

Glossary

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Ad valorem tax: A tax based on the value of property, be it real estate or a particular good.

Arms-length transaction: A transaction in which the buyer and seller are not related and act independently in their own self-interest, not subject to each other's influence.

British thermal unit (Btu): The amount of energy needed to raise the temperature of one pound of water by one degree Fahrenheit. This is the standard for measuring the energy content in fuels.

Capital gain: The profit an investor gains from selling an investment (property, stocks, bonds, mutual funds, etc.) that has increased in value over its purchase price.

Carryback: An accounting technique with which a company retroactively applies net operating losses to a preceding year's income to reduce tax liabilities present in that year.

Carryforward: To adjust an amount against succeeding amounts, or to transfer it to the next period.

Carryover: See carryforward.

C-corporation: Any corporation that is, in general, taxed separately from its shareholders.

Centrally assessed properties: Large utilities and railroads valued by the state.

Coal severance tax: State tax on coal extracted (or severed) from the earth, based on its value. Tax rate varies with the heat content of the coal and the type of mine (open pit or underground).

Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA): Commonly known as Superfund, a law that provided a tax on the chemical and petroleum industries and provided broad federal authority to clean up releases of hazardous substances.

Decedent: A person who has died.

Decile: A method of dividing a set of values or statistics into 10 equally large groups.

Empowerment zone: A financially distressed area that receives tax credits, grants, and other advantages to help revitalize the area.

Estate tax: A tax on the net value of the estate of a deceased person before transfer to person's heirs.

Excise tax: A tax on the use or consumption of a certain products, such as gasoline, cigarettes and alcohol.

Extended Property Tax Assistance Program (EPTAP): Property tax relief program for property owners who meet certain qualifications, including having experience a tax increase of \$250 or more due to a reappraisal.

Homestead exemption: A type of property tax relief whereby the assessed value of a home, on which property tax is based, is reduced. The exemption usually arises following the death of a homeowner spouse.

Horizontal well: A drilling method in which the drill turns and runs horizontally once it reaches the source of energy to be extracted, be it gas or oil.

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Inpatient bed day: A day of care provided to a patient in a hospital. A day begins at midnight and ends 24 hours later. Part of a day, including day of admission, counts as a full day. Day of discharge or death does not. If admission and discharge or death occur on the same day, that day is counted as one bed day.

License tax: A fee paid to the government for the privilege of holding a license to conduct a certain trade, such as sell alcohol or practice medicine.

Limited liability company (LLC): A hybrid company structure combining characteristics of both a corporation and a sole proprietorship (or partnership). Members of the company cannot be held personally liable for the company's debts or liabilities.

Market value: The highest estimated amount that a buyer would pay for an item in the open market.

Millage rate: Tax per dollar of assessed value of property, whereby the rate is referred to as "mills," which is one-tenth of a cent.

Net operating loss: Occurs when a company's allowable tax deductions are greater than its taxable income.

Offset: To hold a tax refund amount, or part of the amount, if an individual owes money to the state of Montana because of a delinquent debt. The department can offset that individual's state payment, or withhold part of a tax refund to satisfy the debt.

Orphan share: Part of the liability of a Superfund site that belongs to insolvent or defunct parties that cannot pay their fair share of a site's cleanup cost.

Property Tax Assistance Program (PTAP): Property tax relief program for property owners who meet certain qualifications.

Resource Indemnity and Groundwater Assessment Tax (RIGWAT): A tax on mining and mineral extraction within the state of Montana created to secure its citizens against the loss of long-term value resulting from the depletion of natural resource bases and against environmental damage caused by mineral development.

RTIC: Revenue and Transportation Interim Committee

Pass-through entity: An entity that passes its income, loss, deductions or credits to its owners, who may include partners, shareholders, beneficiaries and investors.

State general fund: The primary fund of the state composed mainly of revenue from taxes and used to budget for state operations.

Subjobber: An entity or a person who purchases tobacco products from a Montana licensed wholesaler with the cigarette tax insignia affixed and sells or offers to sell those products to a licensed retailer or tobacco product vendor.

Resident bed day: Each 24-hour period that a resident in an intermediate care facility is present in the facility and receiving care or that a resident is on leave but a bed is being held for him or her.

S-corporation: Any corporation that, in general, does not pay any federal income tax, but rather divides its income and losses among its shareholders, who are then subject to taxation.

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Stripper well: An oil or gas well nearing the end of its economically useful life.

Statute: A written law passed by the legislature.

Suits Index: A measure of tax progressiveness.

Taxable income: The income factored in calculating how much tax an individual or company owes, usually the gross income minus any deductions, exemptions or other adjustments.

Taxable value: A percentage of property value used to calculate property tax.

Tax expenditures: Any reduction in government revenue through provisions in tax laws, such as deductions, exclusions, deferrals, exemptions and preferential tax rates.

Tax gap: The difference between total amounts of taxes owed to the government and the amount it actually receives.

Tax increment financing (TIF): A method of public financing used to encourage development and redevelopment in financially distressed areas.

Tax liability: The total amount of tax an individual or entity owes the government after credits and advance payments (e.g. withholding, estimated payments, etc.) for some “taxable event,” such as income, the sale of an asset, capital gains, etc.

Taxing district: Single purpose jurisdictions—such as a school district, fire district, water district, etc.—that exist separately from local governments and are funded by special taxes.

Treasure State Endowment Program and Fund (TSEP and TSEF): State program that awards matching grants to local governments for the construction of local infrastructure projects. TSEF is fed by the coal severance tax, the interest on which helps pay for the TSEP projects.

Valuation: The process of determining the current value of an asset, such as a home.

West Texas Intermediate (WTI): A grade of crude oil used as a benchmark in oil pricing.

Acronyms

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ARM: Administrative Rules of the State of Montana

Btu: British Thermal Unit

CERCLA: Comprehensive Environmental Response, Compensation, and Liability Act of 1980

DAV: The Disabled American Veterans Program

DOR: Department of Revenue

DPHHS: Montana Department of Public Health and Human Services

EPTAP: Extended Property Tax Assistance Program

FERC: Federal Energy Regulatory Commission

MCA: Montana Code Annotated

MDV: Montana Disabled Veteran Property Tax Relief Program

MMHNCC: Montana Mental Health Nursing Care Center

NCSL: National Conference of State Legislatures

NOL: Net operating loss

PSC: Public Service Commission

PTAP: Property Tax Assistance Program

RTIC: Revenue and Transportation Interim Committee

TDD: Telecommunications Device for the Deaf

TIF: Tax increment financing

TSEF: Treasure State Endowment Fund

TSEP: Treasure State Endowment Program

WTI: West Texas Intermediate