



**Montana Annual Wage Withholding
Reconciliation (MW-3) FSET
Specifications and Testing Scenarios
for Software Developers**

Tax Year 2025

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General Information

Montana provides “Business Rules” and “Schema Specifications for the MW-3”. Your XML test submissions should adhere to Montana Department of Revenue Business Rules and the Schema Specifications before submitting your returns for testing. The Business Rules are located on the State Exchange System (SES website) for more information and the FSET-MW-3 Schema Specifications are outlined in this document. If you have questions regarding return requirements or the Business Rules, please contact us at dore-services@mt.gov.

Forms 1099 *without* Montana Withholding should not be reported on the MW-3. For more information on reporting 1099s without Montana withholding, visit our [website](#).

Complete the Montana 2025 Payroll Provider Letter of Intent (LOI) prior to submitting test returns, even if you were approved in a prior year. If applicable, list in detail any software limitations and why your software does not have the ability to complete all the test submission scenarios for the MW-3 return. The Montana 2025 Payroll Provider LOI can be found on the FTA’s [State Exchange System](#). Send completed registration forms to DORE-services@mt.gov. The department is using the FSET schema to enable the electronic filing of the Annual Wage Withholding Reconciliation Form MW-3. The FSET schema allows individual businesses and payroll service providers the ability to submit individual returns as well as the bulk upload of multiple returns.

The Montana MW-3 return was created utilizing the State Annual section of the FSET schema. Our schema has been approved by E-standards and has been internally tested to verify all data elements are correctly mapped to our processing system. We will also be using information contained in the Transmission Header, Return Header State, and Return Data State sections of the schema. Additional information regarding data elements can be found in the Required Information section of this document. For more information on Electronically filing MW-3s, 1099s, & W2s, see [here](#).

Web Service API

The bulk upload service allows vendor-to-agency XML transmissions of W2 and MT Withholding (MW3) files for tax filing purposes. The service is a synchronous solution that accepts a transmission and returns an acknowledgement.

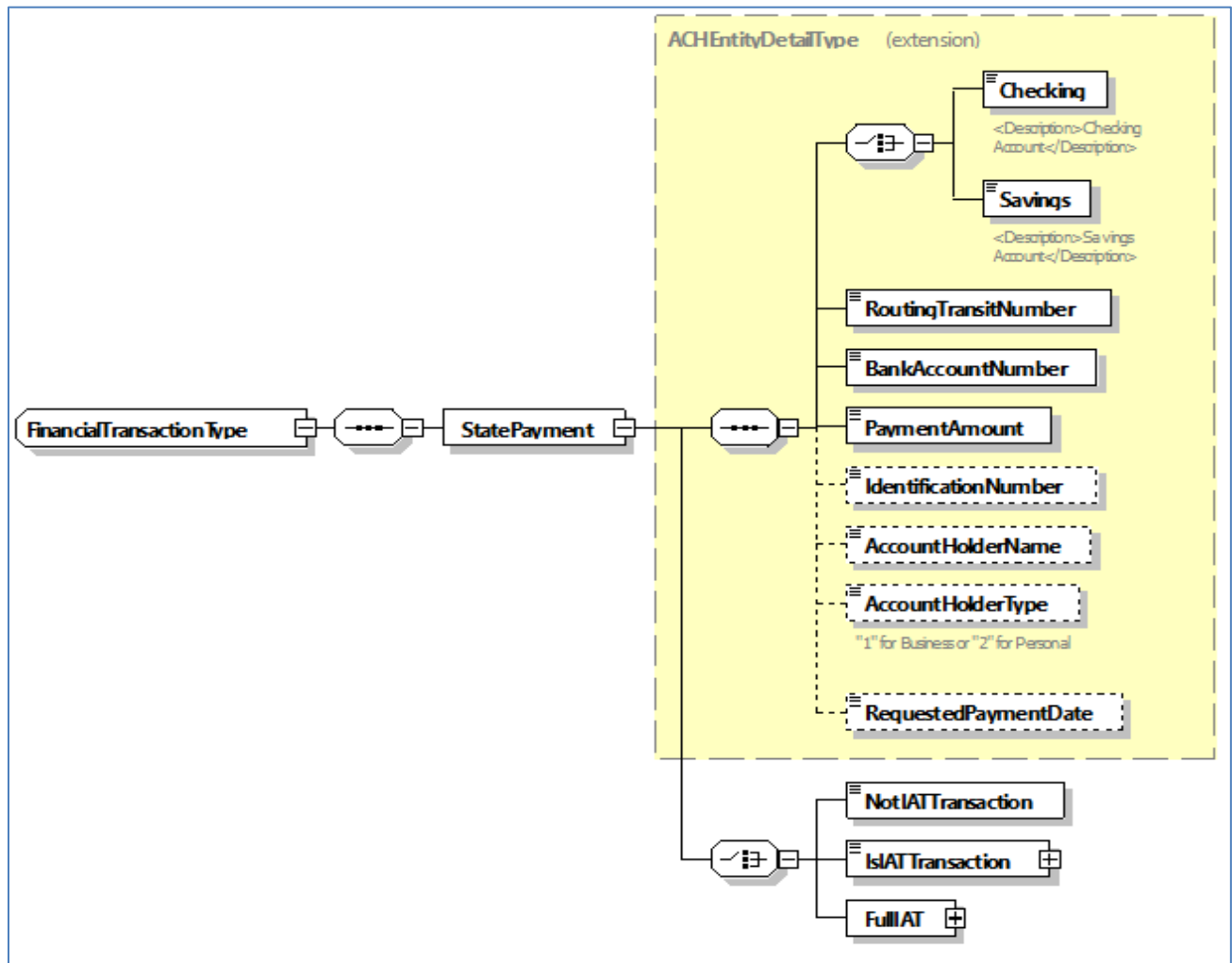
TransAction Portal (TAP)

The FSET schema has been incorporated into our [TransAction Portal](#). TAP is an online service portal that allows taxpayers and authorized providers to file returns and submit payments for a variety of tax accounts. Please see the “*Transmitting MW-3 Returns*” section of this document for additional information on how to create a TAP account and submit MW-3 returns.

Financial Transactions

State Payment Schema

Montana has implemented the State Payment section of the Financial Transaction schema to the FSET schema for our Processing System. The employer can make a direct debit payment with the return using this section of the schema. Below is a copy of the State Payment Schema section that was implemented in our Processing System to receive direct debit payments with the Montana MW-3 Withholding Return. See *FSET v5.6 MW-3 Schema Information* section below for specifications.



Vendor Payment Service API

The Vendor Payment Service API allows for submissions of Montana Withholding (MW3) account payments. These are payments that are stand alone and not part of the FSET MW3 schemas. These payments can be future dated for up to one-year from the submission date.

Bulk Payments

We also want to encourage the use of our other electronic payment methods. For software vendors/payroll providers interested in submitting bulk payments, we offer an ACH Credit payment option. The registration and file specifications for this program can be found under the ACH Credit Payments section on our [website](#). The ACH Credit program allows for payments of most taxes administered by our department.

TransAction Portal (TAP)

In addition to the above options, our department offers taxpayers and authorized third parties the ability to submit payments on TAP. This allows users to submit either ACH Debit or Credit Card payments. There are no charges for ACH Debit payments submitted on TAP. These payments can be scheduled for future dates or can be deleted if the payment has not already been processed.

Binary Attachments

Montana is not requiring any supporting documentation to be attached to the MW-3 return as a Binary Attachment. Currently, we cannot accept any Binary Attachments submitted with the MW-3 return. This functionality may be available in the future.

API - Application Programming Interface

Montana utilizes an API (Application Programming Interface) that can accept and process MW-3 and W2 files directly from business software applications. If you are going to provide FSET MW-3 files using the API mark the *API for FSET/EAF* checkbox on the 2025 Payroll Provider LOI. Please note you **MUST** still complete the XML testing requirements process outlined in the *Testing/Approval Process* section below, each tax year, to be approved for FSET MW-3 XML submissions.

Note: Additional testing may be required each year for existing API users to ensure the API file transmissions are successful between servers separate from the required FSET-MW-3 Testing/Approval process outlined further in this document.

NEW users of the API will be required to submit additional API registration documentation. Once approved they will receive the necessary credentials and specifications required for setting up the API process. Please allow 2-3 weeks for development and testing of the Application Programming Interface process.

API Filenames: The names of the files are dependent upon a change being made to a Schema version. See below for existing file names. Any time a schema version changes the file name will be changed to the last 2 digits of the year of the change.

MW3

Prior to tax year 2021: **MW3P16.xml*

Tax Year 2021-Present: **MW3P21.xml*

W2

All tax year-Present: **EAFW2.xml*

Filing Frequencies and Deposit Period End Dates

Montana supports the following filing frequencies for withholding tax: Accelerated, Monthly, Annual and Not Required. Please note Montana does not have a Quarterly filing frequency for withholding tax. Each October, we perform a lookback that determines the filing frequency for the following year. The lookback process calculates the total withholding paid from July 1st of the previous year to June 30th of the current year. The total amount of withholding paid will determine what the filing frequency will be for the following tax year. Please see the table below for the dollar thresholds for each of the filing frequencies.

Filing Frequency	Minimum Withholding Paid	Maximum Withholding Paid
Annual	\$0	\$1,199
Monthly	\$1,200	\$11,999
Accelerated	\$12,000	N/A

Notification will be sent prior to November 1st of each year to all businesses that will have a change in their remittance schedule. Any change to the filing frequency will be effective January 1st of the following year. It is

very important for any business whose filing frequency has changed, to submit their payments according to their new frequency. The Montana Department of Revenue performs a reconciliation only once a year and penalties and interest may be assessed because payments were not submitted timely.

All new businesses in Montana, except for agricultural and domestic, will be assigned a Monthly filing frequency.

Annual Filers

Annual filers are those businesses that have less than \$1,200 dollars of withholding tax paid during the lookback period. The only valid Deposit Period End Dates for an Annual filer is the last day of the year being filed (i.e., 12/31/2025). Any other date will cause the return to error in our processing system. Payments, returns, and W-2s for Annual filers are due to the Montana Department of Revenue by January 31st of the following year (i.e., 01/31/2025). Payments can be submitted to our department more often than annually. However, any additional payments must have the last day of the year as the Deposit Period End Date.

Monthly Filers

Monthly Filers are those businesses that have paid between \$1,200 and \$11,999 in withholding during the lookback period. All new businesses registered will be given a Monthly filing frequency until a lookback can be performed. The only valid Deposit Period End Dates for Monthly filers is the last day of each month. Any other date will cause the return to error in our processing system. Payments for Monthly filers are due to our department by the 15th of the following month. The Form MW-3 and W-2s are due to our department by January 31st of each year.

Accelerated Filers

Accelerated filers are those businesses that pay more than \$12,000 in withholding during the lookback period. Montana follows the same schedule for payment due dates as the IRS. Deposit Period End Dates on the Montana Form MW-3 would be the date the money was withheld, not the date paid. The Form MW-3 and W-2s are due to our department January 31st of each year.

Not Required

Those businesses that have a Not Required filing frequency are not expected to make a payment but they all *must* file the Form MW-3 and W-2s. New businesses that indicate on the registration form their primary business is agricultural or domestic will be given a Not Required filing frequency. If payments are submitted to our department, they should be treated the same way as an annual filer. The Deposit Period End Date would be the last day of the year. Any other date will cause the return to error in our processing system.

Testing/Approval Process

If you cannot complete some of the required test scenarios outlined below or your software has limitations on certain fields of the MW-3 return that cannot meet the test criteria, your 2025 Payroll Provider LOI and initial test submissions needs to document these limitations in detail to help with the testing approval process. Once the test files and PDF copies are received, they will be loaded into our test environment and scheduled for review. Any corrections needed will be communicated back to the software vendor, once testing is complete. Corrections should then be made to the test files and those files resubmitted for review. After all tests have passed, the software product will be approved to submit production returns for the tax year that was tested. **NO PRODUCTION RETURNS** should be submitted prior to being approved by the Montana Department of Revenue. This development process will need to be completed on an annual basis, to verify any changes to the form and schema have been updated correctly. The testing process described above will take place outside of the normal process for transmitting the MW-3 return.

Please note: The following scenarios apply to both the electronic (XML) and paper (PDF) copies of the returns. We will be reviewing each electronic return against the provided PDF copy to verify the scenarios have been met and the returns match. The PDF copy created for testing needs to be generated from the XML data processing in your system. If the PDF does not match the XML submission, your test(s) will be rejected.

You *MUST* submit the XML return along with PDF copy of same return. All data should match between the PDF and XML returns.

Required elements that are optional in the Schema:

- Transmission Detail/Submission:
 - Internet Protocol: Ipv4AddressTxt or Ipv6AddressTxt
 - Timestamp
- ReturnHeaderState:
 - Jurisdiction
 - Timestamp
 - SoftwareID
 - SoftwareVersion
 - TaxPeriodBeginDate
 - TaxPeriodEndDate
 - TaxYear

If you cannot complete some of the required test scenarios outlined below or your software has limitations on certain fields of the MW-3 return that cannot meet the test criteria, please document these support limitations in your 2025 Payroll Provider LOI and your initial email test submissions.

Automated Web Bulk Upload API

See the test criteria outlined on the AutomatedWebBulkUploadService tab of the MTST_TY25_FSET_FormMW3_Specifications document on SES.

TransAction Portal Upload

See the test criteria outlined on the TransActionPortalUpload tab of the MTST_TY25_FSET_FormMW3_Specifications document on SES. Each test file can be submitted independently or combined into one test file, if all three test returns are submitted. A brief example of the files and returns we would expect to see tested is below. When the test files are ready to be submitted, save the files with a .ZIP file extension and email the files, with PDF copies of the returns, to DORe-Services@mt.gov.

Common Errors

A common error on Form MW-3 XML submissions is that Line 4 does not match the total of Column C and Line 5 does not match the total of Column D.

4. Total Montana withholding tax withheld per W-2s and Forms	
1099	
30,351.00	
	[17,181.00] [Line 4 <> Col C]
5. Total Montana withholding tax paid	
30,351.00	
	[17,181.00] [Line 5 <> Col D]

<pre> <ReturnDataState> <StateAnnual> <TaxYear>2022</TaxYear> <SubmitW2>3</SubmitW2> <Submit1099>3</Submit1099> <NumberOfRecords RecordType="W2">24</NumberOfRecords> <NumberOfRecords RecordType="1099">24</NumberOfRecords> <TotalWagesYear>223789.11</TotalWagesYear> <TotalIncomeTaxWithheld>11810.00</TotalIncomeTaxWithheld> <TaxWithheldYear>11810.00</TaxWithheldYear> <TaxRemittedPeriodAmount> <TaxRemittedPeriodEnd>2022-03-31</TaxRemittedPeriodEnd> <TaxRemittedPaymentDate>2022-04-15</TaxRemittedPaymentDate> <TaxRemittedTaxWithheld>1861.00</TaxRemittedTaxWithheld> <TaxRemittedTaxPaid>1861.00</TaxRemittedTaxPaid> </TaxRemittedPeriodAmount> <TaxRemittedPeriodAmount> <TaxRemittedPeriodEnd>2022-06-30</TaxRemittedPeriodEnd> <TaxRemittedPaymentDate>2022-07-15</TaxRemittedPaymentDate> <TaxRemittedTaxWithheld>2324.00</TaxRemittedTaxWithheld> <TaxRemittedTaxPaid>2324.00</TaxRemittedTaxPaid> </TaxRemittedPeriodAmount> <TaxRemittedPeriodAmount> <TaxRemittedPeriodEnd>2022-09-30</TaxRemittedPeriodEnd> <TaxRemittedPaymentDate>2022-10-17</TaxRemittedPaymentDate> <TaxRemittedTaxWithheld>3606.00</TaxRemittedTaxWithheld> <TaxRemittedTaxPaid>3606.00</TaxRemittedTaxPaid> </TaxRemittedPeriodAmount> <TaxRemittedPeriodAmount> <TaxRemittedPeriodEnd>2022-12-31</TaxRemittedPeriodEnd> <TaxRemittedPaymentDate>2022-12-15</TaxRemittedPaymentDate> <TaxRemittedTaxWithheld>4019.00</TaxRemittedTaxWithheld> <TaxRemittedTaxPaid>2635.00</TaxRemittedTaxPaid> </TaxRemittedPeriodAmount> </StateAnnual> </ReturnDataState> </pre>	<p>The <TotalIncomeTaxWithheld> element must equal the sum of the <TaxRemittedTaxWithheld> elements.</p> <p>The <TaxWithheldYear> element must equal the sum of the <TaxRemittedTaxPaid> elements.</p> <p>Do not include future scheduled payments in the input values for these fields.</p>
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Please ensure that your software does not allow user override of these fields. Also do NOT include any future dated payments in the schedule.

Transmitting MW-3 Returns

After approval has been received for your software, production returns can start being submitted either through the API or TAP. If you have been approved for API transmissions the submissions will be submitted directly from your software into to our system with either an acknowledgment for success or failure with a listing of errors. To submit in TAP, create the file(s) using the schema, save as a ZIP file to be uploaded into our processing system. Files that are to be uploaded using TAP will be validated before being accepted. Files that do not pass validation will need to be corrected and resubmitted. If you run into any problems transmitting MW-3 returns, please contact DORE-services@mt.gov.

Acknowledgments

TransAction Portal (TAP)

Acknowledgement of receipt of the return will not be handled through the schema. Instead, acknowledgements will be given after files have successfully been uploaded into TAP. The confirmation number given in TAP will be for each submission. A submission could be a single return or a bulk upload of multiple returns.

API

If submitting through the API, you will receive acknowledgements for successful transmissions as well as acknowledgements of errors with a listing of transmission file errors for unsuccessful submissions.

Developer Expectations and Responsibilities

The Montana Department of Revenue has expectations for the software developers supporting the various Montana returns. These expectations are listed below.

- Accurately complete the 2025 Payroll Provider Letter of Intent.
- Meet all state requirements per the specification documents.
- Participate and successfully complete the approval process with the Department of Revenue.
- Provide complete and accurate returns for the taxpayers of Montana.
- Submit accurate, well-formed XML returns to the department.
- Provide and perform schema validation on all returns prior to submission.
- Be responsive to department requests for correction of software issues.
- Provide timely software updates for your users in support of accurate production returns.
- Only submit production returns after your software has been approved for production. Returns may be rejected when submitted before the January production window opens.
- Notify the Montana Department of Revenue if any issues arise that might delay the submission and processing of returns.
- The Montana Department of Revenue will not be able to process XML files that are corrupt, do not meet the required specifications, or do not represent complete and accurate tax returns and information.
- The Montana Department of Revenue is not liable for data loss or data destruction related to returns submitted to the Department.

MONTANA Department of REVENUE		Montana Annual W-2 1099 Withholding Tax Reconciliation						Form MW-3 V1 6/2021	
Tax Year		2040		← Year Required					
Name	100		FEIN			160-170			
Address	110		Account ID			180		W T H	
City	120		Pay Frequency	190					
State	130	Zip	140	150	Address Change		Due Date	January 31 200	
A Deposit Period End Date	B Date Paid to MT DOR	C Montana Tax Withheld	D Montana Tax Paid	E Difference					
M M D 350 Y Y Y Y	M M D 360 Y Y Y Y	370	380	390					
M M D D Y Y Y Y Y	M M D D Y Y Y Y Y								
M M D D Y Y Y Y Y	M M D D Y Y Y Y Y								
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