

Glossary

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.

C corporation: A business entity that is incorporated under the laws of a state or foreign country and is not eligible to be taxed as a S corporation. For tax purposes, a C corporation is considered to be entirely separate from its owners. A C corporation is subject to federal and state tax on its net income. Shareholders must include dividends they are paid in their income, but a corporation may pay dividends that are different from its net income.

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

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.

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 the 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: An exemption from property tax of a percentage of the market value of residential property. It reduces the taxable value of residential property relative to property of a different type with the same market value.

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.

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.

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Limited liability company (LLC): A company structure combining certain characteristics of both a corporation and a sole proprietorship (or partnership). Owners or shareholders of the company are protected from personal liability for the company's debts or liabilities.

Market value: The price that an unrelated willing buyer and willing seller would agree on with no compulsion or time constraints on either side.

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 business entity has deductions for current expenses that are more than its current income. A net operating loss in one year generally can be used to offset income in other years.

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.

Pass-through entity: A business entity that is considered either a partnership or an S corporation for tax purposes. A pass-through entity is not treated as an entity separate from its owners. There is no separate tax on the income of a pass-through entity. All of the business' income (or loss) is attributed to its owners and each owner must include that income when calculating taxes.

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

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.

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

S corporation: A business entity that is incorporated under the laws of a state and meets certain conditions. These include having no more than 100 shareholders, having no shareholders who are non-resident aliens, and having no shareholder that is another business entity, except that one S corporation may be a wholly-owned subsidiary of another. An S corporation is a pass-through entity, with no separate tax on income at the entity level.

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

Statute: A written law passed by the legislature.

Stripper well: An oil or gas well with a low rate of production.

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.

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Suits Index: A measure that compares taxes as a percent of income across taxpayers. If all taxpayers pay the same percent of income in taxes, the Suits Index equals 0. If taxpayers with higher incomes pay a lower percent of their income in taxes, the Suits Index is negative. If taxpayers with higher incomes pay a higher percent of their income in taxes, the Suits Index is positive.

Targeted Economic Development District (TEDD): A method of financing infrastructure and services in a special district using property taxes on any increases in taxable property value in the district.

Tax expenditure: A reduction in government revenue due to special provisions in the tax laws, which reduce taxes for taxpayers who meet certain conditions or take certain actions.

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 financing infrastructure and services in a special district using property taxes on any increases in taxable property value in the district.

Tax liability: The total amount of a particular tax that a taxpayer is required to pay for a year or other tax period.

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.

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

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

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

TEDD: Targeted Economic Development District

TIF: Tax increment financing

TSEF: Treasure State Endowment Fund

TSEP: Treasure State Endowment Program

WTI: West Texas Intermediate