
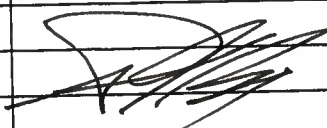





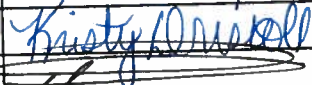


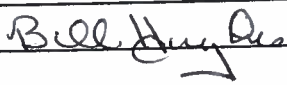
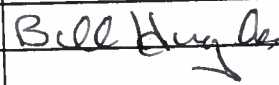
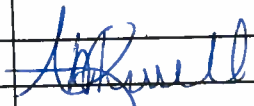

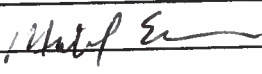



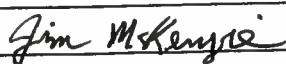



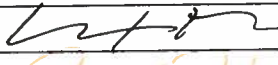


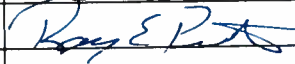
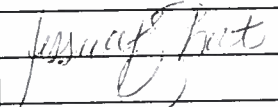
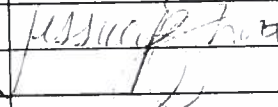
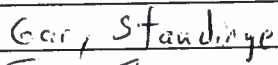
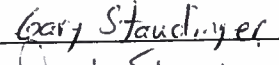
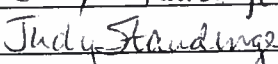
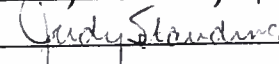
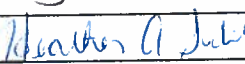



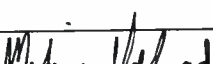
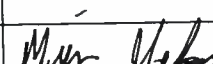
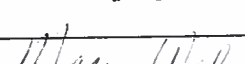
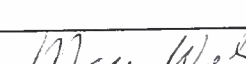
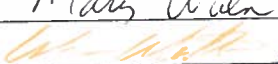
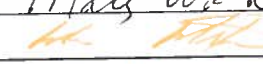
Butte Chapter of CPA's  
February 2, 2017  
MacKenzie River Pizza, Grill & Pub  
4:00-6:00pm  
AGENDA



1. Call to order
2. Treasurer's report
  - a. Checking Balance \$4,635.65
  - b. Money Market Balance \$0.00
  - c. Savings \$5,052.56
  - d. Account Receivable \$600.00
3. Presentation
  - a. Tracee Abel – Montana Department of Revenue – 2016 Pass Through Update, 2 CPE.
4. Meeting adjourned. Next meeting, May 16, 2017 Keith Duncan – Keystone Planning Group - Social Security Planning at Vu Villa, 4:00pm to 6:00 2 CPE

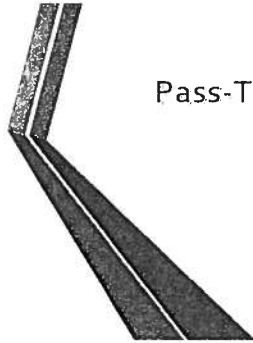
**BUTTE CHAPTER OF CPA'S**  
**2016 Pass Through Update**  
**2-Feb-17**  
**MacKenzie River Pizza, Grill & Pub**  
**4:00 to 6:00PM**

Last Name	First Name	Time In	Signature	Time Out	Signature
Boyce	John				
Bristol	Justin				
Bristol	Robert				
Burt	Pat	4:00		4:50	
Carlson	Linsay				
Carpenter	Stacey				
Clark	Brandon	4:00		6:00	
Clark	Nancy				
Cooper	Francine				
Crawford	Rose				
Dahl	Dylan	4:00		6:00	
Davis	Shelly				
Dennehy	Britney				
DiFronzo	Patrick				
Downey	Janet				
Driscoll	Kristy	4:00		6:00	
Durkin	Andy	4:00		6:00	
Gelling	April				
Gregovich	Barbara				
Harby	Gregory				
Hill	Annette				
Hitchcock	Laurie				
Hughes	Bill	4:00		6:00	
Huotte	Mike				
Janhunen	Joseph				
Johns	Mike				
Kissell	Alyssa	4:00		6:00	
Kober	Tim				
Lester	Bob				
Lester	Tammy				
Lewis	Michael	4:00		6:00	
McCarthy	Quinn				
McGree	Kyle	4:00		6:00	
McKenzie	Jim	4:00		6:00	
McLaughlin	Kathryn				

**BUTTE CHAPTER OF CPA'S**  
**2016 Pass Through Update**  
**2-Feb-17**  
**MacKenzie River Pizza, Grill & Pub**  
**4:00 to 6:00PM**

Last Name	First Name	Time In	Signature	Time Out	Signature
Nelson	Eric				
Novack	Jake				
Ouellette	Debbie				
Parnell	William	4:00		6:00	
Petersen	Ray	4:00		6:00	
Piazzola	Maryann				
Prigge	Leo				
Prigge	Jen				
Ranf	Lynn				
Rule	Mark				
Short	Jessica	4 PM		6:00 PM	
Short	Meghan				
Spear	Brad				
Stajcar	Amanda				
Staudinger	Gary	4:00		6:00	
Staudinger	Judy	4:00		6:00	
Struznik	Andrea				
Subik	Heather	4:00		6:00	
Thomas	Kyle				
Tippett	Craig	4:00		6:00	
Tregidga	Todd				
Ueland	Mike	4:00		6:00	
Vesco	Elaine				
Walsh	Mary	4:00		6:00	
Warthen	Warren	4:00		6:00	

Bazzanella Michele 4:00 -  6:00 - 



## Pass-Through Withholding and Composite Tax



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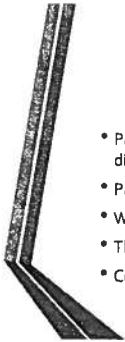
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### What you will learn

- Pass-through withholding and composite tax and the differences between them.
- Pass-through withholding requirements
- Who can claim pass-through withholding credits
- The ins and outs of Form PT-AGR
- Composite tax requirements

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#### What is pass-through withholding?

Pass-through withholding (PT-WH) is a tax payment made by a pass-through entity on behalf of an owner based on the distributive share of Montana source income allocated to that owner. The owner claims the PT-WH payment as a credit against their own tax liability.

#### What is composite tax?

Composite tax is an election. The election is made by the owner and allows the pass-through entity to file the composite tax return on the owner's behalf. An owner included in a composite tax filing is not required to file a Montana income tax return and is excluded from the PT-WH requirements.

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## Calculating Pass-Through Withholding

PT-WH is calculated by multiplying the owner's distributive share of Montana source income by the highest marginal effective income tax rate (MCA 4-9-2012 and 4-11-11). Payment of the PT-WH liability is due on or before the original due date of the return.

Owner Type:	PT-WH Rate:
• Non-resident Individuals, Estates, and Trusts	• 6.9%
• 2 <sup>nd</sup> tier Pass-Through Entities (S-Corporations, Partnerships, and Disregarded Entities)	• 6.9%
• Foreign C-Corporations	• 6.75%
• Tax-Exempt Entities	• 6.75%

The calculation of PT-WH is reported on the owner's Montana schedule K-1.

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## Who can claim PT-WH Credits?

PT-WH credits follow the distributive share of Montana source income from the pass-through entity and can only be claimed by a direct or indirect owner of the entity that is responsible for paying tax on the distributive share of income. (MCA 4-9-2012 and 4-11-11)

- Owners that can claim PT-WH as a credit against their own tax liability are:
- Individuals
  - Estates or trusts that do not issue taxable distributions to their beneficiaries
  - Foreign c-corporations
  - Tax-exempt entities

A second-tier owner that is a pass-through entity may not claim PT-WH as a refundable credit on income the entity has distributed to its owners. However, the entity may claim PT-WH as a credit against the PT-WH and composite tax liabilities the entity has calculated on behalf of its owners. (MCA 4-9-2012)

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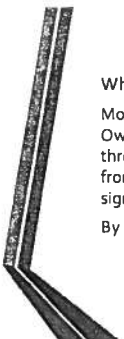
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## Montana Form PT-AGR

### What is Montana Form PT-AGR?

Montana Form PT-AGR, also known as the Pass-Through Entity Owner Tax Agreement, is an agreement between the pass-through entity and its owner that provides the entity a waiver from the PT-WH requirements. The PT-AGR is completed and signed by the owner.

- By signing and submitting the PT-AGR, the owner agrees to:
- timely file their Montana income tax returns.
  - timely pay taxes due.
  - be subject to the state's tax collection jurisdiction.

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## Completing Form PT-AGR

**REVENUE** Pass-Through Entity Owner Tax Agreement  
Form PT-AGR-10/15

The agreement is valid for the calendar year 2016.  
(It expires on 12/31/2016.)

**Part 1 - Pass-Through Entity Information**

Entity Name \_\_\_\_\_ EIN \_\_\_\_\_  
Mailing Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Pass-Through Entity Type:  S Corporation  Partnership  Other (SEE INSTRUCTIONS)  
Pass-Through Entity Code:  Personal Residence Trust

Provide information about the pass-through entity in Part 1. ALL fields must be completed or the agreement may be rejected.

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## Completing Form PT-AGR

**Part 2 - Owner Information**

Owner's Full Name \_\_\_\_\_

State Security Number \_\_\_\_\_ OR Federal Employer Identification Number \_\_\_\_\_  
Mailing Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Owner Entity Type:  Nonresident Individual  Nonresident Estate  Tax-Exempt Entity  
 Foreign Corporation  Nonresident Trust  Domestic 2nd Tier Pass-Through Entity (Complete page 2)

- Provide information about the owner in Part 2. ALL fields must be completed or the agreement may be rejected.
- New entity type added for domestic second-tier pass-through entities. When this box is checked, complete page 2

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## Completing Form PT-AGR

**Part 3 - Agreement and Signature**

Signature of Owner \_\_\_\_\_  
Date \_\_\_\_\_

**Part 4 - Revoke the Agreement**

Signature of Owner \_\_\_\_\_  
Date \_\_\_\_\_

- Complete Part 3 OR Part 4, but not both.
- Complete Part 3 to receive a waiver from pass-through withholding.
  - Complete Part 4 to revoking a previously filed PT-AGR.

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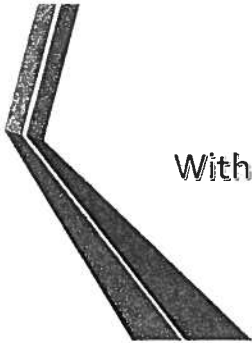
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## Pass-Through Withholding Examples

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### Example 1



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### Example 2



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## Composite Tax

Are there other requirements to make the composite tax election?  
Owners electing to be included in a composite tax return must qualify for the election. To qualify for the election an owner must:

- Have no other Montana source income
  - ✓ Montana source income from one or more pass-through entities where the owner has also made the composite tax election is okay.
- Provide written authorization (POA) to the pass-through entity to include the owner in a composite tax return.

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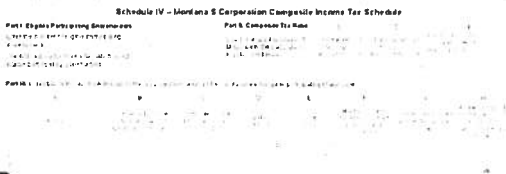
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## Calculating Composite tax

The composite tax liability is calculated on Schedule IV of the pass-through entity's Montana Form PR-1 or CLT-4S.



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## Calculating Composite tax

The composite tax calculation is based on:

- The owner's share of federal income
- Less: the Montana standard deduction for a single person and one exemption
- Multiplied by the effective income tax rate and apportionment factor. (ARM 17-2-201)

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## Need Help?

Website: <http://revenue.mt.gov/>

Toll free (866) 859-2254

Helena area 444-6900

TDD (406) 444-2830

Pass-Through Unit Manager:

Rachael Milne

[rmilne@mt.gov](mailto:rmilne@mt.gov), 444-3363

Tracee Abel, Specialist

[tabel@mt.gov](mailto:tabel@mt.gov), 444-1932

David Merrien, Specialist

[dmerrien@mt.gov](mailto:dmerrien@mt.gov), 444-7917