



2004 Montana Income Tax Return for Estates and Trusts

For calendar year 2004 or fiscal year beginning _____, 2004 and, ending _____, 2005

MONTANA

FID - 3

Rev. 12-04

Check if Applicable <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Amended	Name of estate or trust (if grantor type trust, see instructions on page 2)	<input type="checkbox"/> Check box if this is a change in address	FEIN: _____
	Name and title of fiduciary	Residency Status: <i>Check One</i>	Type of Entity: <i>Check One</i>
	Address	<input type="checkbox"/> Resident Return	<input type="checkbox"/> Trust <input type="checkbox"/> Decedent's Estate <input type="checkbox"/> Grantor Type Trust
	City _____ State _____ Zip + 4 _____	<input type="checkbox"/> Nonresident Return	<input type="checkbox"/> ESBT <input type="checkbox"/> Other

Income	Round to the Nearest Dollar	
1. Interest income.....	1.	
2. Ordinary dividends.....	2.	
3. Business income or (loss) Attach Schedule C or C-EZ (Form 1040).....	3.	
4. Capital gain or (loss) Attach Federal Schedule D (Form 1041).....	4.	
5. Rents, royalties, partnership, other estates and trusts, etc. Attach Schedule E (Form 1040).....	5.	
6. Farm income or (loss) Attach Schedule F (Form 1040).....	6.	
7. Ordinary gain or (loss) Attach Form 4797.....	7.	
8. Other income (list type and amount).....	8.	
9. Federal total income. Add lines 1 through 8.....	9.	
(Line 9 must match your federal total income per federal Form 1041 -Electing Small Business Trust see instructions)		
Montana Additions to Income		
10. Interest and dividends on state, county, or municipal bonds (Non-Montana).....	10.	
11. Federal income tax refunds/overpayments.....	11.	
12. Other additions (specify).....	12.	
13. Total additions to income. Add lines 10 through 12.....	13.	
14. Add lines 9 and 13, enter result.....	14.	
Montana Exclusions to Income		
15. Interest exclusion for savings bonds, etc. (specify).....	15.	
16. Pension and annuity income exclusion.....	16.	
17. State refunds (if included in line 8 above).....	17.	
18. Other exclusions (specify).....	18.	
19. Total exclusions of income. Add lines 15 through 18.....	19.	
20. Montana total income. Subtract line 19 from line 14, enter result.....	20.	

Deductions and Exemption		
21. Interest.....	21.	
22. Taxes (federal income tax, property tax, etc).....	22.	
23. Fiduciary fees.....	23.	
24. Charitable deduction.....	24.	
25. Attorney, accountant, and return preparer fees.....	25.	
26. Other deductions not subject to the 2% floor (attach schedule).....	26.	
27. Allowable miscellaneous itemized deductions subject to the 2% floor.....	27.	
28. Total deductions. Add lines 21 through 27.....	28.	
29. Adjusted total income or (loss). Subtract line 28 from line 20.....	29.	
30. Income distribution deduction (see page 4 of FID-3 instructions).....	30.	
31. Net income before exemption. Subtract line 30 from line 29.....	31.	
32. Exemption - Subtract \$1840	32.	(\$1,840 00)
33. Montana taxable income. Subtract line 32 from line 31.....	33.	

Federal employer identification number: _____

Schedule II Credits Against Tax

(See instructions on pages 5 through 7)

Round to the Nearest Dollar

55. Rural physician's credit.....	55.		
56. College contribution credit.....Attach Form CC	56.		
57. Qualified endowment credit.....Attach Form QEC	57.		
58. Elderly care credit.....Attach Form ECC	58.		
59. Credit allowed resident estates and trust for income tax liability paid to other states or countries.....Attach Schedule V	59.		
60. Contractors gross receipts tax credit.....Attach list of credits	60.		
61. Alternative energy systems credit.....Attach Form ENRG-B	61.		
62. Energy conservation installation credit.....Attach Form ENRG-C	62.		
63. Alternative energy productions credit.....Attach Form AEPC	63.		
64. Recycle credit.....Attach Form RCYL	64.		
65. Dependent care assistance credit.....Attach Form DCAC	65.		
66. Health insurance for uninsured Montanans credit.....Attach Form HI	66.		
67. Historical property preservation credit.....Attach Federal Form 3468	67.		
68. Developmental disability account contribution credit.....	68.		
69. Empowerment zone credit.....	69.		
70. Other credits (see instructions).....	70.		
71. Total Credits - Add lines 55 through 70. Enter here and on Form FID-3, line 38.....	71.		

Schedule III Nonresident Estate and Trust Identification of Montana Source Income

(See instructions on pages 7 and 8)

Round to the Nearest Dollar

72. Interest income.....	72.		
73. Ordinary dividends.....	73.		
74. Business income or (loss).....	74.		
75. Capital gain or (loss).....	75.		
76. Rents, royalties, partnership, other estates and trust, etc.....	76.		
77. Farm income or (loss).....	77.		
78. Ordinary gain or (loss).....	78.		
79. Other income (loss)	79.		
80. Total Montana source income (add lines 72 through 79).....	80.		

Schedule IV Nonresident Estate and Trust Prorated Tax Computation

Round to the Nearest Dollar

81. Montana source income from line 80 above.....	81.		
82. Enter federal total income from line 9, plus amount on line 13, Form FID-3.....	82.		
83. Divide amount on line 81 by the amount on line 82..... (Carry to 4 decimal places - Do not enter more than 1.0000)	83.		
84. Taxable income from line 34, Form FID-3.....	84.		
85. Calculate tax on amount on line 84 using tax table on FID-3, page 2.....	85.		
86. Nonresident estate and trust tax - multiply amount on line 85 by amount on line 83 and enter result here and on line 35, Form FID-3. This is the amount of your Montana tax	86.		

Federal employer identification number: _____

Schedule V - Full year Resident Estate or Trust Credit Allowed for an Income Tax Liability Paid to Another State or Country.

(Attach Copy of Out-of-State Return)

Instructions: An estate or trust may claim a credit for their income tax liability paid to another state or country by the estate, trust, an S. corporation or a partnership. If the estate or trust claims this credit for a tax liability paid to another state or country by an S. corporation or a partnership, they must add back to income on Form FID-3, line 13 their share of the entity's deduction for income tax paid, whether separately or non-separately stated on their Federal K-1.

Please note:

- This credit is limited to an income tax liability paid on income that is also taxed by Montana.
- Income taxes include excise taxes or franchise taxes that are imposed on and measured by the net income for an S. corporation or partnership.
- This credit is nonrefundable and can not reduce the estate's or trust's Montana tax liability below zero.
- Unused credits can not be carried over.
- Separate computations must be made for each state or country.

		Round to the Nearest Dollar
1.	Income from other state or country included in Montana total income. This includes where applicable, the share of income taxes paid which are claimed as a deduction by an S. corporation or a partnership.....	
2.	Total income from other state or country used in calculating the income tax paid to the other state or country. Include income exempt from Montana income tax.....	
3.	Total Montana income from Form FID-3. This includes where applicable, the share of income taxes paid which are claimed as a deduction by an S. corporation or a partnership.....	
4.	Total income tax liability paid to other state or country.....	
5.	Montana tax liability from Form FID-3, line 35.....	
6.	Line 1 divided by line 2, but not greater than 100%.....	
7.	Line 4 multiplied by line 6.....	
8.	Line 1 divided by line 3, but not greater than 100%.....	
9.	Line 5 multiplied by line 8.....	
10.	The allowable credit is the lower of lines, 4, 7, or 9. Enter here and on Form FID-3, page 4, line 59.....	



2004 Montana Income Tax Return for Estate and Trusts

General Information

Who Must File Form FID-3

The fiduciary (guardian, trustee, executor, administrator, receiver, conservator, or any person acting in a position of trust or fiduciary capacity for any other person or group of persons) must file a Montana income tax return on Form FID-3 for an estate or trust. A return is not required to be filed if the estate or trust is held for an educational, charitable or religious purpose.

Montana income tax return Form FID-3 must be filed for:

- A resident trust or estate that has Montana adjusted total income of \$1,840 or more.
- A nonresident trust or estate that has Montana adjusted total income of \$1,840 or more.

If an estate or trust is not required to file a federal return, it is not required to file a Montana return. No distinction is made between living trusts (created by the grantor and funded during their lifetime) and testamentary trusts (becoming operative upon the death of the grantor).

Resident Estate or Trust

An estate is treated as a resident estate if the decedent was domiciled in Montana on the date of his or her death. If the estate is other than an estate of a decedent, it is treated as a resident estate if the person for whom the estate was created is a Montana resident. If the estate does not qualify as a resident estate, it is treated as a nonresident estate.

A trust is treated as a resident trust if three or more of the following occur in Montana.

- Domicile of residency of the grantor;
- Creation of the trust;
- Existence of trust property;
- Domicile or residency of the trustee;
- A Montana court is able to exercise primary supervision over the administration of the trust, or
- Administration of the trust. One or more Montana residents have the authority to control all substantial decisions of the trust.

Nonresident Estate or Trust

If the estate or trust does not qualify as a resident estate or trust, it is treated as a nonresident trust.

With a nonresident estate or trust, your Montana tax liability is computed as if you were a resident estate and trust and then multiplied by the ratio of the estate's or trust's Montana source income to total income.

What to File

The fiduciary must file Form FID-3 and attach a complete copy of the federal income tax return Form 1041. All Schedules K-1's must be attached to the return. Upon approval, the fiduciary may submit federal Schedule K-1's on diskette or compact disk in an acceptable format. Failure to attach a complete copy of the federal return may cause the return to be delinquent.

When to File

Your return is due on or before the 15th day of the fourth month following the close of the estate's or trust's tax year. For a calendar year filer, the due date is April 15.

Tax Period/Year Covered by Return

Use the 2004 Form FID-3 to file your tax return for calendar year 2004 or the fiscal year beginning in 2004.

Where to File

For returns without payments, including refunds – mail to: Department of Revenue, PO Box 6577, Helena, MT 59604-6577.

For returns with payments – mail to: Department of Revenue, PO Box 6308, Helena, MT 59604-6308.

Accounting Method and Period

An estate or trust must use the same accounting method and accounting period as used for federal tax purposes. A change in accounting methods or accounting periods must have prior approval from the Internal Revenue Service. Attach a copy of the federal approval to your return if you change your accounting method or period.

Electing Small Business Trusts

If the trustee makes the election under IRC Section 1361 for the trust to be an electing small business trust (ESBT) for federal purposes, the trust will be treated as an ESBT for Montana income tax purposes. No separate election for Montana purposes is required.

Special rules apply when computing the tax of an ESBT. The portion of an ESBT that consists of stock of one or more S corporations, which is treated as a separate trust for federal tax purposes, is combined with the remainder (non-S corporation portion) in arriving at Montana adjusted total income or loss. The Montana tax liability is calculated under the normal manner, using the regular tax table, on the combined income of the ESBT.

If the ESBT consists entirely of stock in one or more S corporations, complete Form FID-3 reporting the income, losses, and deductions of the ESBT as an S corporation shareholder and any gain or loss from the disposition of S corporation stock as Montana adjusted total income. Attach to the estate or trust return the tax computation used in reporting and paying your federal income tax liability.

Grantor Type Trust

Trust income taxable to the grantor or another person under IRC Section 671 through 678 is not taxed on Form FID-3. However, the income information must be shown on a separate statement attached to federal Form 1041. Complete Form FID-3 (reporting the income, losses, and deductions of the grantor trust), check the box "Grantor Type Trust" and attach a copy of the federal information statement.

Extension of Time to File

If you cannot file your return by the due date, Montana allows an automatic extension of time to file your return provided you meet both of the following requirements:

1. On or before the due date of your return, you have applied with the Internal Revenue Service for an extension of time to file your federal income tax return (federal extension Form 2758 for an estate or federal extension Form 8736 for a trust).
An additional extension of time for filing your return is allowed provided that you have applied with the Internal Revenue Service for an additional extension of time for filing your federal income tax return (federal extension Form 2758 for an estate or federal extension form 8800 for a trust).
In no case will the extension be allowed for more than six months.
2. The estate or trust has paid by estimated tax payments, withholding tax, or a combination of estimated tax payments and withholding tax, 90% of the estate's or trust's current-year tax liability or 100% of its previous year's tax liability.

A valid federal extension is not considered a valid Montana extension unless the estate or trust has met one of the payment requirements identified in item #2 on or before the prescribed due date of the return. Complete the Montana EXT Worksheet to determine if you have met the payment requirements. If you are required to make an extension payment use the tax payment coupon included on the Montana EXT Worksheet.

You must check the extension indicator box on Form FID-3 and attach copies of your federal extension forms to your completed Montana income tax return. Do not send copies of the federal extension prior to filing your return.

Failure to comply with these requirements will result in the denial of your extension and the assessment of penalties.

Amended Returns

If you discover an error on your return after it is filed, submit an amended return using Form 2X to correct the mistake and provide a detailed explanation of the change. If you are providing the department with an amended version of Form FID-3, check the amended box at the top of the form. The statute of limitations for receiving a refund is five years from the prescribed due date of the return.

If the Internal Revenue Service changes the federal taxable income of your estate or trust, or if you voluntarily change your federal taxable income, you must file an amended Montana income tax return within 90 days of receiving notification from the Internal Revenue Service or filing your amended federal return. The amended return must identify the federal adjustments and recalculated Montana tax for the year adjusted.

Tax Preparer Contact Box

To streamline questions related to your return, we have included an area for you to authorize the department to contact your tax preparer. Place an X in the box marked yes will significantly improve the processing of your return. If you check this box, you are authorizing the department to discuss your return with the tax preparer identified on your return.

Estimated Tax Underpayment Interest

In 2004 your estate or trust must have paid through estimated installments, or a combination of withholding and estimated installments, the smaller of 1) 90% of the estate's or trust's current-year tax liability after credits, or 2) an amount equal to 100% of the previous year's tax liability. If the estate or trust did not meet one of these two requirements, it may be subject to an underpayment penalty. For further information see Form EST-I.

If You File or Pay Late

Late filing. If you file your return late, you are assessed a late file penalty of \$50 or the amount of tax due, whichever is less. If you are filing a return in which you receive a refund, the late file penalty is zero.

Late payment. If you owe tax, you are required to pay your tax on or before 15th day of the fourth month following the close of your tax year. If you do not pay the full amount owed by this date, you are assessed a late payment penalty. The penalty is 1.5% per month or fraction of a calendar month on the unpaid tax. The penalty may not exceed 18% of the tax due.

Interest. Any tax not paid by the 15th day of the fourth month following the close of your tax year will be subject to interest at the rate of 12% (.12) per year accrued at 1% a month or fraction of a calendar month.

Additional information. If you are unable to pay your tax in full, file your return by the due date and pay as much as you can with the return. If you need to establish a payment plan with the department, call

(406) 444-6900 as soon as possible to discuss payment options and make payment arrangements.

Rounding

Round the amounts on the return to the nearest whole dollar.

Signature

The fiduciary or officer representing the fiduciary must sign the return.

Form FID-3 Specific Instructions

These are instructions for lines not fully explained on the form. General instructions, which begin on page 1, also apply to this form.

Heading. File the 2004 return for calendar year 2004 or a fiscal year that begins in 2004 and ends in 2005. For a fiscal year, fill in the tax year space at the top of the form.

Complete the exact name of the estate or trust from federal Form SS-4 (Application for Employer Identification Number) that you used to apply for your FEIN.

If a grantor type trust, write the name, identification number, and address of the grantor(s) or other owner(s) in parentheses after the name of the trust.

Enter the Federal Employer Identification Number that was assigned to the estate or trust when you submitted your SS-4 and which corresponds to the Name of the estate or trust. Do not use any other FEIN number.

Residency status. Check the appropriate box that describes the residency status of the estate or trust. See resident and nonresident estate or trust definitions in the general provision sections of the Form FID-3 instructions.

Type of entity. Check the appropriate box that describes the entity for which you are filing the return. Your entity type is the same as claimed on your federal return.

Use entity type "trust" for a simple, complex, or qualified disability trust.

Use entity type "other" for bankruptcy estates and pooled income funds.

Use entity type "ESBT" when you are an electing small business trust. This entity type is used for the combined filing of the S. corporation items and the normal items of the trust that are separately stated on the federal Form 1041.

Lines 1 through 8. Enter all items of income or loss reported on your federal income tax return. Attach copies of applicable federal schedules and forms.

Line 2 – Ordinary Dividend Income. Enter total amount reported on line 2a of federal Form 1041. Montana taxes dividends as ordinary income and does not recognize the federal qualified dividend tax rate.

Line 9. Add lines 1 through 8. This is your federal total income and must match your federal total income reported on federal Form 1041. If you are an ESBT, see instructions below.

Montana Additions to Income

Line 10. Include your interest and dividend income from bonds and obligations of other states or their political subdivisions. Interest and dividend income from Montana municipal bonds is not taxable.

Line 11. If you claimed a federal tax deduction, either by withholding or a payment of an estimated tax in a prior year, any refund of that tax is income in the year it is received.

Line 12 – Other Additions. Please specify.

Montana Exclusions to Income

Line 15. Interest income received on obligations of the United States Government and its possessions is exempt from Montana income tax if the instruments are written documents, bear interest, and contain a binding promise by the United States or its possessions to pay specified sums at specified dates. They must also contain specific Congressional authorization, which pledges the full faith and credit of the United States in support of the promise to pay. If any one of these conditions is not met, the interest

is taxable to Montana. Obligations that are taxable include, but are not limited to, GNMA and FNMA.

Mutual fund dividends derived from qualifying U.S. Government interest, are exempt from Montana income tax. See your annual mutual fund statement (1099 DIV) to determine what percentage of your dividends qualifies for this exemption.

Line 16. You may be able to exclude up to \$3,600 of taxable pension and annuity income. Qualifying pension and annuity income is reported on Form 1099R, with a distribution code 7.

Tier II Railroad Retirement benefits, received from the Railroad Retirement Board are exempt from Montana tax. Enter the full amount of Tier II annuity or pension benefits reported on line 8 as a reduction to income on line 16.

To calculate your pension and annuity income exclusion, use the worksheet below.

Pension and Annuity Worksheet

1. Enter the federal total income from line 9. _____
2. Phase-out limitation _____
3. If line 1 is smaller than line 2, enter the smaller of the pension and annuity income or \$3,600 on line 16. Stop Here.

If line 1 is larger than line 2, subtract line 2 from line 1 and enter the result here. _____
4. Enter the pension and annuity income or \$3,600 whichever is smaller. _____
5. Multiply the amount on line 3 times two (x2) and enter the result. _____
6. Pension & Annuity Exclusion. Subtract line 5 from line 4. If the result is zero or negative, there is no exclusion. If the amount is positive, exclude this amount on line 16, Form FID-3. _____

Line 18 – Other Exclusions. Please specify.

Deductions and Exemptions

Lines 21, 23, 24, 25, 26 and 27. Enter the amount of deductions claimed on Federal Form 1041.

Line 22. Enter the amount of taxes paid or accrued within the tax year, including (but not limited to) federal income tax. State income taxes claimed on your federal return are not deductible on your Montana return.

Line 30. Enter income to be distributed to the beneficiaries for the taxable year and/or other amounts paid, credited or to be distributed for the taxable year.

Line 32. Each estate and trust is allowed one exemption of \$1,840.

Tax Computation

Line 35. Resident estates and trusts compute your tax liability using the tax table on Form FID-3. Nonresident estates and trusts see special instructions for the computation of your Montana tax liability on pages 7 and 8 of the instructions.

Line 36. If you qualify on your federal return for special averaging of your lump-sum distribution and have not included it as ordinary pension income on line 8, you must pay Montana income tax on this distribution. Your Montana tax liability on the lump-sum distribution is 10% of the federal tax calculated on Federal Form 4972. Attach copy of Federal Form 4972.

Line 38. Enter your total credits from line 71, Schedule II. See pages 5 through 7 of instructions for information on available credits.

Line 40 – Other Taxes, Penalties and Repayments.

- **Family Education Savings Account Recapture Tax.** If you have a recapturable withdrawal from a family education savings account you must pay an 11% recapture tax on this withdrawal. A recapturable withdrawal is a withdrawal that is not used for qualified higher education expenses, or a withdrawal from an account within three years from the date opened. Do not include a recapturable withdrawal in income. Calculate the 11% recapture tax and enter this amount on line 40 and write “recapture tax” on the dotted line.
- **First Time Home Buyer Savings Account 10% Penalty.** Funds withdrawn from a First Time Home Buyer Savings Account not used for eligible cost of purchasing a home are subject to a 10% penalty on the amount of the withdrawal unless they are withdrawn on the last business day of the account administrator’s business year. Complete Form FTB-P and enter the amount of the penalty on line 40 and attach a copy of Form FTB-P to your return.
- **Medical Care Savings Account 10% Penalty.** Funds withdrawn from a Medical Care Savings Account not used for eligible medical expenses are subject to a 10% penalty on the amount of the withdrawal unless they are withdrawn on the last business day of the account administrator’s business year. Complete Form MSA-P and enter the amount of the penalty on line 40 and attach a copy of Form MSA-P to your return.
- **Rural Physician Tax Credit Repayment.** If an individual of an estate has claimed the Rural Physician Tax Credit within the past 4 years following the year of the estate tax return, the

credit must be repaid. Enter the amount of the repayment on line 40 and write "Rural Physician Tax Credit" on the dotted line.

Line 42. Enter the amount of Montana income tax withheld as shown on your withholding tax statements. Attach withholding statement(s) (W-2's and 1099R's) to your return.

Line 43. Enter your total Montana estimated tax payments for 2004. Include overpayments from 2003, which were credited to 2004. If you paid tax for a previous year, that amount cannot be claimed as an estimated tax credit.

Line 44. Enter payments made with the extension coupon attached to Form EXT-04.

Line 46 – Amount Overpaid. If line 45 is larger than line 41, enter the difference. This is your overpayment. You can choose to have all or part of this amount refunded to you (line 48). The remainder, if any, can be applied to your estimated tax for 2005 (line 47). Only overpayments of more than \$1 will be refunded.

Line 47. Enter the amount from line 46 you want applied to your estimated tax for year 2005.

Line 48. Enter the amount from line 46 you want refunded to you. If you wish to use direct deposit enter your RTN# and ACCT# in the appropriate spaces. The routing number must be nine digits. The account number can be up to 17 characters (both numbers and letters). The direct deposit will be rejected if the routing and account numbers are not correct. If the numbers are incorrect, a check will be mailed to you instead. See sample below.

A sample check form with the following details: Pay to the Order of: [Blank]; Anyplace Bank, Anyplace, MT 59000; Routing Number: 1125000000; Account Number: 1200000881234; Dollars: 1234. A large 'Sample' watermark is overlaid on the form. A callout box points to the account number with the text: 'Do not include the check number in the account number'.

Line 49 – Tax Due. If line 41 is larger than line 45, enter the difference. This is your tax due. Make your check or money order payable to the Department of Revenue. Be sure to write your federal identification number and tax year on the check or money order.

Line 50. If you were required to make estimated tax payments and did not remit the required amounts, you must pay underpayment interest.

Line 51. If you file your return late, you must pay a late file penalty of \$50 or the amount of tax due, whichever is less. There is no late file penalty if you owe no additional tax or you are receiving a refund.

Line 52. If you do not pay your tax by the due date of your return, you must pay a late pay penalty. The penalty is 1.5% per month or fraction of a month on the unpaid tax. The penalty will not exceed 18% of the tax due.

Line 53. Interest will be assessed on any tax not paid by the prescribed due date of the return. Interest is 12% per year accrued at 1% per month or fraction of a calendar month.

Schedule I – Distribution to Beneficiaries

This schedule must list the name, address, social security number, federal employer identification number, and residency status of each beneficiary. In addition, you must provide each beneficiary's share of income or loss. If there are more than 15 beneficiaries, attach a separate schedule.

Schedule II – Credits Against Tax

Line 56. – College Contribution Credit. You may take a credit for deductible contributions made during the tax year to the general endowment funds of the Montana University System foundations or a private Montana college or its foundation. The credit is 10% of the aggregate contributions with a maximum of \$500. The college must offer a baccalaureate degree level education program. Complete Form CC and attach it to your tax return.

Line 57 – Qualified Endowment Credit. You are allowed a credit for 40% of the present value of a planned gift made during the tax year to a qualified Montana endowment or for your proportionate share of a charitable gift made by a pass-through entity. The credit may not exceed your tax liability and may not be carried forward. See Form QEC for detailed instructions. Complete Form QEC and attach it to your tax return.

Line 58 – Elderly Care Credit. You may be eligible to receive a credit for paying certain expenses of an elderly family member who is 65 or older or who has been determined disabled for social security purposes. See Form ECC for detailed instructions. Complete Form ECC and attach it to your return.

Line 59 – Credit for Income Tax Liability Paid to Another State or Country. (Resident estates and trusts only). If you are a resident estate or trust you may be entitled to a credit against your Montana income tax liability for an income tax liability paid to

another state or country on income that is also taxable by Montana.

If you are a shareholder of an S corporation or a partner of a partnership, and your S corporation or partnership pays an income tax to another state or country, you may claim a credit for your share of the income tax liability paid by the entity. To claim this credit, the income tax paid must be measured by and imposed on net income and includes an excise tax or franchise tax that is imposed on and measured by net income. The credit is not allowed for other taxes paid by an entity, such as, but not limited to, franchise or license taxes or fees not measured on net income, gross receipts tax or gross sales tax. If you are claiming this credit for taxes paid by an entity you must add back to income on Form FID-3, line 12, your share of the entity's deduction for income tax paid whether separately or non-separately stated on your Federal Schedule K-1.

You are not entitled to this credit if the other state or country allows you a credit against the taxes imposed by the other state or country for taxes paid or payable to Montana. You are not allowed to use penalties and interest paid in connection with an income tax when calculating this credit.

Line 60 – Contactor's Gross Receipts Tax Credit.

You are allowed a credit against your Montana income tax liability for the public contractor's gross receipts tax you paid. If you report your income from contracts on a percentage-of-completion basis the credit must be pro-rated accordingly. The allowable credit is the actual gross receipts tax paid after taking the personal property tax credit. The credit cannot be in excess of your tax liability. Attach a schedule to the return showing contractor's name, date and amount of contract, primary contractor, subcontractor and location of the job.

Line 61 – Alternative Energy System Credit. You may claim a credit for a percentage of the cost of installing a geothermal or an alternative energy system. Examples of these systems are solar energy, wind energy, and low emission wood or biomass combustion devices. See Form ENRG-B for detailed instructions. Complete Form ENRG-B and attach it to your tax return.

Line 62 – Energy Conservation Installation Credit.

You may claim a credit for a percentage of the cost of an investment for energy conservation purposes in a building. An eligible expense is "the installed cost of material and equipment which reduces the amount of waste or dissipation of energy or reduces the amount of energy required to accomplish a given amount of work."

The maximum credit is \$500 for investments in the physical attributes of a building or for investing in a water, heating or cooling system. See Form ENRG-C for detailed instructions. Complete Form ENRG-C and attach it to your tax return.

Line 63 – Alternative Energy Production Credit.

You may claim a credit for a qualified investment of \$5,000 or more. The alternative energy system must be located in Montana. See Form AEPC for detailed instructions. Complete Form AEPC and attach it to your tax return.

Line 64 – Recycle Credit.

You may claim a credit for investments in depreciable equipment or machinery used to collect, process or manufacture a product from reclaimed material. See Form RCYL for detailed instructions. Complete Form RCYL and attach it to your tax return.

Line 65 – Dependent Care Assistance Credit.

If you are an employer you may claim a credit against your Montana income tax liability for the amount paid or incurred during the taxable year for dependent care assistance provided to your employees. See Form DCAC for detailed instructions. Complete Form DCAC and attach it to your tax return.

Line 66 – Health Insurance for Uninsured

Montanans Credit. If you are an employer you may claim a credit against your income tax liability for a percentage of premiums payments made in providing health insurance for your employees. See Form HI for detailed instructions. Complete Form HI and attach it to your tax return.

Line 67 – Credit for the Preservation of Historic Property.

A credit equal to 25% of the federal rehabilitation credit provided for in IRC Section 47(1)(2) is allowed on qualifying historic buildings. Attach federal Form 3468 to the return. As an alternative to the federal rehabilitation credit, you may take a credit equal to 20% of the cost of creating a conservation easement and for the diminishing value of historic property, including buildings and structures that result from placing a conservation easement on the property.

Line 68 – Developmental Disability Account

Contribution Credit. You are allowed a credit against your Montana income tax liability equal to 30% of the contributions made during the year to the Montana Developmental Disability Service Account under 15-30-187, MCA. The maximum credit allowed is \$10,000, and may not exceed your tax liability. If you claim this credit, you are not allowed to deduct the contribution elsewhere on the return. You may not carryover your credit and it must be claimed in the year the donation is made.

Line 69 – Empowerment Zone Credit. If you are an employer who has a business in an empowerment zone as described in 15-30-182, MCA, you may claim a credit for each new employee at this business. The Montana Department of Labor and Industry must certify your business prior to qualifying for this credit.

The credit may be carried back three years and carried forward seven years. The entire amount of the tax credit not used in the year earned must be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year.

Line 70 – Other Credits. If you are claiming any of the following credits, enter the aggregate amount of the credit(s) on the Other Credits line.

- **Alternative Fuel Credit.** You may claim a credit for conversion of a motor vehicle to an alternative fuel. See Form AF CR for detailed instructions. Complete Form AF CR and attach it to your tax return.
- **Montana Capital Company Credit.** Carryovers only.
- **Infrastructure Users Fee Credit.** If you are a new business located in Montana you may qualify for a credit for creating at least 15 jobs in the basic sector of the economy of a local community. Your credit is calculated based on the infrastructure fees paid by your new business to the local government.
- **Increasing Research Activities Credit.** You may claim a credit for the increase in qualified research expenses and basic research payments conducted in Montana. The credit is determined in accordance with IRC 26, USC 41, except the application percentage rate for the Montana credit is 5%. See Form RSCH for detailed instructions. Complete Form RSCH and attach it to your return.
- **Mineral Exploration Incentive Credit.** You are entitled to a credit for certified expenditures of mining exploration activities (15-32-501, MCA) not to exceed 50% of your tax liability. Certified expenditures represent costs incurred for activities in direct support of exploration activity conducted at a specific exploration site. The cost applies to activities associated with both new mines and mines that reopened. A completed copy of Form MINE-CRED must be attached to the return. To obtain the credit, you must first submit a request that details the work done and the expenses incurred. This request must be made within 60 days following the end of the calendar year, on forms provided by the department. The department must certify the expenses by September 30.
- **Affordable Housing Revolving Loan Account Credit.** You are entitled to a tax credit for

contributions made during the year to the affordable housing revolving loan account established in 90-6-133, MCA. Your credit is equal to 20% of the amount donated to this account with a maximum credit of \$10,000. The credit cannot exceed your income tax liability and no carryover provision is allowed. You are not entitled to this credit if you have applied the contribution to the Qualified Endowment Credit.

Schedule III – Nonresident Estate and Trust Identification of Montana Source Income.

If the total of any single item of income or loss is from both Montana and non-Montana sources, attach a statement to your Montana return showing the allocation of the Montana source income. The following line-by-line instructions are for nonresident estates and trusts that have Montana source income.

- **Interest Income (line 72).** You must report interest income from installment sales of real property or tangible commercial or business property located in Montana. Nonresident estate or trust income from interest on bank deposits, notes, dividends on capital stock of corporations, royalties from patents and copyrights and all other income from intangible property is not taxable to Montana.
- **Ordinary Dividends (line 73).**
- **Business Income or Loss (line 74).** A nonresident estate or trust must report the net income received from any trade, business, profession, or occupation carried on in Montana as Montana source income. If you have more than one business complete a separate federal Schedule C for each business activity.
- **Capital Gain or Loss (line 75).** Enter the amount of gain or loss related to the sale of Montana properties or assets. Remember, the gain from installment sales of Montana property is taxable to Montana.
- **Rents, Royalties, Partnerships, Etc. (Line 76).** Rental income or loss is the net amount derived from or connected with the rental of real or tangible Montana property. Partnership income or loss is the share of any partnership income and deductions derived from Montana. Income is one of two types – passive or non-passive. The type of income depends upon whether or not you materially participated in the activities of the partnership. If the income is passive, you are required to complete a separate federal Form 8582 for Montana purposes. Your share of the partnership income includes income, capital gain and deductions from the partnership whether you actually received it or not. Attach Schedule K-1(s). S corporation income or loss is a shareholder's percentage of the corporation's net income and deductions derived from Montana. Attach Schedule K-1(s). Estate and trust income or loss is the beneficiary's share of the income

and deductions from a trust, which has nexus in Montana. Attach Schedule K-1(s).

- **Farm Income or Loss (line 77).** Report your farm income or loss attributed to Montana. Attach a separate federal Schedule F if necessary, showing only the Montana farm activity.
- **Ordinary Gain or Loss (Line 78).** Enter here an ordinary gain or loss attributed to Montana.
- **Other Income or Loss (Line 79).** Enter any other income or losses attributed to Montana that is not identified on lines 72 through 78. This includes, but is not limited to, lottery winnings, state and federal tax refunds, nonemployee compensation, recapture of tax benefits, and capital loss add backs. If you received a federal income tax refund in 2004 and are required to report this refund as income on Form FID-3, line 11, a prorated amount of your federal refund may be reported as Montana source income. The ratio is your Montana source income to total income from all sources, as reported in 2003.

Line 80 – Total Montana Source Income. Add lines 72 through 79.

Schedule IV – Nonresident Estate and Trust Prorated Tax Computation.

Line 81. Enter the amount from line 80, Schedule III.

Line 82 – Federal Total Income. Enter the total from line 14, page 1, Form FID-3.

Line 83. Divide the amount on line 81 by the amount on line 82. If your Montana total income is smaller than your federal total income, you will arrive at a percent amount. Carry the decimal to 4 places. If your ratio is larger than 100% (1.0000), use only 100%.

Line 84. Enter your Montana taxable income from Form FID-3, line 34.

Line 85. Compute the tax on the amount shown on line 84 using the tax table on page 2, Form FID-3. Enter the tax on line 85.

Line 86 – Nonresident Estate and Trust Tax. Multiply the amount on line 85 by the percent on line 83. Enter the amount from line 86 on line 35, Form FID-3. This is your Montana income tax liability. Go to Form FID-3 and complete lines 36 through 54.

Electing Small Business Trust (ESBT)

If the trustee makes the election under IRC Section 1361 for the trust to be an electing small business trust (ESBT) for federal purposes, the trust is treated

as an ESBT for Montana income tax purposes. No separate election for Montana purposes is required.

The special rules on the taxation of an ESBT that apply to the federal form 1041 do not apply to Montana. The S portion of an ESBT that consist of stock in one or more S corporations, which are taxed at the federal level separately, are included in Montana total income.

Taxable Income Computation (Attach Schedule).

The S portion taxable income of an ESBT is determined in the same manner as determined for federal tax purposes. Enter the S portion taxable income of the ESBT on Form FID-3, line 12. Combine the S portion income with the other income of the ESBT.

If the ESBT consist entirely of stock in one or more S corporations do not enter anything on lines 1 through 11, but enter the ESBT taxable income on line 12 and complete the rest of the return.

The tax on the ESBT is computed in the normal manner using the tax tables on Form FID-3 and applies to the combined income of the ESBT.

Do not apportion to the beneficiaries any of the S. corporation items.