

Owner's Instructions for Montana Schedule K-1 (Form PTE)

Note: These instructions should be used by the partner or shareholder to report information from the Montana K-1 on their return. For instructions on how to prepare the Montana K-1 for each owner, refer to the instructions included in the Form PTE instruction booklet.

The Montana Schedule K-1 is required to be provided to all owners. The federal Schedule K-1 cannot serve as a substitute for the Montana Schedule K-1. Montana Schedule K-1 shows information about an owner's share of income, gains, losses, deductions, credits and other items from a pass-through entity (PTE).

Partnership or corporation owner. If you are a corporation, partnership, or a limited liability company treated like a corporation or partnership, the Montana Schedule K-1 shows your share of Montana source income and Montana statutory adjustments from the PTE that may affect the preparation of your Montana tax return.

Resident individual, estate, or trust owner. If you are a Montana resident individual, estate, or trust, your entire share of the PTE's income, gains, losses, and deductions that are includable in your federal taxable income is Montana source income. The Montana Schedule K-1 shows your share of Montana source income and Montana statutory adjustments from the PTE that may affect the preparation of your Montana tax return.

Nonresident or part-year resident individual, estate, or trust owner. If you are a nonresident or part-year resident individual, estate, or trust, the amount of your share of the PTE's income, gains, losses and deductions that are apportioned and allocated to Montana based on the PTE's activity in Montana is used to determine your Montana tax liability. Your share of Montana source income and Montana statutory adjustments are reported to you on the Montana Schedule K-1. You need your Montana Schedule K-1 to determine your tax liability on your Montana tax return unless you are a nonresident who elected to participate in a composite return.

Composite return election. If you are a nonresident individual, estate or trust, a foreign C corporation, or a second-tier pass-through entity who elected to participate in a composite return filed on your behalf by the PTE, you cannot file a Montana tax return. If this applies to you, you received the Montana Schedule K-1 to show your share of tax items the PTE reported and the composite tax paid on your behalf.

Pass-Through Entity Owner Tax Agreement (PT-AGR). Form PT-AGR is an agreement that a nonresident individual, nonresident estate, nonresident trust, foreign C corporation, domestic second-tier pass-through entity or tax-exempt entity must complete if they do not participate in a composite return and do not want the PTE to pay taxes on their behalf. If you filed this form, you agreed to timely file a Montana tax return, pay all taxes and be subject to the personal jurisdiction of Montana.

Amended Schedule K-1 (Form PTE). If you received an amended Montana Schedule K-1 from the PTE, you may need to file an amended Montana tax return to report the changes in income, gains, losses and deductions.

Montana Schedule K-1, Parts 3-6 Part 3—Montana Adjustments

A-B. Montana Additions and Deductions

To compute Montana income taxable to the PTE owners, certain items have to be added to income or deducted from income. The amounts listed are your share of Montana additions and deductions.

If you are an individual, estate or trust, these amounts are reported as additions to or subtractions from Federal Adjusted Gross Income to determine Montana Adjusted Gross Income as reported on your Montana income tax return.

Resident owners. Use only the "Everywhere" column to report additions and subtractions to your Federal Adjusted Gross Income.

Nonresidents and other owners. Use the "Everywhere" column to report additions to and subtractions from your Federal Adjusted Gross Income. Use the "Montana" column to complete the Nonresident/Part-Year Resident Schedule on Form 2 or Schedule F on Form FID-3.

Part 4—Distributive Share of Montana Source Income (Loss)

Your share of the PTE's Montana source income, gains, losses and other additions and deductions to federal taxable income are shown. The "Everywhere" column shows income from all sources. Resident individuals, estates, or trust owners will only have entries in the "Everywhere" column as all of their income is considered Montana source income. The "Montana" column shows income that is apportioned and allocated to Montana. Owners will report the amounts in this column on the Nonresident/Part-Year Resident Schedule on Form 2 or Schedule F on Form FID-3. Second-tier pass-through entity owners and corporations should refer to the Form PTE or Form CIT instructions on how to report Montana source income on their tax returns.

Line 4—Guaranteed payments. The guaranteed payments remain with the partner receiving the payments as reflected on the federal Schedule K-1. The portion of the guaranteed payments that represent Montana source income are reported on this line.

Part 5—Supplemental Information

Supplemental information that could result in adjustments to the owner's Montana tax return is listed in this part.

Line 1—Owner's share of Montana source income (loss). This is the sum of your Montana source income and adjustments to income.

Line 2—Montana composite income tax paid on behalf of owner. If applicable, the amount shown on this line is the amount of Montana composite income tax paid on your behalf by the PTE. If you made this election, you cannot file your own Montana tax return. This is for your information only.

Line 3a—Montana income tax withheld by the PTE in Part 1 on behalf of owner. The PTE named in Part 1 was required to withhold Montana income tax for those nonresident owners who did not file a consent agreement (Form PT-AGR), do not qualify for a waiver, and did not elect to participate in a composite return. The amount withheld on your behalf is reported on this line.

Line 3b—Montana income tax withheld by a lower-tier pass-through entity. Another PTE was required to withhold Montana income tax on behalf of the PTE named in Part 1. Your share of the amount withheld is reported on this line.

Line 3c—Total Montana income tax withheld on behalf of owner. This is the sum of the amounts reported on lines 3a and 3b. Report this as a pass-through withholding credit on your Montana income tax return.

Line 4—Montana mineral royalty tax withheld. If mineral rights are held by a PTE in which you have an ownership interest, the royalty payments made to the owners may be subject to withholding if certain thresholds are met. If the PTE attributed the withheld mineral royalty tax to you, the amount attributed is listed. This withholding should not be confused with the amounts deducted from royalty payments for production taxes.

Line 5—Other information. This line lists supplemental information that could result in adjustments to your Montana tax return. If all of the supplemental information cannot be listed on this line, the PTE should provide you with a statement showing the additional information. Additional information may include items that you can use to calculate a tax credit. An example of an item that can be used to calculate a tax credit is a contribution that qualifies for a qualified endowment credit. If a portion of the contribution is distributed to you, the amount will be reported on this line.

Part 6—Montana Tax Credits and Recapture (If Applicable)

Any credit claimed by a PTE must be attributable to its owners generally using the same proportion that is used to report your share of that PTE's income or loss for Montana income tax purposes. The tax credits cannot be taken as a credit against composite tax. The form includes the most common tax credits along with space to provide information about any other tax credit or recapture amount.

Line 1—Contractor's gross receipts tax credit. If the PTE received a tax credit for contractor's gross receipts, the CGR Account ID will be entered into the space provided and the amount entered on line 1 is your portion of the credit. If credit amounts from multiple CGR accounts are passing through to you, a schedule included with your Montana Schedule K-1 identifies how much credit passes through to you from each CGR account.

Line 2—Other credit/recapture information. Some tax credits have provisions requiring a recapture of the tax benefit you received in an earlier tax year (if you do not meet certain requirements in subsequent tax years).

Part 7—Montana Adjustments Detail

The PTE will use the boxes in this section to identify the specific additions or subtractions to Montana source income listed on Part 3, lines 1 and 2. For a complete list of the codes, see Form PTE instructions.