Montana Corporate Income Tax MeF Tests

2018 Focus Letter

Dear Software Developers,

Montana test returns for 2018 will consist of scenarios. The tests and business rules document will incorporate numerous changes to the 2018 Form CIT.

**Scenario Updates:**

Each scenario is designed to work in conjunction with the Business Rules document. To ensure your software is properly accounting for each line item, source documents (i.e. Federal and Montana forms, schedules, and detailed statements) are required with each test submission. The department will not test your submission until all required documents are provided.

**Resubmission Requirements:**

When resubmitting tests, the following is required:

* You must address all failed line items from the previous submission prior to resubmission. If resubmitting with partial corrections, provide a detailed statement advising which line items you are addressing in the resubmission.

**Changes:**

Overall there is a reorganization of the form. Pages 1-5 stayed the same, followed by Schedule M (Pages 6-8), Schedule C, Schedule K-Combined (pages 10-12), Schedule NOL (13-14), and Schedule WE.

Schedule NOL is a brand-new schedule. Schedule K-Combined was expanded from 2 to 3 pages. Schedule M was expanded from 1 to 3 pages.

* Page 1, Mark all that apply section – we took out the “Do not need Form CLT-4 sent next year option. And centered the remaining choices
* Page 1, Part I, Line 1 – we changed “exempt” to “protected”
* Page 1, Part I, Line 1 – we added a sub line to line 1 asking “how many companies are claiming protection under Public Law 86-272?”
* Page 1, Part I, Line 3 – we eliminated the question under Line 3.
* Page 1, Part I, Line 4, part e – We have added the additional instructions “attach statement”
* Page 1, Part II, Line b – we added the additional instructions “Schedule NOL must be included.”
* Page 1, Part III, Line b, we added a new question here (How many members of the unitary group had property, payroll or receipts in Montana or have an interest in a pass-through entity with Montana activity during the taxable period) and then we renumbered the remaining questions.
* Page 2, Part III, Line k - we added the clarification question “If yes, how many corporations?” to the end of this question.
* Page 2, Part III, Line l - we added the clarification question “If yes, how many corporations?” to the end of this question.
* Page 2, Part III, Line n – we added the new question “Did this corporation or any member of the consolidated group directly or indirectly have an interest in a domestic partnership? If "Yes," how many partnerships?
* Page 2, Part III, Line o – we added the new question “Did this corporation or any member of the consolidated group directly or indirectly have an interest in a foreign partnership? If "Yes," how many partnerships?
* Page 2, Question P is a new question we added in between sections III and IV. “For multistate taxpayers, when computing the Montana receipts apportionment factor using market sourcing, was reasonable approximation used to assign receipts? (see instructions) If “Yes,” provide a brief description:”
* Page 2, Part IV, we removed the questions a-c then moved question d up to be the new questions a and question e to be the new question b
* Page 2, Part IV, Line c – we added the new question “I filed IRC Section 965 Transaction Tax Statement as part of my 2017 federal income tax filings. “
* Page 2, Part IV, Line d – we added “I filed IRC Section 965 Transaction Tax Statement as part of my 2018 federal income tax filings. “
* Page 3, Reductions, Line 3b – We updated the wording from nonbusiness to nonapportionable.
* Page 3, We added a new header above line 5. Combined filers must use Schedule K-Combined for lines 5 through 10 below. (See instructions)”
* Page 3, Line 8 – we added clarifying instructions under this question “Use schedule NOL for Form CIT on page 10 to calculate your net operating loss carryover.”
* Page 5, Header, we added a new instruction line in the header immediately above line 1. “For combined filers, also complete Schedule-K Combined. (See instructions)”
* Page 5, Section 3, We updated the header in this section to read “3. Gross Receipts Factor: 2018 Change to Market Sourcing”
* Page 5, Section 3, Lines 3a, 3b, 3c, 3d, 3g, 3h, 3i, and the total lines we updated the word “sales” to “Receipts” to match statute changes.
* Page 5, Line 5, we updated the word sales to receipts.
* Page 6, Instruction header, we added the clarifying instructions “Form 851 is not an acceptable substitution for this section.”
* Page 6, Table, Column D, we added the question to “Considered a Disregarded Entity”, and re-lettered the following columns
* Page 6, Table, Column F – reworded the question to read “Have any activities in Montana?”
* Page 7, Instruction header, added the word “foreign” before disregarded entities
* Page 7, Table, this used to be the bottom of the previous forms Schedule M. We have split them and then added one more table.
* Page 7, Table, Column E – reworded the question to read “Have any activities in Montana?”
* Page 8, This is a new table the whole instruction header, and table are new
* Page 9, Header, - reworded the second line of the header to read “Separate Corporation Calculations”
* Page 10, Header, - reworded the second line of the header to read “Separate Corporation Calculations (continued)”
* Page 10, Section 3, Lines 3a, 3b, 3c, 3d, 3g, 3g, 3h, 3i, 3k, 3l, 3n, changed the word “sales” to “receipts” to match the statute change.
* Page 10, bottom of page, added a clarification after line 5b “\*Please include the amounts in columns A and B on Schedule K.
* Page 11, This section used to be at the bottom of the second page of Schedule K combined. We have expanded it into its on section, on a new page
* Page 11, Section 6, Line 6b – changed the reference to “(in each column, multiply (5a) on page 11 by line (6a))
* Page 11, Section 6, Line 6c – This is a new line
* Page 11, Section 6, Line 6d – This is the old line 6c that has been moved down
* Page 11, Section 6, Line 6e – this is a new line
* Page 11, Section 6, Line 6f – this is a new line
* Page 11, Section 6, Line 6g – This line has been updated to include clarifying instructions, and updated page references.
* Page 11, Section 6, Line 6h – This used to be line 6e

Page 11, Section 6, Line 6i – This line was created from the old subline on 6e. We have moved it down to be its own line and have updated the page references

* Page 11, Section 6, Line 6j - This used to be line 6f, updated the line references
* Page 11, Section 6, Line 6k – This used to be line 6g, updated the line references
* Page 11, Section 6, Line 6l – This used to be line 6h, added clarifying instructions at the end of the sentence.
* Page 11, Section 6, Line 6m – This used to be line 6i, updated the line references
* Page 11, Section 6, Line 6n – this used to be line 6j
* Page 11, Section 6, Line 6o – This is a new line.
* Page 12 and Page 13 are completely new schedules
* Page 14, Line 19, Added a new tax credit
* Page 14, Lines 20-25 renumbered the lines due to the new tax credit
* Page 14, Line 25 used to be the film recapture credit. This is no longer a valid credit so we have removed it from the form
* Page 14, Bottom of page, we added further clarifying instructions, to the preexisting instructions after line 28.
* Page 15, Part I, Line 1 – We reworded the statement on line one to “Enter the tax periods for which you received an approval letter from the department for a valid Water's Edge Election”
* Page 15, Part IV, Column 2. – We added a new column “Entity Type” and renumbered the next two columns.

**Business Rule Document Changes**

The business rule document has been updated to reflect the changes to the form discussed above and the applicable statute and rule changes as well as to include reject codes that we have not previously had. We have focused on issues that we determined to have a high priority and plan to implement others in future years.

Thank you for your time and efforts to support Montana electronic-filing to ensure your product offers accurate filing for your customers. The department supports you. Please do not hesitate to contact our team with questions or suggestions. Your accurate product makes our jobs and your customers’ jobs easier.