Limitation worksheet (page 5) if line 22 is more than the applicable amount shown on in the instructions. All others, combine lines 18, 21, 27, 32, and 37. Enter the result here and on line 7.	38			

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

Itemized Deductions Limitation Worksheet

	Tax Year		Tax Year	
1 Add the amounts from Class B NOL Carryback 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 Class B NOL Carryback 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 Class B NOL Carryback Schedule, lines 18, 21, 27, 32, and 37, and enter the result on line 38 and on line 7 of Class B NOL Carryback Schedule.				3
4 Multiply line 3 by 80 percent (0.80).				4
5 Enter the amount from Class B NOL Carryback Schedule, line 22.				5
6 Enter the applicable amount. See instructions for Class B NOL Carryback 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, Itemized Deductions Schedule, or as previously adjusted.				10
11 Subtract line 9 from line 10.				11
12 Subtract line 11 from line 10. Enter the difference here and on Class B NOL Carryback Schedule, line 7.				12

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

2020 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/B NOL Carryover Determination 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 Class A NOL carryover.) →

1 Enter as a positive number your NOL deduction for the NOL 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 "0" (zero).	9	
10 Montana NOL carryover. (See instructions) Subtract line 9 from line 1. If zero or less, enter "0" (zero).	10	

Adjustments to itemized deductions (individuals only)

11a Montana adjusted gross income before the NOL deduction from Form 2, line 11.	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 expenses:

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 1c.	16	
17 Subtract line 16 from line 15. If the result is zero or less, enter "0" (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 15.	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 "0" (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	
---	----	--

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 B NOL Carryover Schedule

	I	II
1 Class B NOL Carryover Amount to the next tax year (from Class A/B NOL Carryover Determination Schedule, line 10, if needed)	1	
2 Class B NOL Schedule, Column I, line 25. (See instructions)	2	
3 Class B NOL Carryback Schedule, line 10 from the last year to which a Class B NOL carryover amount was carried back.	3	
4 Add lines 1 through 4. This is the amount of NOL deduction to carry over.	4	
5 Montana source losses included on line 1. Multiply line 1 by line 9 of the NOL Carryover Schedule of the previous year.	5	
6 Montana source losses from the NOL Schedule, Column II, line 25. (See instructions)	6	
7 Montana source losses included on line 3. (See instructions)	7	
8 Add lines 5 through 7, this is the total amount of Montana source losses included in your NOL deduction to carry over.	8	
9 Divide line 8 by line 4, this is your ratio of Montana source losses included in your Montana NOL deduction for the next tax year reported on line 4.	9	