



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

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

The Montana Schedule K-1 is required to be provided to all owners. It shows information about an owner's share of Montana source income, gains, losses, deductions, credits, and other items from a pass-through entity.

**The federal Schedule K-1 cannot serve as a substitute for the Montana Schedule K-1.**

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

**Resident individual, estate, or trust owner.**

Your entire share of the entity's income, gains, losses, and deductions that are includable in your federal taxable income (Part 4), adjusted for Montana (Part 3), is taxable income.

Column II, Parts 3 and 4, will be blank.

**Nonresident individual, estate, or trust owner.**

If you are a nonresident, your share of the entity's income, gains, losses, deductions, and adjustments that are Montana source income is used to determine your Montana tax liability on Form 2 or Form FID-3. The amounts in Part 4, column I, are included in your federal taxable income. Report the amounts from Part 3, column I, on the Form 2, Montana Additions or Montana Subtractions Schedules, or Form FID-3, Schedules A or B. Report the amounts from Part 4, column II, and Part 3, column II, on the Form 2, Nonresident/Part-Year Resident Ratio Schedule, or Form FID-3, Schedule F, column B.

If you are a part-year resident, your share of Montana source income consists of your portion of everywhere income and adjustments

from Part 4, column I, received as a resident, and your portion of Montana source income and Montana source adjustments from Part 4, column II, received while you were a nonresident. See the Form 2, Nonresident/Part-Year Resident Ratio Schedule instructions, for an example. Some restrictions apply to estates and trusts. See the Form FID-3 instructions for more details.

**Composite return election.** If you are an eligible participant in a composite return filed on your behalf by the entity, do not file your own Montana tax return. If this applies to you, you received the Montana Schedule K-1 to show your share of tax items the entity reported, and the composite tax paid on your behalf.

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

**Beneficial Owner.** Provide the department the ultimate individual identification number of who will be claiming income on their tax return. This information is for administrative purposes, and also pertains to marijuana business' requirements.

**Amended Schedule K-1 (PTE).** If you received an amended Montana Schedule K-1 from the entity, you may need to file an amended Montana tax return to report the changes in Montana source income and adjustments.

## Part 3—Montana Adjustments

To compute Montana income taxable to pass-through entity owners, certain items must be added to income or deducted from income. The amounts listed are your share of additions and subtractions.

If you are an individual, estate or trust, these amounts are reported as additions to or subtractions from federal adjusted gross income to determine Montana adjusted gross income as reported on your Montana income tax return.

### Resident individuals, estates and trusts.

Report everywhere additions on Form 2, Montana Additions Schedule, line 12, or Form FID-3, Schedule A, line 8. Report everywhere subtractions on Form 2, Montana Subtractions Schedule, line 32, or Form FID-3, Schedule B, line 9.

### Nonresidents and part-year residents.

Subtract Part 3, column II, line 2 from Part 3, column II, line 1 and report the result on Form 2, Nonresident Part-Year Resident Ratio Schedule, line 13, or Form FID-3, Schedule F, line 13.

If you are a C corporation, see the Montana Form CIT instructions.

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

**Everywhere Column.** This column reports the items of income shown on your federal Schedule K-1.

**Line 4, Guaranteed payments.** This line is for partnerships only. The guaranteed payments remain with the partner receiving the payments as reflected on the federal Schedule K-1. The portion of the guaranteed payments that represents Montana source income are reported on this line.

**Montana Column.** This column shows the Montana source items of income and deduction for nonresident individuals, estates or trusts, pass-through entities, and C corporations. If you are a nonresident individual, estate, or trust, report these amounts on your Form 2, Nonresident/Part-Year Resident Ratio Schedule, or Form FID-3, Schedule F. If you are a

pass-through entity, report these amounts on the Montana Source Income Worksheet as instructed. **The Montana Column will be blank for Montana resident individuals, estates, and trusts. Montana source income for residents is reported in the Everywhere Column.**

## Part 5—Supplemental Information

Supplemental information needed to prepare your Montana tax return is listed in this part.

**Line 1—Total owner's share of Montana source income (loss).** This is the total Montana source income attributable to the owner. This amount is informational for individuals, estates, or trusts.

If you are a pass-through entity, report this amount on your Form PTE, page 1, line 19a.

If you are a C corporation, see the Montana Form CIT instructions.

**Line 2—Montana composite income tax paid on behalf of owner.** This is the amount of Montana composite income tax paid on your behalf by the entity. If you made this election, you are not required to file your own Montana tax return. This is for your information only.

**Line 3a—Montana income tax withheld by the PTE in Part 1 on behalf of owner.**

The entity named in Part 1 was required to withhold Montana income tax for nonresident individuals, trusts, or estates, or foreign C corporation owners who did not file a consent agreement (Form PT-AGR) and did not elect to participate in a composite return. The entity was required to withhold Montana income tax on second-tier pass-through entities. The amount withheld on your behalf is reported on this line.

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

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

**Line 4—Montana mineral royalty tax withheld.**

If mineral rights are held by the entity in which you have an ownership interest, the royalty payments made to the owners may be subject to withholding if certain thresholds are met. If the entity allocated the withheld mineral royalty tax to you, the amount you can claim as a credit is listed. This withholding should not be confused with the amounts deducted from royalty payments for production taxes.

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

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

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

**Line 1—Contractor's gross receipts tax credit.**

If the entity received a tax credit for contractor's gross receipts, report the CGR Account ID and your portion entered on line 1 on the credit schedule of your income tax return. If credit amounts from multiple CGR accounts are passing through to you, a schedule included with your Montana Schedule K-1 identifies how much credit passes through to you from each CGR account.

**Line 2—Other credit/recapture information.**

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

**Part 7—Montana Adjustments Detail**

If you are an individual, estate, trust, or C corporation, these amounts represent a breakdown of your Montana adjustments from Part 3. They are included for informational purposes only. Do not report any of these amounts on your income tax return.

If you are a pass-through entity, the amounts reported in this part must be included on your Montana Adjustments Worksheet based on their respective code. Code 1 is for everywhere adjustments, and Code 2 is for Montana adjustments.