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# Summary of Legislation Affecting the Department of Revenue

63<sup>th</sup> Legislative Assembly  
2013 Regular Legislative Session



*June 2013*

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of Revenue  
63<sup>th</sup> Legislative Assembly – 2013 Legislative  
Session**

*Table of Contents*

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Property Tax.....	1
Individual and Corporate Income Taxes .....	9
Natural Resource Taxes .....	15
Liquor and Tobacco Taxes.....	16
Miscellaneous Taxes and Fees.....	20
Revenue Administration and Unclaimed Property .....	23
Revenue-related Research .....	27
DOR-sponsored Legislation .....	28

# Property Tax

**HB 35**      **Short Title: Clarifying the laws related to property tax adjustments**

Primary Sponsor: Mike Miller

Bill Description: HB 35 fixes a drafting error that occurred in SB 372 during the 2011 Legislative Session. In 15-6-138, MCA, a trigger to adjust the Class 8 property tax rate was incorrectly based on the Corporate Income Tax. The trigger should have been based on the Corporate License Tax. This bill fixes the error.

With the passage of SB 96 (changing the Class 8 tax rate) and SB361 (renaming the Corporate License Tax to Corporate Income Tax), the need for this bill is eliminated.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: February 13, 2013

Applicability Date(s): n.a.

**HB 111**      **Short Title: Repeal Business Equipment Tax Reduction for Value Added Manufacturing Equipment**

Primary Sponsor: Mike Miller

Bill Description: This bill repeals the Value-Added Manufacturing tax rate reduction in current statute. This program provides a reduction of the tax rate on qualifying class 8 property to a minimum of 3%. Currently, the maximum tax rate on class 8 property is 3%. Therefore, this program no longer has any benefit. Currently, there are no properties that use the program. The bill has no fiscal impact.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None given, so October 1, 2013.  
Applicability Date(s): n.a.

**HB 152**     Short Title: **Provide deadlines for governing bodies to review tax exemption applications**

Primary Sponsor: Steve Fitzpatrick

Bill Description: HB 152 establishes new processes and timelines for local government approval or denial of a property tax abatement or property tax exemption relating to: new or expanding industry; remodeling, reconstruction, or expansion of buildings or structures; remodeling, reconstruction, or expansion of certain commercial properties; historic properties; business incubators; industrial parks; and buildings and land owned by a local economic development organization. The governing body has 120 days of receiving the application to make a decision. Failure to meet deadlines results in the applicant's right to seek from the district court a writ of mandamus to compel the governing body to make a decision.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: Effective on passage and approval

Applicability Date(s): Applies to applications for tax benefits submitted to a governing body on or after the effective date

**HB 195**     Short Title: **Revise laws related to taxation of certain forest lands**

Primary Sponsor: Pat Ingraham

Bill Description: This bill allows for certain parcels of forest land that have been reduced to less than 15 acres to remain classified as forest land. This exception to the current law 15-acre requirement applies when a parcel has been reduced in size due to a portion of the parcel being given without compensation or sold for a public use to the federal government, the state, or a municipality.

Impact on State General Fund: DOR could not determine the number of parcels of forest land that have been reduced from 15 acres or more to less than 15 acres, so a reliable estimate of the fiscal impact could not be provided. An enhancement to the property tax computer system would be required to implement this bill and so the department will incur a one-time cost of \$6,600 for contract services in FY 2014. Even though a complete estimate was not possible, DOR is confident that the overall fiscal impact of this bill will be negligible.

FY2014	FY2015	FY2016	FY2017
unknown	unknown	unknown	Unknown

Effective Date: There is no effective date in HB 195, so the effective date is October 1, 2013.

Applicability Date(s): n.a.

**HB 593**      Short Title: **Revise DOR laws for Calculating Soil Type and Productivity Values**

Primary Sponsor: Kirk Wagoner

Bill Description: This bill requires the department to consider site-specific information as well as information provided by the taxpayer when determining the classification and appraisal of agricultural and forest land and requires the agricultural advisory committee to provide methods for adjusting productivity values.

Because this requirement is similar to the general and uniform classification and appraisal methods already in use by the department, it has no additional cost to the department or other state fiscal impact.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None given, so October 1, 2013.

Applicability Date(s): Tax Year 2014.

**SB 16**      **Short Title: Revise tax increment financing laws related to distribution**

Primary Sponsor: Dick Barrett

Bill Description: SB 16 fixes a drafting error that occurred in SB372 during the 2011 Legislative Session. In 15-1-121, MCA, reimbursements to TIF districts were reduced by 10%. In compiling the final MCA for 2011, the 10% reduction for the Missoula 1-1C TIF district was omitted. SB 16 fixes this error by reducing the Missoula 1-1C TIF district payment by \$25,028.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$25,028	\$25,028	\$25,028	\$25,028

Effective Date: October 1, 2013

Applicability Date(s): n.a.

**SB 18**      **Short Title: An act providing for the ownership of a channel and former channel of a navigable river or stream following an avulsion**

Primary Sponsor: Bradley Hamlett

Bill Description: This bill defines the ownership of an abandoned navigable river channel that was abandoned due to an avulsion. The ownership of the land making up the abandoned channel shall be granted to the owner of the shores through which the original stream flowed. When the two shores are owned by different owners, ownership of the abandoned river channel shall be granted half to each owner, with the property line being the center point of the original stream. DNRC will verify the request for ownership of an abandoned river channel and recommend to the board of land commissioners that the state and affected owners exchange quitclaim deeds for the affected properties. Once the board approves the deed exchange, the affected property owners shall notify DOR of the ownership change.

Impact on State General Fund: This bill did not make any changes to DOR assessment operation or procedures and therefore has no fiscal impact.

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): This bill applies to avulsions occurring on or after the effective date of the bill (4/15/2013).

**SB 96**      Short Title: **Lower Business Equipment Tax**

Primary Sponsor: Bruce Tutvedt

Bill Description: Beginning in tax year 2014, this bill exempts the first \$100,000 in market value owned by a taxpayer. It then increases the threshold receiving the lower tax rate of 1.5% from \$3 million to \$6 million of taxable market value. This bill retains the reimbursement structure developed in SB 372 (62<sup>nd</sup> Legislature), but removes the “trigger” language.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
-\$5,216,583	-\$12,915,096	-\$11,276,121	-\$11,398,929

Effective Date: Immediate

Applicability Date(s): Tax Year 2014 and subsequent property tax years.

**SB 231**      Short Title: **Revise tax exemption laws regarding tribal recreational property**

Primary Sponsor: Shannon Augare

Bill Description: This bill increases the amount of park and recreation area land that may be exempted from property tax by a federally

recognized Indian tribe. The acreage limit for the exemption was increased from 15 acres to 640 acres.

Impact on State General Fund: This bill reduces revenue to the general fund and 6 mill university state special revenue fund by about \$3,000 per year.

FY2014	FY2015	FY2016	FY2017
-\$2,960	-\$2,962	-\$2,966	-\$2,971

Effective Date: There is no effective date in SB 231, so the effective date is October 1st, 2013.

Applicability Date(s): This bill applies to tax years beginning after December 31, 2013.

**SB 239**      Short Title: **Generally revise tax increment financing districts**

Primary Sponsor: Edward Buttrey

Bill Description: SB 239 simplifies creation of a Tax Increment Financing (TIF) district. Prior to SB 239, TIF districts were restricted to four exclusive purposes: Urban Renewal, Technology, Aerospace, and Industrial. Three of the four types of TIF districts (Technology, Aerospace, and Industrial) are replaced by a single district called a Targeted Economic Development (TED) district. The TED district allows for multiple types of economic development within a TIF district.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: July 1, 2013

Applicability Date(s): n.a.

**SB 280**      Short Title: **Allow mediation for dispute of property valuation**

Primary Sponsor: Fred Thomas



Bill Description: This bill allows for property owners who are protesting valuation to enter into a mediation hearing with DOR. A \$100 fee is imposed on the protesting taxpayer, and the cost of mediation must be split evenly between the protesting taxpayer and DOR. The mediation hearing is non-binding.

Mediation hearings involving centrally assessed property and annually assessed industrial property must be conducted no less than 60 days prior to the STAB hearing on the valuation protest. Properties not centrally assessed or industrial property may request a mediation hearing after a CTAB hearing.

Impact on State General Fund: This bill impacts the state general fund in two ways. The \$100 fee that will be collected as a prerequisite to a mediation hearing is to be deposited in the general fund. The cost of paying 50% of each mediation hearing will be incurred by DOR, which is funded by the general fund. The net impact of revenue generated by the \$100 fee and the cost incurred by DOR is displayed below.

FY2014	FY2015	FY2016	FY2017
-\$65,840	-\$146,998	-\$70,465	-\$70,853

Effective Date: The section of the bill that allows for property not centrally assessed or industrial property assessed annually to enter into a mediation hearing is effective on January 1, 2015. The provisions of the rest of this bill, including those that allow for mediation hearings for centrally assessed and annually assessed industrial property is effective on passage and approval (5/7/2013).

Applicability Date(s): n.a.

**SB 369**     Short Title: **Revise state cabin site leasing laws**

Primary Sponsor: Tom Facey

Bill Description: SB 369 requires the Board of Land Commissioners (Land Board) to sell the cabin and home sites on school trust lands by July 2035. The changes of ownership would require DOR to alter ownership records and geocodes.

Impact on State General Fund: According to the final fiscal note, SB 369 would result in reduced distributable revenues to the trust

beneficiaries of approximately \$1.5 million from FY 2014 through FY 2017. The impact to the general fund is shown below:

FY2014	FY2015	FY2016	FY2017
-\$84,968	-\$130,198	-\$181,754	-\$237,526

Effective Date: Passage and approval (5/7/2013).

Applicability Date(s): This bill applies to tax years beginning after December 31, 2013.

# Individual and Corporate Income Taxes

**HB 48**      Short Title: **Revise Insure Montana laws**

Primary Sponsor: Bill McChesney

Bill Description: HB 48 revises certain fiscal aspects of how the Insure Montana program is administered. The bill modifies who may claim Insure Montana tax credits or receive premium payments. Under current and revised law, eligibility for tax credits is determined by the State Auditor. The list of small employers eligible for the tax credit is provided to DOR, so this legislation has little direct effect on DOR. There is no impact on the general fund, but as estimated in the fiscal note there is a reduction of state special revenue of \$238,064 in FY 2014.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: Upon passage and approval.

Applicability Date(s): n.a.

**HB 354**      Short Title: **Establish a wildfire project suppression fund**

Primary Sponsor: Pat Connell

Bill Description: HB 354 requires certain general fund transfers to the fire suppression state special revenue account and provides for a statutory appropriation. One of these transfers is of corporate license tax revenue in excess of estimates at the end of FY 2013, FY 2014, and FY 2015 as following:

By August 15, 2013, funds in excess of \$152 million of corporate tax revenues collected for the fiscal year ending June 30, 2013 are to be transferred from the general fund to the fire suppression account provided for in 76-13-150, MCA.

By August 15, 2014, funds in excess of \$156.2 million of corporate tax revenues collected for the fiscal year ending

June 30, 2014 are to be transferred from the general fund to the fire suppression account.

By August 15, 2015, funds in excess of \$157.5 million of corporate tax revenues collected for the fiscal year ending June 30, 2015 are to be transferred from the general fund to the fire suppression account.

However, there is a provision in this bill limiting the balance in the fire suppression account to \$100 million.

Because only corporate revenues greater than the official estimates and certain unexpended or reverted funds are to be transferred, there is no estimated general fund fiscal impact from the bill.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: On passage and approval.

Applicability Date(s): n.a.

**HB 362**

Short Title: **Revise Montana limited liability company laws**

Primary Sponsor: Tom Berry

Bill Description: HB 362 revised the limited liability company laws. It allows the creation of series of members within a limited liability company; provides that each series of members may have separate members, managers, assets, liabilities, and business purposes or investment objectives.

It is unknown if this change in law will have an impact on compliance efforts or other issues.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: No effective date provided in HB 362, so the effective date is October 1, 2013.

Applicability Date(s): n.a.

**HB 444**     Short Title: **Provide Tax Credit for Access to State Lands**

Primary Sponsor: Tom Jacobson

Bill Description: HB 444, as amended, provides a refundable individual income tax and a corporate income tax credit of \$500 (not to exceed \$2,000) for qualified access to state land that was previously inaccessible to the public.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	-\$15,000	-\$29,500	-\$43,000

Effective Date: January 1, 2014

Applicability Date(s): Tax years beginning after 2013. The credit terminates December 31, 2018.

**HB 545**     Short Title: **Allow Employer to Fund Total Cost of Qualifying Employee's Health Insurance**

Primary Sponsor: Scott Reichner

Bill Description: Federal law treats employer-paid premiums for group health insurance and reimbursement of medical costs by an employer's self-insurance program as a nontaxable fringe benefit as long as the same benefits are available to all employees.

When an employer's health plan provides more benefits to a select group of highly compensated employees, such as company executives, major stock-holders, or the highest-paid employees, federal law requires these employees to count the difference between their benefits and the benefits available to all employees as taxable compensation. Montana law allows these select employees to count their extra health insurance benefits as non-taxable fringe benefits.

In addition to the existing preferential tax treatment of extra health care premiums, HB 545 will allow certain taxpayers to subtract disability insurance premiums paid on their behalf from their federal

adjusted gross income when calculating Montana adjusted gross income.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	-\$10,088	-\$10,088	-\$10,088

Effective Date: January 1<sup>st</sup>, 2014

Applicability Date(s): Tax years starting after 2013.

**SB 15**      Short Title: **Provide for Marriage Filing Separate Disclosure Solution**

Primary Sponsor: David Wanzenried

Bill Description: For purposes of sharing information with taxpayers, this bill directs the department to treat a married couple who filed separate returns on the same form as if they had filed a joint return. This eliminates the current requirement that the department obtain explicit consent from one spouse to discuss the other spouse's information when they file separate returns on the same form.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: October 1, 2013

Applicability Date(s): Applies retroactively to tax years beginning after December 31, 2012.

**SB 108**      Short Title: **Renew Montana Charitable Endowment Tax Credit**

Primary Sponsor: Taylor Brown

Bill Description: This bill extends the sunset date for the charitable endowment credit to December 31, 2019. It makes the definition of "permanent, irrevocable fund" which can accept donations eligible for the credit refer to the Uniform Prudent Management of Institutional

Funds Act (Title 72, Chapter 30). It also requires charitable gift annuity arrangements to pay an annuity rate of at least 5% in order to be eligible for the credit.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
-\$2,010,000	-\$2,128,000	-\$2,259,000	-\$2,398,000

Effective Date: This bill is effective on passage and approval.

Applicability Date(s): Applies to contributions made on or after the effective date.

**SB 117**      Short Title: **Allow Deductions for Other State College Savings Plans**

Primary Sponsor: Jon Sonju

Bill Description: This bill expands the deduction for deposits to and earnings on a family education savings account to deposits to and earnings on other states' college savings programs.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
-\$109,837	-\$78,677	-\$79,380	-\$80,235

Effective Date: This bill is effective on passage and approval.

Applicability Date(s): Applies retroactively to tax years beginning after December 31, 2012.

**SB 179**      Short Title: **Revise filing requirements for pass-through entities**

Primary Sponsor: Christine Kaufmann

Bill Description: SB 179, as amended, requires a partnership with more than 100 partners to transmit the partnership returns electronically to DOR in a format approved by the department, along with any IRS tax forms currently required to be attached. A taxpayer meeting the 100 plus partner threshold who does not file

electronically will be considered to have not filed and will be subject to the penalties that apply under current law. This requirement can be waived if a partnership can demonstrate, at least 30 days before the due date, that electronic filing would be a hardship, or if software that allows electronic filing is not readily available. Since the IRS now requires electronic filing by these large partnerships, the electronic filing requirement is not expected to be a hardship for most affected taxpayers.

SB 179, which was a department bill, also included a provision to eliminate consent agreements of nonresident members of a pass-through entity. This part of the bill was amended out by the Senate Tax Committee.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: July 1, 2013

Applicability Date(s): Applies to tax returns and reports made after July 1, 2013.

**SB 361**      Short Title: **Revise names of the corporation license tax and the corporation income tax**

Primary Sponsor: Bruce Tutvedt

Bill Description: SB 361 changes the name of the "corporate license tax" to the "corporate income tax." It also changes the name of the "corporate income tax" to the "alternative corporate income tax" in the Montana Code.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None specified.

Applicability Date(s): Applies to tax years beginning after December 31, 2013.



# Natural Resource Taxes

**HB 36** Short Title: An act removing obsolete references to the repealed local government severance tax.

Primary Sponsor: Carlie Boland

Bill Description: This bill removes legacy references to a local government severance tax in Titles 15 & 20. The local government severance tax and the state severance tax were replaced in 1995 by a single tax, the Oil and Gas Production tax (SB 412 and related bills).

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: October 1, 2013

Applicability Date(s): n.a.

# Liquor and Tobacco Taxes

**HB 56**      Short Title: **Clarify existing agency liquor store laws**

Primary Sponsor: Pat Noonan

Bill Description: HB 56 removes reference that the Department of Revenue operates liquor stores and sells liquor to licensees, as the department no longer does either. This bill also revises language for clarity.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None provided in the bill, so the effective date is October 1, 2013.

Applicability Date(s): n.a.

**HB 402**      Short Title: **License and regulate wineries selling and shipping wine directly to MT consumers**

Primary Sponsor: Chuck Hunter

Bill Description: HB 402 creates a direct shipment endorsement for wineries licensed or registered in Montana. This allows the winery to sell and ship up to 18 9-liter cases of wine annually to an individual for personal use. The wine and the combined beer and wine connoisseur's license are eliminated, as there is no longer a need for these licenses. In addition, both in-state and out-of-state wineries can now ship directly to the consumer. This was previously restricted to out-of-state wineries.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
(\$7,900)	\$16,700	\$16,700	\$16,700

Effective Date: None provided in the bill, so the effective date is October 1, 2013.

Applicability Date(s): n.a.

**HB 524**     **Short Title: Removing grocery, pharmacy requirement on off-premises beer, wine license**

Primary Sponsor: Christy Clark

Bill Description: HB 524 eliminates the requirement that a retail licensee selling beer or wine for off-premise consumption be operated as a bona fide grocery store or a drugstore licensed as a pharmacy. However, if the licensee's premises are operated in conjunction with another business, then that business must still be a grocery store or a pharmacy.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$102,629	\$140,871	\$139,807	\$138,725

Effective Date: None provided in the bill, so the effective date is October 1, 2013.

Applicability Date(s): n.a.

**SB 120**     **Short Title: Increase from 1 to 3 the number of liquor licenses an individual may have**

Primary Sponsor: Edward Buttrey

Bill Description: SB 120 increases the number of all-beverage licenses that an individual may possess an ownership interest in from one to three. This bill limits ownership to 50% or less of the allowable all-beverage licenses in a quota area.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None provided in the bill, so the effective date is October 1, 2013.

Applicability Date(s): n.a.

**SB 266**     Short Title: **Revise sacramental wine license laws**

Primary Sponsor: Matthew M Rosendale

Bill Description: SB 266 revises the definition of sacramental wine to include alcohol volume limitations between 0.5% and 24%. This bill taxes sacramental wine at the same rate as table wine and allows table wine distributors to import into or purchase sacramental wine in Montana. SB 266 allows the department to issue a sacramental wine license to an establishment located outside Montana. In addition, the fee for a sacramental wine license is reduced from \$200 to \$100. The renewal fee is reduced from \$100 to \$50.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: July 1, 2013

Applicability Date(s): n.a.

**SB 294**     Short Title: **Generally revise alcohol enforcement laws regarding penalties**

Primary Sponsor: Elsie Arntzen

Bill Description: SB 294 authorizes DOR to adjust penalties related to violations by a licensed brewer, winery, wholesaler, or retailer based on mitigating and aggravating circumstances. Examples of mitigating or aggravating circumstances listed in the bill include the number of previous violations, the level of cooperation during an investigation, and whether or not the licensee has provided alcohol server training to all employees.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None provided in the bill, so the effective date is October 1, 2013.

Applicability Date(s): n.a.

# Miscellaneous Taxes and Fees

**HB 32**      Short Title: **Clarify the distribution of in-state lodging tax paid by state agencies**

Primary Sponsor: Roy Hollandsworth, at request of DOR

Bill Description:

HB 32 requires that the portion of the lodging facility use tax paid with federal funds by state agencies be paid back to the agency that made the in-state lodging expenditure.

This bill makes some minor modifications to existing statute amended in the last legislative session by HB 111. HB 111 was passed in the 2011 legislative session to simplify the distribution of in-state lodging use tax (accommodations tax) paid by state agencies. The language in 15-65-121, MCA, incorrectly states how the amount of the general fund portion is computed and distributed. This bill modifies existing language to correctly state how this is computed.

Secondly, the federal government has indicated it will not accept the total portion of the lodging use tax paid with federal funds as a lump sum total for all state agencies as is done by the Department of Administration for such things as reimbursement of credit card fees. Rather, return of the federal funds is to be made to the respective federal grant. HB 32 modifies existing language to indicate the lodging tax paid by federal funds will be distributed to the agency incurring the expense. The respective agency can then account for the return of federal funds according to their established fund structure. These changes mirror how the in-state lodging sales taxes paid by state agencies were distributed this past fiscal year-end.

This bill has no fiscal impact.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None provided, so effective October 1, 2013

Applicability Date(s): n.a.

**HB 189**     Short Title: **Revise hail insurance maximum**

Primary Sponsor: Dennis R Lenz

Bill Description: HB 189 increases the maximum amount of hail insurance per acre of crops. This bill would have decreased the percentage of fees retained by the DOR for administrative costs from 2% to 1%. However, SB 162 transfers the hail insurance program to the Department of Agriculture and therefore eliminates the fees retained by DOR entirely.

Both HB 189 and SB 162 have similar provisions affecting the Department of Agriculture's transfer to the general fund. The fiscal impact for the bills is shown in the summary for SB 162 only.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None provided in the bill, so the effective date is October 1, 2013.

Applicability Date(s): n.a.

**HB 206**     Short Title: **Increase justice court filing fees**

Primary Sponsor: Kelly Flynn

Bill Description: SB 206 increases justice court and small claims court filing fees. These filing fees are distributed to the county's general fund, so there is no fiscal impact to the state.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: July 1, 2013

Applicability Date(s): Applies to proceedings begun on or after the effective date.

**SB 34**      Short Title: **Create unclaimed life insurance benefits act**

Primary Sponsor: Mary Caferro

Bill Description: SB 34 creates the Uniform Unclaimed Life Insurance Benefits Act. This requires insurance companies to semi-annually perform comparisons of their policy holders to the death master file to identify parties that should receive benefits. If the beneficiary cannot be found, the benefits escheat to the state as unclaimed property.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: January 1, 2014

Applicability Date(s): n.a.

**SB 162**      Short Title: **Transfer hail insurance program from Department of Revenue to the Department of Agriculture**

Primary Sponsor: Jim Keane

Bill Description: SB 162 transfers the administrative responsibilities of collecting hail insurance fees from the Department of Revenue to the Department of Agriculture. DOR will no longer be entitled to withhold 2% of the fees collected for administering the collection of the hail insurance.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
-\$6,854	-\$6,854	-\$6,854	-\$6,854

Effective Date: January 1, 2014

Applicability Date(s): n.a.



# Revenue Administration and Unclaimed Property

**HB 21**      Short Title: **Generally Revise Statutory Appropriation Laws**

Primary Sponsor: Rob Cook

Bill Description: HB21 modifies existing state statute (17-1-508, MCA) that describes when a statutory appropriation is deemed appropriate. It also provides new statutory language describing when a statutory appropriation is not deemed appropriate. The changes are intended to make the language regarding statutory appropriations clearer and to improve understanding.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: July 1, 2013

Applicability Date(s): n.a.

**HB 66**      Short Title: **Allow for Electronic Service of Notices of Levy and Writs of Execution**

Primary Sponsor: Brian Hoven

Bill Description: This bill allows DOR to issue a notice of levy for collection of delinquent taxes electronically. It also allows the department to receive a levy against state tax refunds electronically. DOR is to adopt rules to define and implement service of process by electronic means where authorized by law.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
-\$67,625	\$12,500	\$12,688	\$12,878

Effective Date: October 1, 2013

Applicability Date(s): n.a.

**HB 89**      Short Title: **Allow De Minimus Refund of Abandoned Property or Closed Estates**

Primary Sponsor: Ryan Lynch

Bill Description: This bill allows for a refund of unclaimed property of \$5,000 or less on a closed estate, regardless of the value of the estate, without having to reopen it. HB 89 will have minimal administrative impact on miscellaneous tax revenue in the negative direction as more refunds may be issued and less transferred to the General Fund.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
-\$5,250	-\$5,250	-\$5,250	-\$5,250

Effective Date: There is no effective date provided in HB 89, so the effective date is October 1, 2013.

Applicability Date(s): n.a.

**HB 139**      Short Title: **Require small business impact analyses prior to adoption of administrative rules**

Primary Sponsor: Edward Walker

Bill Description: HB 139 proposed a new requirement on state agencies that have to adopt rules in order to implement laws. The bill requires agencies to prepare a small business impact analysis that must identify by class or group those business entities most affected by the proposed rule; include a statement of the probable and significant direct effects of the proposed rule on these entities; describe any alternative methods that might be reasonably implemented to minimize or eliminate any potential adverse effects of adopting the proposed rule while still achieving its purpose; and provide documentation for estimates, statements, and descriptions. The bill defines small businesses as those entities independently owned and operated that employ less than 50 full-time employees.

Rules are not subject to challenge in court if the small business impact statement is judged inadequate or inaccurate. The requirement is in place for two fiscal years – FY 2014 and FY 2015. The bill directs the Office of Economic Development in the Governor’s Office to advise and assist agencies in complying with this requirement.

There are concerns related to this bill beyond the fact that no funding was provided to implement it. The department is subject to significant confidentiality requirements regarding most tax return information, so there are issues that must be resolved. Also, it is yet to be determined if the department has sufficient information on full-time employee data by small business entity to fully comply with the requirements.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
Unknown	Unknown	\$0	\$0

Effective Date: July 1, 2013

Applicability Date(s): July 1, 2013 through June 30, 2015.

**SB 175**     Short Title: **Generally Revise Public Education funding**

Primary Sponsor: Llew Jones

Bill Description: This is the school funding bill and has 'minimal' impact for DOR. However, there are a couple of provisions that affect the department.

1. Previously, school districts could retain 130% of their maximum budget in oil and gas revenue. SB 175 changed the 130% to 150% if the district has a maximum budget of less than \$1.5 million.
2. Excess revenue previously went to the Guarantee Account and two other state special revenue accounts. SB 175 distributes the excess to surrounding districts in a somewhat complicated manner, and this will lead to some minimal DOR costs.

DOR Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
-\$13,600	\$0	\$0	\$0

Total Impact on State General Fund:

FY2013	FY2014	FY2015	FY2016	FY2017
-\$22,950,178	-\$1,604,221	-\$2,991,474	-\$22,969,660	-\$14,806,007

Effective Date: The FY 2013 effect on the general fund is a result of a one-time transfer to occur before June 30, 2013. The remainder of the bill is effective beginning in FY 2014.

Applicability Date(s): n.a.

## Revenue-related Research and Resolutions

**SJ 23 Study resolution on the tax appeal process**

*Sponsor:* Bruce Tutvedt

*Description:*

This legislation requires the Legislative Council to assign to an appropriate committee responsibility to conduct an interim study of the tax appeal and hearing process and the options available for streamlining and improving the appeal process. The committee is instructed to:

- (1) review the current local government and state level tax appeal process;
- (2) analyze whether the current appeal processes should be maintained;
- (3) analyze whether there should be changes generally to the current local and state appeal processes to improve access and efficiency for taxpayer appeals;
- (4) analyze the appropriateness and timeliness of formal mandatory or voluntary mediation processes as part of the taxpayer appeal process;
- (5) analyze whether changes to the appeal process are necessary for appeal of centrally assessed properties and large industrial facility properties to ensure an efficient process that attempts to avoid costly and time-consuming appeals;
- (6) determine whether to recommend and alternate process other than the current local and state appeal processes including:
  - (a) consideration of special education experience and continuing education for the state tax appeal board members; and
  - (b) implementing a tax court system; and
  - (c) implementation of a rotating district judge to handle direct appeals from centrally assessed and large industrial facility properties; and
- (7) Ensure the resulting recommendations for tax appeals processes are in accordance with Article VIII, section 7 of the Montana Constitution.

The study and its recommendations must be concluded by September 15, 2014. The Legislative Council voted to assign this study to the Revenue and Transportation Interim Committee.

Fiscal Impact to General Fund: None

# DOR-sponsored Legislation

## Passed Legislation

Bill Number	Title	Description
HB 32	Clarify the distribution of in-state lodging taxes paid by state agencies	See HB 32 in Miscellaneous Taxes and Fees Section.
HB 56	Clarify existing agency liquor store laws	See HB 56 in Liquor and Tobacco Taxes Section.
HB 66	Allow for electronic service of notices of levy and writs of execution	See HB 66 in Revenue Administration and Unclaimed Property Section.
HB 89	Allow de minimus refund of abandoned property or closed estates	See HB 89 in the Revenue Administration and Unclaimed Property Section.
SB 15	Provide for marriage filing separate disclosure solution	See SB 15 in Individual and Corporate Income Tax Section.
SB 162	Transfer hail insurance program from Department of Revenue to the Department of Agriculture	See SB 162 in the Miscellaneous Taxes and Fees Section.
SB 179	Revise filing requirements for pass-through entities	See SB 179 in the Individual and Corporate Income Tax Section for a description of the part of the bill that passed. Part of the proposed bill was amended out in committee and is described in the following section.

## Other Department Legislation

**HB 57**      Short Title: **Provide for equal treatment of licensees under liquor control penalty**

Primary Sponsor: Pat Noonan

Outcome: Died in Senate Business, Labor, and Economic Affairs Committee

Bill Description: HB 57 included all license types under the liquor control penalty statute and required the Department of Justice to investigate any person or entity holding an alcoholic beverage license upon a written complaint. This requirement was not to apply in the case where an individual has a connoisseur's license.

16-4-406, MCA requires the DOR to request the Department of Justice to investigate any licensed or registered person or business upon a "written, verified complaint." The word "verified" was crossed off under this bill which seemed to be the main concern in the hearing. Executive action was never taken on this bill. There were no opponents to the bill.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None given. Had this passed, the effective date would have been October 1, 2013.

Applicability Date(s): n.a.

**HB 58**      Short Title: **Creating a brew-on premises license**

Primary Sponsor: Pat Noonan

Outcome: Second reading indefinitely postponed (full Senate)

Bill Description: HB 58 proposed to create a "brew-on premises" license for a person who provides brewing facilities to members of the public for the private manufacture of beer and malt beverages on the licensed premises. The initial license fee was \$40 and the annual renewal license fee was \$20.

The senate floor debate seemed to indicate the belief that there is no need for this license and that it is a solution for a problem that doesn't exist. HB 58 failed second reading and was then indefinitely postponed.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$200	\$100	\$100	\$100

Effective Date: July 1, 2013

Applicability Date(s): n.a.

**HB 88**      Short Title: **Standardize individual liability for trust taxes**

Primary Sponsor: Brian Hoven

Outcome: Failed on second reading in House

Bill Description: HB 88 made certain individuals in positions of responsibility in a telecommunications company individually liable for retail telecommunications excise taxes collected by the company from subscribers and due and owed to the state. The bill made provisions uniform for telecommunications tax from responsible individuals as for income tax withholding from wages and mineral royalties.

The result may have been an increased collection of taxes due when a telecommunications company fails to remit trust taxes. However, this is expected to happen infrequently, so the most likely revenue impact in any given year was estimated to be zero.

HB 88 passed out of the House Tax Committee on an 11 to 9 vote despite being opposed by industry. It failed second reading in the House by 40 to 60. On the floor, opposition to the bill characterized it as a general attack on the principle of limited liability. In committee, the question was asked if businesses keep trust taxes in a separate account and industry representatives indicated this was not a universal practice. There was no mention in committee or on the floor that Section 2(8) of the bill relieves responsible individuals of liability if taxes are deposited in a separate bank account payable to the department.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: None provided, so would have been effective October 1, 2013.

Applicability Date(s): Proposed to apply to tax years beginning after December 31, 2013.



**SB4 & 398** Short Title: **Generally Revise Property Reappraisal Laws**

Primary Sponsor: Jim Peterson, by request of RTIC

Bill Description: SB 4 was a department and RTIC bill that would have reduced the 6-year revaluation cycle to a 2-year revaluation cycle followed by annual revaluation for agriculture, residential, commercial, and forest property. SB 4 died in the Senate Tax Committee. SB398, introduced by Senator Tutvedt, built upon SB4 and was similar to it, but provided for a two-year revaluation cycle. SB 398 died in the House Tax Committee.

While legislative discussion included concerns over privacy, invasive technology, and the department's implementation costs, it is believed that the primary cause of these bills' death was speculated increases in agriculture property taxation.

Impact on State General Fund: (from fiscal analysis report)

FY2014	FY2015	FY2016	FY2017
-\$4,136,592	-\$3,967,021	-\$4,200,608	-\$4,202,964

Effective Dates: July 1, 2013 and January 1, 2015

Applicability Date(s): n.a.

**SB 22** Short Title: **Allow for recording notice of tax lien with the Secretary of State**

Primary Sponsor: Ron Arthun

Outcome: Died in Senate Judiciary Committee

Bill Description: SB 22 allowed the department to file a single statewide warrant for distraint against personal property of a delinquent taxpayer. The bill reduced the department's costs of collecting delinquent taxes by allowing it to file a single state lien instead of 56 liens, each of which apply only in one county. It kept the existing county-level process for liens against real estate. The bill was unanimously tabled in Senate Judiciary with no discussion. The one negative that came up in the hearing was that the Secretary of State's office wanted to charge DOR for its up-front costs, and there was no decision package to fund it. Finally, some costs were, in effect, twice counted in the final fiscal note, raising the apparent cost of the proposal.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
-\$110,100	-\$3,600	-\$3,600	-\$3,600

Effective Date: July 1, 2013

Applicability Date(s): n.a.

**SB 56**      Short Title: **Eliminate calculation errors of taxes, fees, and assessments to local government**

Primary Sponsor: Larry Jent

Bill Description: This bill clarified the process for local government special fees and assessments by designating the responsibility of calculating and adding non-mill based fees and assessment charges to the county treasurer. DOR would still calculate the taxes attributable to mills and notify the county treasurer and county clerk and recorder of those amounts.

Even though the lobbyist for the county treasurers gave lukewarm support to the bill, many other county treasurers had contacted their representatives and asked them to vote no on the bill. Their main concern stemmed from the fact that SB 56 shifted workload from DOR to the county treasurers, creating what was characterized as an unfunded mandate. This concern, along with the fact that the final fiscal note did not show off-setting cost savings as a result of decreased responsibilities for county DOR officials, probably killed this bill.

MACO's representative testified against the bill and suggested that the issue should be studied during the interim. Paraphrasing his comments, SB 56 was too much, too soon.

SB 56 passed the Senate and made it out of the House Tax Committee only to be defeated 83-16 on the House floor.

Effective Date: October 1, 2014.

Applicability Date(s): n.a.

**SB 89**      Short Title: **Revise nonprofit tax record laws**

Primary Sponsor: Greg Jergeson

Outcome: Died in Senate Tax Committee.

Bill Description: The intent of SB 89 was to improve openness and transparency with regard to nonprofits by making the non-profit tax exemption-related information public information (paralleling the public information available on non-profits from their required filings at the federal level). Under current law, with certain stated exceptions, taxpayer information, including that of non-profits, is confidential and may not be disseminated outside the department. SB 89 directed the department to maintain a list of organizations exempt from tax and make the list available for public inspection. DOR was to make available for public inspection a tax-exempt organization's application materials and any other information filed by the exempt organization. The department could make available copies of requested information if the person making the request pays the necessary copying fees.

The opposition to the bill argued that DOR can already do what was proposed in the bill, and anyway this information can be found from the non-profit's IRS filing, which is available on public websites. The opposition raised the concern that there could be a \$500 fine involved and that the reputations of non-profits who have not filed with the state could be tarnished. Before the hearing, the department and the bill's opposition discussed changes to the bill that might make it more acceptable, including a lag in implementing the bill's provisions, so that an educational outreach could be made to the non-profit community. However the bill failed to pass out of committee.

As background to SB 89, the 2011 legislature passed SJR 23, which was subsequently assigned to the Revenue and Transportation Committee to work on in the interim. SJR 23 provided for a study of the Montana income and property tax exemptions received by nonprofit corporations and organizations and whether these exemptions are justified. One of the issues raised in the study process is that there is no comprehensive, up-to-date list of non-profits and non-profit owned property. DOR currently has the responsibility for reviewing applications and granting non-profit status. Prior to the creation of DOR, the county treasurers had this responsibility. Consequently, no single, up-to-date database was ever created. However, DOR reviews tax exempt status when a property owned by a non-profit changes hands.

The committee requested a draft bill that would have required the department to do periodic review of certain exempt property and report to the legislature, maintain a public list of information on property exempt from property tax, and other requirements. The draft bill also allowed for an

application fee and required reapplications periodically. The committee ended up not taking the draft forward as a committee bill. However, the department proposed SB 89 as a way to increase the information available on non-profits granted tax exempt status under state law.

During the legislative session, an amendment (A0002-A001CW12836.swr) was made to HB 2, the budget bill, requiring the Property Assessment Division to conduct a pilot project involving active exempt property records. The amendment required PAD, in the pilot project, to review active exempt properties in four counties, to develop a public listing of the exempt properties, to map the properties by exemption type, and to develop a plan for a re-application, review, and valuation process for use in all counties. The amendment also required the division to present this pilot project to the 2015 legislature. The pilot project and the associated expenditure of about \$140,000 was, however, line-item vetoed by the governor.

As proposed, the bill had no estimated fiscal impact on the general fund. However, the net effect of the proposed pilot project and line item veto reduced DOR's budget by about \$140,000 for the biennium.

Impact on State General Fund:

FY2014	FY2015	FY2016	FY2017
\$0	\$0	\$0	\$0

Effective Date: Passage and approval.

Applicability Date(s): n.a.

**SB 179**     Short Title: **Revise filing requirements for pass-through entities**

Primary Sponsor: Christine Kaufmann

Outcome: Significant provisions amended out in Senate Tax Committee

Bill Description: SB 179 had a number of provisions, one of which remained in the bill after the committee amended the bill. SB 179, as amended and passed, is described in the Individual and Corporate Income Tax section. The provisions amended out are described below.

In order to address the compliance issue posed by non-resident owners of pass-through entities earning Montana source income, current state law requires the pass-through entity to do one of three things: file a composite return; secure signed agreements from non-resident owners committing to

file appropriate returns in Montana and timely pay any taxes; or, withhold an amount equal to the appropriate statutory tax rate and submit the amount on behalf of their non-resident owners. If the second option is used, all non-resident owners must consent, and if any do not consent or do not comply as pledged, the entity must instead pay the tax on the owner's behalf.

The bill revised filing requirements for pass-through entities by eliminating non-resident consent agreements and second-tier pass-through statements. It also reduced the reporting requirements for some pass-through entities by establishing a minimum distribution threshold.

The bill revised the list of non-resident owners in some sections to include non-resident trusts and non-resident estates.

By amending out the provisions above, the fiscal impact was reduced from a little over half a million a year in additional estimated revenue to none.

Impact on State General Fund (prior to amendments):

FY2014	FY2015	FY2016	FY2017
\$552,000	\$570,000	\$570,000	\$570,000

Effective Date: July 1, 2013.

Applicability Date(s): Applied to tax years beginning after July 1, 2013.