

Form FRM Instructions

An individual or a family farm corporation that has an eligible agricultural business may establish a Montana farm and ranch risk management trust account. Deposits made into this account can be subtracted from their adjusted gross income. However, the amount excludable from adjusted gross income depends on the business' net income and cannot exceed \$20,000.

Eligible agricultural businesses are ones that produce food, feed and fiber commodities and/or raise, grow or produce any of the following for commercial purposes: livestock, poultry, bees, biological control insects, fruits, vegetables and crops (sod, ornamental, nursery, horticultural). Eligible agricultural business also refers to silviculture and the raising of domestic animals and wildlife in domestication or a captive environment.

Account Information

Grantor name and identification number. Provide the legal name and tax identification number of the grantor of the farm and ranch risk management trust. If the grantor is a family farm corporation, provide the name of the corporation as it is registered with the Montana Secretary of State.

Trustee. Provide the name and address of the financial institution designated as trustee.

Account number. Provide the account number assigned to the trust by the trustee.

Deposits

- List the date and amount of each deposit that you made for the specific tax year.
- You can make your deposits during the tax year or within 3½ months after the close of the tax year.
- Your deposits per year cannot exceed the lesser of 20% of your net income attributable to agricultural business, or \$20,000.

Deduction

- Net income attributable to agricultural business is the total net farm income that you reported on your federal Schedule F, net farm rental income that you reported on your federal Form 4835 or the gain from the sale of draft, breeding, dairy or sporting livestock that you reported on your federal Form 4797.
- If your deduction is for a family farm corporation, you may only report the amount of net income attributable to agricultural business allocated to you based on your distributive share of the income from the entity.
- Your deduction per year cannot exceed the lesser of 20% of your net income attributable to agricultural business, or \$20,000.
- Because deposits may not exceed the deduction to adjusted gross income allowed for that tax year, there is no carryover provision.

Distributions

- Any deposits that are distributed within six months of the date of your deposit are income in the year that you reported the associated deduction. Depending on the timing of the deposit and related distribution, you may need to file an amended return to report the distribution.
- Your deposits must be distributed within three years. The amounts not distributed within this time frame are considered to have been distributed on the last day of the third year. This distribution is taxable income, and a penalty equal to 10% of the tax due on this amount should be added to the tax on the distribution.
- If at any time within the three-year period you become disqualified because you are not engaged in an eligible agricultural business, the entire balance in the trust account is considered to be distributed and must be included in your adjusted gross income in the tax year you became disqualified. This distribution should be reported as an addition to federal adjusted gross income on Form 2, Montana Additions Schedule.

Questions? Please call us at (406) 444-6900.