



# 2019 Montana Net Operating Loss (NOL) for Individuals, Estates, and Trusts

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

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## Before You Start

### Montana Net Operating Loss (NOL) and Federal NOL

A Montana NOL arises when the sum of business deductions reduce 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.

Nonresident individuals, estates or trusts calculate their NOL based on their everywhere income, not their Montana source income. If you are a nonresident taxpayer you may have an NOL reducing your taxable income (before the application of the nonresident ratio) and no Montana source losses, or an overall Montana source loss but no NOL.

### 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.

Montana Class A NOL deductions designate deductions 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.

Montana Class B NOL deductions designate deductions that arose from losses incurred in tax years beginning after December 31, 2017.

Class B NOL amounts cannot be carried back except for farming losses. They can be carried forward indefinitely, but are limited to 80 percent of taxable income. Nonresidents must track their Montana source losses included in Class B NOL amounts.

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## 2019 NOL

### Loss incurred in 2019

You may have a Montana NOL in 2019 if your Montana taxable income is less than zero. Individuals may figure their taxable income by subtracting their standard or itemized deduction (Form 2, line 12) and their personal exemptions (Form 2, line 13) from adjusted gross income (Form 2, line 11). Use the 2019 NOL Schedule to calculate your 2019 NOL. An NOL from 2019 is a Class B NOL.

### Nonresidents and Part-year Residents

To accurately calculate the nonresident/part-year resident tax when a Class B NOL carryover amount is deducted, nonresident individuals, estates, and trusts must identify their Montana source losses included in their NOL deduction. When a nonresident reduces their taxable income with a Class B NOL carryover amount, this reduction applies to the taxable income and thus the resident tax. The proportion of Montana source losses included in this NOL deduction may reduce the nonresident ratio in a different proportion. See Example 4 in the NOL Deduction and Carryover Amounts section.

### 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.

## 2019 NOL Schedule

Use the 2019 NOL Schedule to determine if you have a Montana NOL in 2019. This schedule helps you apply the limitations on nonbusiness capital losses, ordinary nonbusiness deductions and business capital losses used to calculate an NOL.

If your NOL includes farming losses, see instructions for the Farming Losses Schedule on page 2 to determine if you can carry these farming losses back two years.

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 individuals, Form 2, line 11 for trust and estates, Form FID-3, line 24; increased by 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 from Form 2, Montana

Subtractions Schedule, 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 from Form 2, Montana Additions Schedule.

**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, line 7).

**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 2019.

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

**Line 1a**—Enter your Montana source income 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.) If your Montana source income is less than zero, you may have Montana source losses included in your Montana NOL. If your Montana source income for 2019 is zero or more, skip Column II. You do not have Montana source losses included in your Montana NOL.

**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 2019 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.

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## Farming Losses Carryback Schedule

When you have farming losses, you can carry the losses back two years. Your farming losses are the smaller of:

- The amount that would be the NOL for the tax year if only the income and deductions attributable to your farming businesses were taken into account; or
- The NOL for the tax year.

You have a farming business if your trade or business involves one or more of the following:

- Cultivating land;
- Raising or harvesting any agricultural or horticultural commodity;
- Operating a nursery or sod farm;
- Raising or harvesting tree-bearing fruit, nuts or other crops, or ornamental trees;
- Raising, shearing, feeding, caring for, training and managing animals.

You do not have a farming business if:

- You perform contract harvesting;
- Someone else grows or raises an agricultural or horticultural commodity for you; or
- You merely buy or sell plants or animals grown or raised by someone else.

## How to Claim Refunds from Carryback Years

You can claim a refund by filing an amended income tax return. You must file an amended return for each year to which you can apply NOL from farming losses. In addition, you must use the Farming Losses Schedule to determine how much of your NOL deduction from farming losses can be applied (line 9a) and carried over (line 10). You must file your completed Schedule with each amended tax return. Farming losses that arose in 2019 are Class B NOL deductions. They can only reduce up to 80 percent of your taxable income as determined before application of the deduction.

## Instructions for Nonresidents

If you are a nonresident carrying back farming losses, and all or part of your farming losses are Montana source losses, you must reduce your Montana source income for the carryback year by an amount equal to your Farming Losses Schedule, line 9b, multiplied by the ratio of Montana source farming losses included in your 2019 farming losses over the overall amount of farming losses from 2019. Report this reduction in Montana source losses on your Montana income tax return, Form 2 or FID-3 Nonresident/Part-year Resident Schedule, farm income or (loss).

Do not include any 2019 farming NOL deduction on your 2017 Form 2, Nonresident/Part-Year Resident Schedule, line 20.

Losses associated with one entity or activity cannot be reallocated to another entity or activity. For example, if you incur a loss growing soy beans in North Dakota, this loss cannot be attributed to a gain on ranching activities in Montana. If loss flows from a pass-through entity, an estate or a trust, you must use the amount of Montana source farming losses reported on your Montana Schedule K-1.

**Example:** In 2019 you incurred a Montana NOL of \$60,000. This Montana NOL includes \$50,000 of farming losses. You can only carry back \$50,000 to your 2017 return.

Included in the \$50,000 of farming losses are Montana source farming losses from an operation located in Montana, or \$20,000 (a ratio of 0.4).

After completing the Farming Losses Schedule, 2017 Tax Year column, the deductible amount of farming NOL allowed in 2017 is \$15,000. You must reduce your Montana source income on your 2017 Form 2, Schedule IV, line 12 by  $\$15,000 \times 0.4$ , or \$6,000.

On your Farming Losses Schedule, you can report \$35,000 of NOL to the 2018 Tax Year column and calculate your NOL deduction and carryover amount.

Assume that line 10 of the 2018 column is \$5,000. This is the amount of NOL carryover amount available for future years to report on Class B NOL Carryover Schedule, line 3. Included in this amount are \$2,000 ( $0.4 \times \$5,000$ ) of Montana source farming losses to report on the Class B NOL Carryover Schedule, line 8.

## How to Waive the Carryback Period for Farming Losses

You can choose not to carry back your NOL farming deduction. If you want to make this choice, mark the box electing to forgo the carryback of your NOL on Form 2, page 3, or on your Form FID-3. You have to make this election by the due date (including extension of time) for filing your tax return for your NOL's tax year. 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 have to 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 2019 NOL Schedule, line 25, to the Class B NOL Carryover Schedule.

## Farming Losses Schedule—Line Instructions

**Line 1**—Enter the amount shown on your 2019 NOL Schedule, line 25, on line 1 of the column for Tax Year 2017.

**Line 2**—Enter your Montana taxable income from Form 2 or Form FID-3 for that year before applying any NOL deduction from 2019. This amount may already include NOL deductions from years before 2019.

**Line 3—Net Capital Loss Deduction.** Enter as a positive number the amount, if any, shown (or as previously adjusted) on 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 have to 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.

**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 9b—NOL deduction for the Tax Year.** This is the amount of deduction you can take on your amended return for the tax year. Report this amount on your Subtractions Schedule, Montana net operating loss carryover line.

**Line 10—NOL Carryover.** Report this amount on line 1 of the column for the next year of the carryback period. After completing 2017 and 2018 columns, report the amount on Class B NOL Carryover Schedule, line 3.

## **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 2019 NOL carryback.** This is the Montana adjusted gross income for the preceding year to which you will apply the 2019 NOL. This amount may already include

NOL deductions from years before 2019.

**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 the Farming Losses Schedule	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  <b>If No.</b> Your deduction is not limited. Enter the amount from line 19 on line 20 of Form NOL, Schedule B and enter -0- on line 21. <b>Do not</b> complete the rest of this worksheet.  <b>If Yes.</b> 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.		
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 Form NOL, Farming Losses Schedule, 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:

- \$313,800 for joint filers and qualifying widow(er); \$287,650 for head of household; \$261,500 for unmarried (and neither head of household nor qualifying widow(er)); 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 Deduction and Carryover**

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

If you are taking an NOL deduction on your 2019 income tax return 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 2020.

If you are taking an NOL deduction on your 2019 income tax return that includes only Class B NOL amounts, you must 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 lesser of your modified taxable income, or 80% of your taxable income figured without any NOL deduction. The amount you can carry over to 2020 on the Class B NOL Carryover Schedule is the difference between your NOL carryover amount from 2018 and the deductible amount.

**Example 1:** In 2019 your taxable income before any NOL deduction is \$5,000, and your NOL amounts applied to the current year include \$11,000 of Class B NOL. Your NOL deduction is limited to 80% of taxable income before any NOL deduction, or \$4,000. Your modified taxable income from



the Class A/B NOL Carryover Schedule is \$6,000. Your deductible amount is \$4,000 because your Class B NOL amount limited to 80% of your taxable income is less than your modified taxable income. You report \$4,000 of deductible amount on the Montana NOL line of your Subtractions Schedule, and \$7,000 (\$11,000 - \$4,000) on line 1 of the Class B NOL Carryover Schedule.

If you are taking an NOL deduction on your 2019 income tax return that includes Class A and Class B NOL, you must use your Class A NOL first.

If the total of your Class A NOL applied to 2019 is more than your taxable income figured without any NOL, 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 2020. In this case, any Class B NOL amounts from 2019 is carried over to 2020 on line 1 of the of the Class B NOL Carryover Schedule.

If your Class A NOL applied to 2019 is less than your taxable income figured without any NOL deduction, complete the Class A/B NOL Carryover Determination Schedule to figure 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 already taken. The amount of Class B NOL you can carry over to 2020 on the Class B NOL Carryover Schedule is the difference between your Class B NOL from 2019 and the deductible amount.

**Example 2:** Same as example 1, except that the NOL amounts applied to the current year include \$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/B NOL Carryover Determination Schedule to determine the amount of Class A NOL to carryover to 2020. 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 amounts applied to the current year include \$2,000 of Class A NOL carryover and \$9,000 of Class B carryover. Since your Class A carryover amount (\$2,000) is less than your taxable income figured without any NOL deduction (\$5,000), your NOL deduction includes all your Class A NOL from prior years and some of your Class B NOL from 2019. You complete the Class A/B NOL Carryover Determination Schedule reducing your taxable income by \$2,000 and you determine that your modified taxable income is now \$3,500. Your deductible amount of Class B NOL is \$3,500 because your modified taxable income is less than 80% of your taxable income figured without regard to any NOL deduction (\$4,000). You report \$5,500 (\$2,000 + \$3,500) of NOL deduction on the Montana NOL line of your Subtractions Schedule, and \$5,500 (\$9,000 - \$3,500) of Class B carryover amount on the Class B NOL Carryover Schedule, line 1.

Nonresidents individuals, estates and trusts 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 amount. This amount of Montana source losses equals the deductible amount of Class B NOL multiplied by the ratio they calculated on the previous year 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 2019 income tax return. Your taxable income is reduced to \$10,000. On your 2019 Class B NOL Carryover Schedule, line 11, your ratio of Montana source NOL is 10% (0.1). In 2019, your total Montana source income before Montana source NOL is \$25,000. You must reduce your 2019 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 in 2019 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 deduction allows you to determine which NOL deduction needs to be recalculated when you are using several NOL deductions against your 2019 taxable income.

Keep this table as a reference to complete your tax return for next year, or if the Montana Department of Revenue requests a summary of your NOL balance for 2019.

## 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 2018. 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 2019 Montana Taxable Income in the order you incurred them. Report the amount of NOL that is entirely used for each line against your 2019 taxable income. Proceed until all the 2019 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 particular loss year. Copy the total amount from Column B to Column D for the subsequent years.

**Example 5:** Your taxable income for 2019 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 2017 that you report in Column B for 2017, and a \$7,000 carryover from 2018 also reported in Column B, but on the 2018 line. Subtract your 2017 NOL of \$2,000 from \$5,000, and report the \$2,000 in Column C. This gives you taxable income of \$3,000. Your 2017 NOL is now completely exhausted. Subtract your \$7,000 2018 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 2018 NOL, use the Class A/B NOL Carryover Determination Schedule. Your NOL deduction to carry over to 2020 is the unused part of your 2018 NOL from line 10 of the worksheet.

## **Class A/B NOL Carryover Determination Schedule**

You must use Class A NOL against your taxable income before you use your Class B NOL.

If you had a Class A NOL deduction that resulted in taxable income on your 2019 return of zero (or less than zero, if an estate or trust), complete the Class A/B NOL Carryover Determination Schedule. Your NOL carryover to 2020 is the total reported on line 10 of the schedule and all later NOL amounts as reported on the Class A NOL Tracking Table.

If you are a nonresident, see the instructions for Form 2, Nonresident/Part-Year Resident Ratio Schedule.

**Line 1**—This is the NOL amount of Class A or Class B NOL you are applying to 2019 and for which you are calculating the carryover amount.

**Line 2**—Enter your NOL deduction for the NOL year entered at the top of the schedule and subsequent years as a positive amount. (You can use Column D of the tracking table to

determine this number). Add it to your negative taxable income (calculated without the NOL deduction). Enter the result on line 2.

If you are determining your deductible and carryover amount of Class B NOL, reduce this amount by any amount of Class A NOL applied to 2019 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 of the worksheet 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 of the schedule;
- 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 of the schedule; and
- The NOL deduction for the NOL year entered at the top of the Schedule and for later years.

**Line 23**—If you had a contributions carryover from 2018 to 2019 and your NOL deduction includes an amount from an NOL year before 2018, you may have to reduce your contributions carryover. Reduce the contributions carryover by the amount of any adjustment you made to your 2018 charitable contributions deduction when figuring your NOL carryover to 2019. Use the reduced contributions carryover to calculate the amount to enter on line 23.

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## **Class B NOL Carryover Schedule**

The Class B NOL Carryover Schedule requires you calculate your Class B NOL carryover amount for 2020 in Column I.

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 2020.

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



# 2019 Net Operating Loss (NOL) Schedules

V2 2/2020

Calendar year 2019 or tax year beginning \_\_\_\_\_ 2019 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
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## 2019 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 2019 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 on line 22 the amount from line 15.	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 the loss, if any, from line 21 of your 2019 Schedule D (Form 1040 or 1040-SR). Estates and trusts, enter the loss, if any, 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 2019 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		

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<b>Farming Losses Carryback and Class B Carryforward Schedule</b>		<b>2019 NOL applied to Tax Year 2017</b>		<b>2019 NOL applied to Tax Year 2018</b>	
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 2019 NOL carryback (see instructions). Estate 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			
9a	Modified taxable income. Add lines 2 through 8. If zero or less, enter "0" (zero).	9a			
9b	Enter the lesser of line 9 or 80 percent of your taxable income figured without any NOL deduction.	9b			
10	NOL carryover (see instructions). Subtract line 9b 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 2018 NOL carryback.	11			
12	Add lines 3 through 6 above.	12			
13	Modified adjusted gross income. Add lines 11 and 12.	13			
14	Medical expenses from Form 2, Schedule III, line 4 (or as previously adjusted).	14			
15	Medical expenses from Form 2, Schedule III, line 1 (or as previously adjusted).	15			
16	Multiply line 13 by percentage from Schedule III (Form 2), line 3.	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, Schedule III (or as previously adjusted).	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 NOL carryback from a year before 2019 that was deducted to figure line 11.	23			
24	Add lines 22 and 23.	24			
25	Charitable contributions (including any carryovers) from Form 2, Schedule III (or as previously adjusted).	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	Only for Tax Year 2017, complete the Itemized Deductions Limitation worksheet on page 5 if line 22 is more that the applicable amount shown in the instructions. Otherwise, combine lines 18, 21, 27, 32 and 37; enter the result here and on line 7.	38			

If you file your Montana tax return electronically, you do not need to mail this schedule to us unless we ask you for a copy. When you file electronically, you signify that you have retained the required documents in your tax records and will provide them upon the department's request.

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**Itemized Deductions Limitation Worksheet**

	Tax Year	Tax Year
1 Add the amounts from Farming Losses 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		
2 Add the amounts from Farming Losses 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		
3 Subtract line 2 from line 1. If zero or less, stop here; combine the amounts from Farming Losses Schedule, lines 18, 21, 27, 32 and 37, and enter the result on line 38 and on line 7 of Farming Losses Schedule.		
4 Multiply line 3 by 80 percent (0.80).		
5 Enter the amount from Farming Losses Schedule, line 22.		
6 Enter the applicable amount: See instructions for Farming Losses Schedule, line 38.		
7 Subtract line 6 from line 5.		
8 Multiply line 7 by 3 percent (0.03).		
9 Enter the smaller of line 4 or line 8.		
10 Total itemized deductions from Form 2, Schedule III, or as previously adjusted.		
11 Subtract line 9 from line 10.		
12 Subtract line 11 from line 10. Enter the difference here and on Farming Losses Schedule, line 7.		

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**Class A NOL Tracking Table**

2019 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			
<b>Total →</b>			



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**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	
9a Montana modified taxable income. Add lines 2 through 8. If zero or less, enter "0" (zero).	9a	
9b Enter the lesser of line 9a or 80 percent of your taxable income figured without any NOL.	9b	
10 Montana NOL carryover (see instructions). Subtract line 9b 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	
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**Class B NOL Carryover Schedule**

	<b>I</b>	<b>II</b>
1 Class B NOL Carryover Amount from Class A/B NOL Carryover Determination Schedule, line 10.	1	
2 2019 NOL Schedule, Column I, line 25. Subtract any farming losses carried back to 2017 and 2018.	2	
3 2019 NOL farming loss deduction carryover from the Farming Losses Schedule, 2018 column, line 10.	3	
4 Losses disallowed under IRC 461(l) in 2019.	4	
5 Add lines 1 through 4. This is the amount of NOL Deduction to carry over to 2020.	5	
6 Montana source losses included on line 1. Multiply line 1 by line 11 of the 2018 Class B NOL Carryover Schedule.	6	
7 Montana source losses from the 2019 NOL Schedule, Column II, line 25. Do not include any Montana source farming losses carried back to 2017 or 2018.	7	
8 Amount of farming losses included on line 3.	8	
9 Montana source losses included in the losses disallowed under IRC 461(l) in 2019.	9	
10 Add lines 6 through 9, this is the total amount of MT source losses included in your NOL deduction to carryover to 2020.	10	
11 Divide line 10 by line 5, this is your ratio of Montana source losses included in your Montana NOL deduction for 2020 reported on line 5.	11	