

2004 Schedule CF instructions

Important—Please read the *Income Tax Guideline: Composite Filing Method* for information on eligibility and the procedures for composite filing.

Purpose of schedule

This schedule must be completed and attached to North Dakota Form ND-1 by a partnership or S corporation electing to file a composite North Dakota individual income tax return on behalf of two or more of its eligible partners or shareholders. See “Eligible Partners/Shareholders” in the *Income Tax Guideline: Composite Filing Method*.

See **How to prepare Form ND-1** below for instructions on how to complete Form ND-1 under the composite filing method.

How to prepare Schedule CF

Enter the name, address and federal employer identification number of the partnership or S corporation in the top portion of Schedule CF.

Also enter the name, address and phone number of the North Dakota Tax Matters Person. If the partnership or S corporation designated a person other than a general partner or corporate officer as the North Dakota Tax Matters Person, North Dakota Form 500 must be completed and attached to the composite return. See “North Dakota Tax Matters Person” in the *Income Tax Guideline: Composite Filing Method*.

Columns A and B

Enter the name, address and social security number of each partner or shareholder included in the composite return.

Column C

Enter each partner’s or shareholder’s distributive share of North Dakota income (loss) from the partnership or S corporation. The North Dakota income (loss) of a partnership is determined on Form 58, North Dakota Partnership Return Of Income. The North Dakota income (loss) of an S corporation is determined on Form 60, North Dakota Small Business Corporation Income Tax Return.

If the partnership or corporation disposes of property for which an I.R.C. § 179 expense deduction was passed through to the partners or shareholders, and the gain or loss is not included in the amount on line 1 of Form 58 or Form 60, include in this column the distributive share of the gain or loss to the extent it is allocable or apportionable to North Dakota. For this purpose, determine the gain or loss at the partnership or S corporation level, reducing the basis for gain or loss by the I.R.C. § 179 expense deduction passed through to the partners or shareholders (regardless of the amount actually used by them).

Column D

Calculate the North Dakota income tax liability for each partner or shareholder by multiplying each partner’s or shareholder’s distributive share of North Dakota income (in Column C) by 5.54% (.0554) and enter the result.

Column E

Enter the amount of estimated North Dakota income tax, if any, that the partnership or S corporation paid on behalf of each partner or shareholder. See “Estimated Tax” in the *Income Tax Guideline: Composite Filing Method* for more information.

Column F

Enter the amount of interest, if any, that the partnership or S corporation computed on behalf of each partner or shareholder for underpayment of estimated North Dakota income tax. The amount of underpayment interest must be computed on an individual basis using Form 400-UT.

How to prepare Form ND-1

The following instructions apply for purposes of completing Form ND-1 under the composite filing method.

General instructions

Enter in the taxpayer identification area the name, address and federal employer identification number of the partnership or S corporation. Enter the federal employer identification number under “Your social security number.”

Do not fill in any circles under **Filing status**.

Fill in the circle next to “Full-year nonresident” under **Residency status**.

For the **School district code**, enter “54-000”. For the **Income source code**, enter the applicable number from the list in the Form ND-1 instruction booklet.

If applicable, fill in the circle for “Amended” or “Extension.”

Do not make an entry under “Fiscal year filer ONLY” unless the tax year of the partners or shareholders included in this return have a fiscal tax year, and all of them have the same fiscal year.

Do not answer the question “Were you required to pay estimated federal income tax for 2004?”

Important: Fill in the circle in the shaded box which reads “*Dept. use only: Composite return*” in the top portion of Form ND-1.

Specific line instructions to Form ND-1

Disregard the instructions to lines E through 25 printed on the face of Form ND-1 and in the Form ND-1 instruction booklet. Instead, complete these lines as follows:

Lines E through 14

Enter the total from Column C, Schedule CF, on lines E, 1, 4, and 14.

Lines 15 through 23

Enter the total from Column D, Schedule CF, on lines 15, 16, and 23.

Lines 24 and 25

Enter -0- on line 24. Enter the total from Column E, Schedule CF, on line 25.

Lines 26 through 35

Complete these lines according to the instructions printed on the face of Form ND-1 and in the Form ND-1 instruction booklet.

Line 36

Enter on this line the total from Column F, Schedule CF. This amount will either reduce the refund or increase the balance due on Form ND-1.

Signature

Form ND-1 must be signed by the North Dakota Tax Matters Person.

Attachments

The following must be attached to Form ND-1:

- Schedule CF.
- A copy of pages 1 and 2 of North Dakota Form 58 or Form 60, whichever applies.

Due date

If the taxable year of the individuals included in the composite return is the 2004 calendar year, the composite return must be filed on or before April 15, 2005. If the taxable year of the individuals included in the composite return is a fiscal year, the composite return must be filed on or before the 15th day of the fourth month following the end of the individuals’ fiscal year.

Extension of time to file. To request an extension of time to file a composite return, complete North Dakota Form 101 and file it on or before the due date. This is not an automatic extension. There must be good cause for requesting an extension of time to file. **Note: Disregard the instructions on Form 101 with respect to a federal extension. A federal extension is not recognized for composite filing purposes.**