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Nice work!*

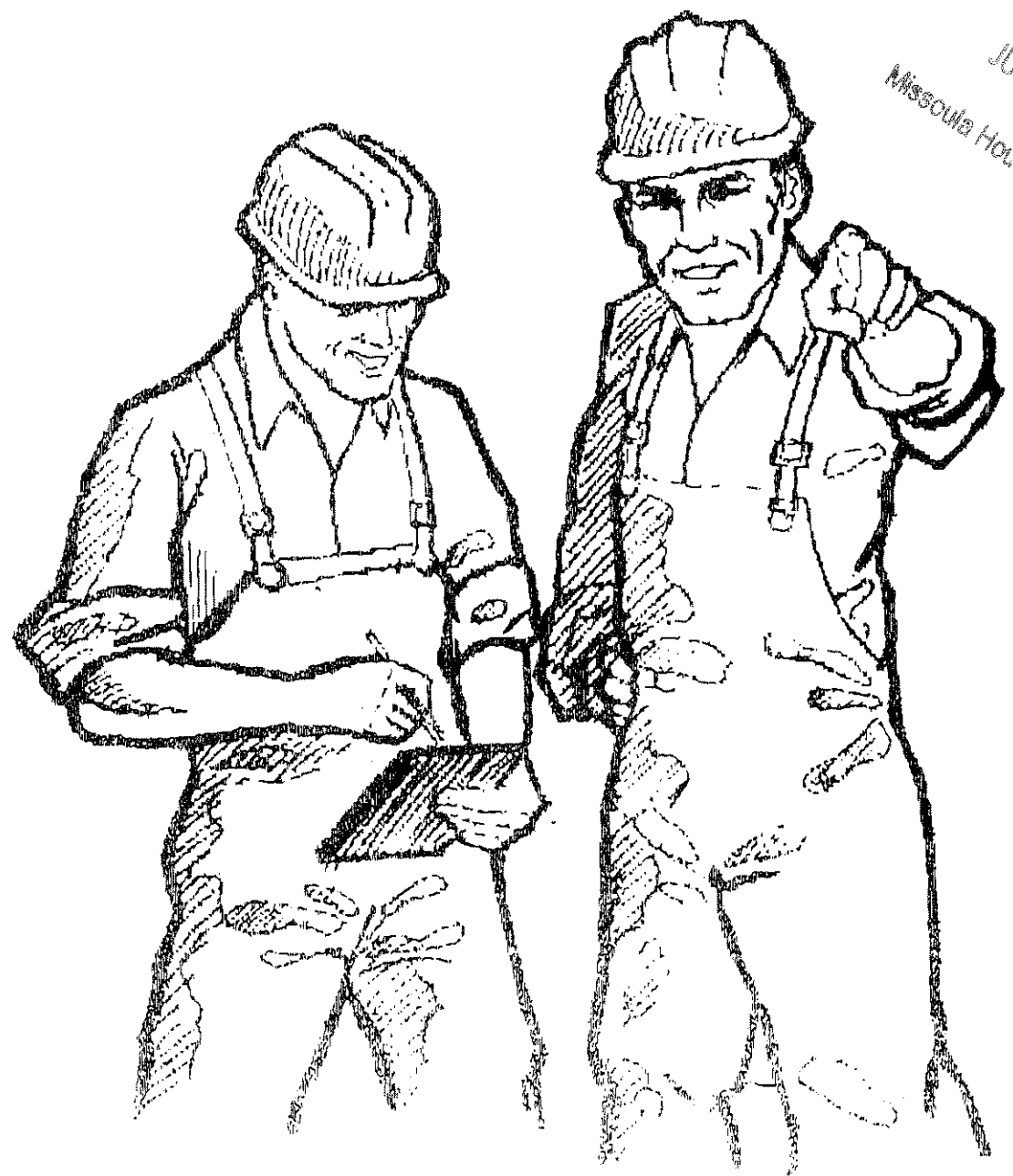
**MONTAN
CGR GUJ
Rev 12-0**

Montana

Business Tax Guide for Public Contractors Gross Receipts Tax

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Missoula Housing



Introduction

Montana Public Contractors Gross Receipts Tax

A contractor or subcontractor working on a publicly funded project, where the owner of the project is a public entity, is required to pay or have withheld from their earnings on the project 1% of the gross contract price if the project is equal to or exceeds \$5,000.

If I am required to pay and remit Contractors Gross Receipts to the Department of Revenue or withhold Contractors Gross Receipts from payments to my subcontractor what steps am I required to do to report and remit this tax to the Department of Revenue?

- Within 10 days after you have been awarded a public contract you are required to file a Contract Award Report Form CGR-1 with the Department of Revenue. This form may be filed by either the awarding public agency or by the prime contractor. Which ever method is used to file Form CGR-1 you will want to make sure that the form is completed properly and filed on time.
- As a prime contractor you are required to complete the Gross Receipts Withholding Form CGR-2 and pay to the Montana Department of Revenue the 1% Contractors Gross Receipts Tax within 30 days after you receive payment for the project. In most cases, this tax has already been withheld by the awarding public agency and the agency completes the withholding report and remits the payment. If the awarding agency does not withhold and remit the 1% gross receipts tax, the prime contractor is responsible to complete Form CGR-2 and remit the payment.

Please be aware that if you have a federal government contract, the federal government will not complete the withholding report Form CGR-2 or withhold the 1% Contractors Gross Receipt Tax from their payment made to a prime contractor. Therefore, the prime contractor is responsible for filing Form CGR-2 and remit the 1% Contractors Gross Receipt Tax within 30 day after receiving payment from the federal government.

- If the project requires a prime contractor to hire a subcontractor, the prime contractor is required to complete the Gross Receipts Withholding Report Form CGR-2 and withhold the 1% tax from the payments they make to the subcontractor. The prime contractor may transfer previous payments made to the prime contractors account instead of remitting payment for the subcontractor. When this occurs the prime contractor also needs to complete Form CGR-2 to allocate the 1% tax to the sub-contractor. The prime contractor will need to complete Form CGR-2, Box 9 when this occurs.

As a contractor or subcontractor, can I apply my 1% contractor's gross receipts tax withheld and paid to the state as a credit on my income tax return or can I request a refund of my tax for personal property taxes I paid during the year?

There are two methods that you use to apply your 1% contractor's gross receipts tax to other tax payments made. These two methods are:

1. Request a refund of your 1% contractor's gross receipts tax withheld and paid based on personal property taxes paid on your construction business during the year.
2. After applying for the refund of personal property taxes paid the remaining balance is then applied as a credit against your personal income tax liability or corporate license tax liability. For more information on how to apply for 1% contractor's gross receipts tax credit refer to the instructions in the Montana Individual Income Tax Form 2 Instruction Booklet or the Montana Corporate License Tax Form CLT-4 Instruction Booklet.

REFUND OF PERSONAL PROPERTY TAXES PAID (FORM CGR3)

Any credits of the contractors gross receipts tax withheld in a given calendar year may be requested as a refund for personal property tax paid during the same calendar year and/or may be used as a credit against a corporation license tax or individual income tax liability.

A public contractor, ^{Year} from whom the 1% tax was withheld, will be allowed a dollar-for-dollar refund on any personal property and eligible motor vehicle tax incurred and paid in the same calendar in which the withholding occurred. Personal property taxes paid in any other year than when they were due will not be allowed.

The refund applies only to personal property taxes paid on the equipment used in the contractor's construction business. Copies of paid personal property tax receipts and vehicle registration receipts must be attached to the refund request

Refunds are issued for personal property taxes only. No refund is made in payment of real property tax. If a receipt covers both real and personal property taxes, the applicant must get a statement from the county treasurer showing the amount of tax paid on each type of property. Attach this statement to the refund application.

New car sales tax, gross vehicle weight charges, junk vehicle fees or similar fees are not personal property taxes. For a complete list of eligible property taxes on vehicle registrations, contact the address below or call (406) 444-3500.

Refunds will not be issued for personal property taxes paid on automobiles unless the applicant submits a signed statement saying the automobiles are used 100% in the contracting business.

Applications for a refund are to be mailed to:

Business Tax ~~Section~~ and Valuation Bureau
Compliance, Valuation and Resolution
Department of Revenue
PO Box 5805
Helena, MT 59604-5805

Business and Income Taxes Division

This information on our web site. If not please to source.

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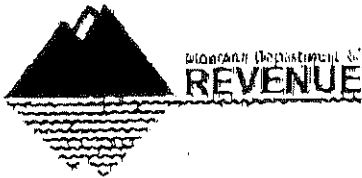
INDIVIDUAL INCOME AND CORPORATION TAX CREDIT ALLOWANCES

The 1% tax withheld from any contractor is allowed as a credit against Montana individual income or corporation tax liability incurred by the contractor. The credit is allowed for the taxable period within which the net income from contracts subject to the gross receipts tax is reported.

Other Important Information:

- The credit is allowed for the month it was earned, not when it is reported and paid to the department.
- Effective January 1, 2005 there is a five year carry forward credit provision. There is no carry back.
- A sole proprietor can use all the available credit.
- Shareholders and partners are only allowed a percentage according to their share of ownership.
- A ~~S~~C corporation can use all the credit against its tax liability.

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Contractors Gross Receipts Gross Receipts Withholding Return

1.	Contract Awarded by: Agency <input type="checkbox"/> Prime Contractor <input type="checkbox"/> Federal Identification Number (FEIN): Name: Address: City: _____ State: _____ Zip Code: _____	
2.	Contract Awarded to: Prime Contractor <input type="checkbox"/> Sub-Contractor <input type="checkbox"/> Federal Identification Number (FEIN): Name: Address: City: _____ State: _____ Zip Code: _____	
3.	Government Issued Contract Number.....	
4.	Contract Award Date.....	/
5.	Month and year increment payment earned	/20
6.	Gross amount due Prime contractor or sub-contractor at the time of this report.....	\$
7.	Amount Withheld (1% of line 6) (If payment made to prime contractor from awarding agency, remittance must accompany this report).....	\$
8.	Net amount paid Prime contractor or sub-contractor at the time of this report.....	\$
9.	Check proper box for type of return being filed: <input type="checkbox"/> Remittance attached for credit to prime contractor's account <input type="checkbox"/> Sub-Contractor allocation, authorization to transfer credit to sub-contractor. Failure of prime contractor to file a distribution report within thirty (30) days of payment will result in a 10% penalty. Date payment made to sub-contractor.....	/
10.	Description of work to be performed: _____ _____	
11.	Location of work to be performed (be specific): _____ _____	

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The agency or contractor must, in accordance with Section 15-5-206, Montana Code Annotated, withhold one percent incremental payments due the contractor or sub-contractor. Amounts withheld from a prime contractor must be forwarded with this report to the Department of Revenue. Amounts withheld from sub-contractors must be reported on this form so that allocation of credit can be made from prime contractor's account to the sub-contractor.

Return Submitted by	Agency <input type="checkbox"/>	Prime Contractor <input type="checkbox"/>	Sub-Contractor <input type="checkbox"/>
Award Authorization			
Preparer's Signature: _____			
Preparer's Title: _____		Date: _____	
Phone: _____		Fax: _____	

Mail this return to:
Department of Revenue, P.O. Box 5835, Helena, MT 59604-5835

