EXHIBIT 1
DATE 4.4.07
SB 470

15-30-1102. Income or license tax involving pass-through entities -- information returns required. (1) Except as otherwise provided:

(a) a partnership is not subject to taxes imposed in Title 15, chapter 30 or 31;

(b) an S. corporation is not subject to the taxes imposed in Title 15, chapter 30 or 31; and

(c) a disregarded entity is not subject to the taxes imposed in Title 15, chapter 30 or 31.

(2) Except as otherwise provided, each partner of a partnership described in subsection (1)(a), each shareholder of an S. corporation described in subsection (1)(b), and each partner, shareholder, member, or other owner of an entity described in subsection (1)(c), the first-tier pass-through entity, is subject to the taxes provided in this chapter, if an individual, trust, or estate, and to the taxes provided in Title 15, chapter 31, if a C. corporation. If a partner, shareholder, member, or other owner of an entity described in subsection (1) is itself a pass-through entity, any individual, trust, or estate to which the first-tier pass-through entity's Montana source income is directly or indirectly passed through is subject to the taxes provided in this chapter and any C. corporation to which the first-tier pass-through entity's Montana source income is directly or indirectly passed through is subject to the taxes provided in Title 15, chapter 31.

(3) Income realized for federal income tax purposes by a financial institution that has elected to be treated as an S. corporation under subchapter S. of Chapter 1 of the Internal Revenue Code and by its shareholders that is attributable to the financial institution's change from the bad debt reserve method of accounting provided in section 585 of the Internal Revenue Code, 26 U.S.C. 585, is not taxable under Title 15, chapter 30 or 31, to the extent that the aggregate deductions allowed for federal income tax purposes under 26 U.S.C. 585 exceeded the aggregate deductions that the financial institution is allowed under 15-31-114(1)(b)(i).

(4) (a) A partnership that has Montana source income shall on or before the 15th day of the 4th month following the close of its annual accounting period file an information return on forms prescribed by the department and a copy of its federal partnership return. The return must include:

(i) the name, address, and social security or federal identification number of each partner;

(ii) the partnership's Montana source income;

(iii) each partner's distributive share of Montana source income, gain, loss, deduction, or credit or item of income, gain, loss, deduction, or credit;

(iv) each partner's distributive share of income, gain, loss, deduction, or credit or item of income, gain, loss, deduction, or credit from all sources; and

(v) any other information the department prescribes.

(b) An S. corporation that has Montana source income shall on or before the 15th day of the 3rd month following the close of its annual accounting period file an information return on forms prescribed by the department and a copy of its federal S. corporation return. The return must include:

(i) the name, address, and social security or federal identification number of each shareholder;

(ii) the S. corporation's Montana source income and each shareholder's pro rata share of separately and nonseparately stated Montana source income, gain, loss, deduction, or credit or item of income, gain, loss, deduction, or credit;

(iii) each shareholder's pro rata share of separately and nonseparately stated income, gain, loss, deduction, or credit or item of income, gain, loss, deduction, or credit from all sources; and

(iv) any other information the department prescribes.

(c) **A disregarded entity that has Montana source income shall furnish the information and file the returns the department prescribes.** The return must include:

(i) the name, address, and social security or federal identification number of each member or other owner during the tax year;

(ii) the entity's Montana source income; and

(iii) any other information the department prescribes.

(d) (i) Except as provided in subsection (4)(d)(ii), a pass-through entity that fails to file an information return required by this section by the due date, including any extension, must be assessed a late filing penalty of $10 multiplied by the number of the entity's partners, shareholders, members, or other owners at the close of the tax year for each month or fraction of a month, not to exceed 5 months, that the entity fails to file the information return. The department may waive the penalty imposed by this subsection (4)(d)(i) as provided in 15-1-206.

(ii) The penalty imposed under subsection (4)(d)(i) may not be imposed on a pass-through entity that has 10 or fewer partners, shareholders, members, or other owners, each of whom:

(A) is an individual, an estate of a deceased individual, or a C. corporation;

(B) has filed any required return or other report with the department by the due date, including any extension of time, for the return or report; and

(C) has paid all taxes when due.

History: En. Sec. 11, Ch. 181, L. 1933; re-en. Sec. 2295.11, R.C.M. 1935; amd. Sec. 5, Ch. 260, L. 1955; amd. Sec. 4, Ch. 253, L. 1959; R.C.M. 1947, 84-4911; amd. Sec. 9, Ch. 143, L. 2001; Sec. , MCA 1999; redes. by Sec. 16(3), Ch. 143, L. 2001; amd. Sec. 2, Ch. 225, L. 2003.

42.9.501 PASS-THROUGH ENTITY INFORMATION RETURNS FOR SINGLE-MEMBER LLC TREATED AS DISREGARDED ENTITY (1) **Any** single-member limited liability company **(LLC) treated as a disregarded entity that has Montana source income**, whether formed in Montana or in another state or country, **must file a Montana Disregarded Entity Information Return**, Form DER-1, as provided in this rule **unless the sole member is an individual who has been a full-year Montana resident during the applicable reporting period**.

(2) If the single member of the LLC is a C corporation, the LLC must file the return on or before the 15th day of the third month following the close of the C corporation's annual accounting period.

(3) If the single member of the LLC is an S corporation, the LLC must file the return on or before the 15th day of the third month following the close of the S corporation's annual accounting period.

(4) If the single member of the LLC is a qualified subchapter S subsidiary, the LLC must file the return on or before the due date of the parent S corporation's information return.

(5) If the single member of the LLC is a real estate investment trust (REIT), the LLC must file the return on or before the 15th day of the third month after the close of the REIT's annual accounting period.

(6) If the single member of the LLC is a qualified REIT subsidiary, the LLC must file the return on or before the due date of the parent REIT's information return.

(7) If the single member of the LLC is an individual, estate, or non-grantor trust, the LLC must file the return on or before the 15th day of the fourth month following the close of the annual accounting period of the individual, estate, or trust.

(8) If the single member of the LLC is a partnership, the LLC must file the return on or before the 15th day of the fourth month following the close of the partnership's annual accounting period.

(9) If the single member of the LLC is a real estate mortgage investment conduit (REMIC), the LLC must file the return on or before the 15th day of the fourth month after the close of the REMIC's annual accounting period.

(10) If the single member of the LLC is a partnership that elected under IRC 761 to be excluded from some or all of the partnership tax rules, the LLC must file the return on or before April 15.

(11) If the single member of the LLC is not described in (1) through (10), the LLC must file the return on or before August 31.

(12) See ARM 42.15.201 and 42.15.202 to determine the time for filing a short-period return.

(13) An LLC required to file an information return provided in (1) through (11) is subject to a late-filing penalty if:

(a) the Montana disregarded entity information return is not filed by the due date (including extensions); or

(b) a return is filed that does not include all of the following information:

(i) name, address, and social security or federal identification number of each member or other owner during the tax period;

(ii) the LLC's employer identification number, if any;

(iii) any assumed business name(s) the LLC has registered with the Montana secretary of state, under which it conducts any trade, business, or occupation in the state, or under which it holds title to any real or tangible personal property in the state;

(iv) the state, country, and date of formation of the LLC and, if the LLC was formed in another state or country, the date the LLC registered with the secretary of state; and

(v) the LLC's Montana source income, gain, loss, deduction, or credit. (History: 15-1-201, 15-30-305, 15-30-1102, 15-31-501, MCA; IMP, 15-30-142, 15-30-143, 15-30-1102, 15-30-1111, 15-30-1112, 15-31-101, 15-31-111, MCA; NEW, 2002 MAR p. 3708, Eff. 12/27/02.)

EXHIBIT 2
DATE 4.4.07
SB 470

Montana Department of REVENUE

MONTANA
DER-1
Rev. 2-06

2006 Montana Disregarded Entity Information Return

For calendar year 2006 or tax year beginning (MM-DD) ___ - ___- **06** and ending (MM-DD-YY) ___ - ___ - ___

Check if Applicable: ____Initial Return ____Final Return ____Amended	Name of the disregarded entity	Check box if this is a change of address. ☐	FEIN or SSN: _____
	Address		Check this box if this FEIN or SSN is the same as the owners FEIN or SSN. ☐
	City State Zip + 4		

1. Enter your disregarded entity's business name if different from above _____
2. Enter the date that you incorporated or formed your disregarded entity _____
3. Enter the date that you registered your disregarded entity with the Montana Secretary of State _____
4. Enter the state or country where you incorporated or formed your disregarded entity _____
5. Disregarded Entity Type (Check appropriate entity type)

☐ Single Member Limited Liability Company

You do not have to complete Montana Form DER-1 if your single member limited liability company is owned by a full-year Montana resident during the applicable reporting period.

Check only one single member limited liability company owner type.

- ☐ C corporation
- ☐ S corporation
- ☐ Qualified Subchapter S. Subsidiary
- ☐ Real Estate Investment Trust (REIT)
- ☐ Qualified REIT Subsidiary
- ☐ Individual, Estate, or Non-Grantor Trust
- ☐ Partnership
- ☐ Real Estate Mortgage Investment Conduit (REMIC)
- ☐ Electing IRC § 761 Partnership
- ☐ Any other single member not described above

☐ IRC § 761 Partnership ..... Enter date of election: _____

☐ IRC § 1361(b)(3) Qualified Subchapter S Subsidiary ..... Enter date of election: _____

☐ IRC § 856(i)(2) Qualified Real Estate Investment Trust Subsidiary

☐ IRC § 860D Real Estate Mortgage Investment Conduit (REMIC). Attach a copy of Federal Form 1066.

Payments

6. Enter your late file penalty (see instructions) ..... 6. _____

Disregarded Entity Backup Withholding Payment from Schedule I

Enter amounts below if you withheld tax for any owners

7. Enter the total from Column E, Schedule I ..... 7. _____
8. Enter the total from Column F, Schedule I ..... 8. _____
9. Add line 7 and line 8, then enter the results. **This your total disregarded entity backup withholding** ..... 9. _____
10. Add line 6 and line 9, then enter the results. **This is your total payment due** ..... 10. _____

Declaration

I, the undersigned, declare that I am authorized to sign the disregarded entity return and that the return, including all accompanying attachments, is, to the best of my knowledge and belief, true, correct and complete.

Signature	Title	Telephone Number	Date