



ADMINISTRATIVE RULES OF MONTANA

42.9.303 GUARANTEED PAYMENTS TO INDIVIDUAL PARTNERS - SOURCING, APPORTIONMENT, AND ALLOCATION

- (1) Except as provided in (2) and (3), guaranteed payments made to individual partners pursuant to section 707 of the Internal Revenue Code, 26 U.S.C. 707, are sourced to Montana based upon the Montana apportionment factor of the partnership. For example:
 - (a) A nonresident taxpayer's federal adjusted gross income includes three hundred thousand dollars (\$300,000) of guaranteed payments for a designated use of capital received from a partnership that has a fifty percent (50%) Montana apportionment factor. One hundred and fifty thousand dollars (\$150,000) of the guaranteed payments are included in the partner's gross income from Montana sources based on the apportionment factor of the partnership.
- (2) Guaranteed payments made to a retired partner, per 4 U.S.C., section 114(b)(1)(I), are sourced to the recipient's state of domicile.
- (3) Guaranteed payments made to an individual partner as compensation for services are sourced to Montana if the services provided by the individual partner are performed in the state. For example:
 - (a) A nonresident taxpayer's federal adjusted gross income includes five thousand dollars (\$5,000) of guaranteed payments for services performed outside of Montana received from a partnership that has a fifty percent (50%) Montana apportionment factor. None of the guaranteed payments are included in the partner's gross income from Montana sources because the services were performed outside of Montana.
 - (b) A nonresident taxpayer's federal adjusted gross income includes five thousand dollars (\$5,000) of guaranteed payments for services performed in Montana received from a partnership that has a fifty percent (50%) Montana apportionment factor. All of the guaranteed payments are included in the partner's gross income from Montana sources because the services were performed in Montana.

Authorizing statute(s): 15-30-2620, MCA

Implementing statute(s): 15-30-2101, 15-30-2110, 15-30-3302, 15-30-3311, MCA

History: NEW, 2018 MAR p. 854, Eff. 4/28/18.