

February 6, 2014



Montana Tax News You Can Use

An e-newsletter for tax preparers and those interested in the state's tax system

Calculating the 2EC

There is now a new way to calculate the Montana elderly homeowner/renter credit, commonly known as the 2EC, for homeowners who have between one and 20 acres.

If the land ownership includes less than 20 acres, and if that tax bill or assessment notice does not separately identify the one-acre farmstead or primary acre, you can determine the property tax you'll use in the credit calculation in one of two ways:

1. Determine the total amount of property tax billed and multiply by 80% or
2. Determine the total amount of property tax billed and divide by the total acreage.

If these two methods yield different results, use the larger of the two for the amount of property tax billed for the primary residence.

If the land ownership includes 20 acres or more, and if the tax bill or assessment notice does not separately identify the one-acre farmstead or primary acre, please contact the department's local office for computation of the allowable amount of property tax you can use in the credit calculation.

Forms 1099-G and refunds for married taxpayers filing separately on same form

The Department of Revenue recently mailed Forms 1099-G to taxpayers. We often receive questions about how to read this form when it involves a taxpayer who filed married filing separately on the same form in the previous tax year.

When married taxpayers file separately on the same form, and one spouse is entitled to a refund and the other spouse

owes, the refund of one spouse is applied to the amount owed by the other spouse. The refund received is therefore different from what is shown on the return. When the taxpayer receives their Form 1099-G the following year, it will show the amount of the refund as calculated on the return and not necessarily the amount the taxpayer received.

The amount shown on Form 1099-G, not the amount of refund actually received by the taxpayer, should be reported on the current year return and used in any calculations, if applicable.

Interactive 2013 Form 2

We have created a [new tool](#) that links lines from the 2013 Form 2 to Montana tax laws and rules. Since this is a new tool, we would appreciate your feedback at dorformsdesignnteam@mt.gov.

Pass-through entity delinquency letters

The department recently mailed delinquency letters to S. corporations and will be mailing similar letters to partnerships on February 15.

We send delinquent notices to entities that previously filed a tax return or have an open account. We automatically set up accounts for businesses that register with the Secretary of State but do not respond to the department's "Welcome Letter," which is a request for information that we mail to each entity upon receiving notification of their business registration.

The delinquent notice project helps the department keep taxpayer accounts up-to-date. The letters serve as a reminder for entities that may have forgotten to file and informs other entities that we, for one reason or another, didn't receive their returns. The department appreciates the time taxpayers and their representatives take to respond to these letters. Responding helps us not only ensure compliance but also allows us to clean up unnecessary accounts and identify any system errors. Taxpayers who do not respond to these notices may be subject to estimation.

For entities that do not have any Montana activity for the tax year in question, the best response, administratively, is to file a tax return, signed by the taxpayer, showing no Montana activity. In the case of S. corporations, we also accept Form INA-CT, the Affidavit of Inactivity. Alternatively, an entity should file a "Final Return" to close their account with the department if they are withdrawing with the Secretary of State or do not anticipate any future Montana activity.

Property tax benefits for qualified applicants

Montana property owners with a household income of less than \$28,192 (or less than \$21,144 if they are single filers) may be eligible for reduced property taxes through the Property Tax Assistance Program (PTAP). To qualify for PTAP benefits, applicants must meet the income requirements and show documentation from their Montana income tax return. They must also own the property and live in it as their primary residence. Depending on income level, taxpayers may be entitled to a 30 to 80% property tax reduction on their primary residence. Taxpayers can contact their local Department of Revenue office for a PTAP application or download it from the department [website](#).

If your client is a property owner and a veteran at 100% disability or the surviving spouse of a disabled veteran, your client may also qualify for the Montana Disabled Veteran (MDV) property tax reduction program, formerly known as the Disabled American Veteran Property Tax Relief (DAV). Applicants may be eligible for a reduction of Montana property taxes or even a full exemption. The application is available on the [website](#). The application deadline for the PTAP and MDV programs is April 15th.

Three reasons why you should e-file your income tax return

1. More accurate and complete. E-file is the best way to file an accurate and complete tax return. The tax software does the math for you, and it helps you avoid mistakes.

2. Faster refunds. E-filing usually brings a faster refund because there is nothing to mail and your return is less likely to have errors, which take longer to process. The Department of Revenue issues most refunds from e-filed returns in less than six days. The fastest way to get a refund is to combine e-file with direct deposit into your bank account.

3. More payment options. If you owe taxes, you can e-file early and set an automatic payment date anytime on or before the April 15 due date. You can pay by check or money order, or by debit or credit card. There is even a mobile payment option.

For more information about your options to file or pay electronically, visit revenue.mt.gov or contact a tax preparation professional.

Approved tax software for 2013

Every year tax software vendors seek approval to participate in the Montana federal/state electronic filing program. We

test the software of each vendor to ensure that it's compatible with our electronic filing system. You can find the latest approval status of each product [here](#).

For more information, email dore-services@mt.gov.

Target tax dates

February 18: We begin processing Montana individual income tax returns submitted via paper. Keep in mind that no matter how soon in the tax season you or your client submits a paper tax return, you'll receive your refund faster if you e-file because of the extended time required to process paper.

March 1: The deadline for...

- completing and returning a livestock reporting form
- reporting business equipment
- associations and organizations to apply for property tax exemption


Tax facts

For 2014, as of January 31...

- Total number of individual income tax returns we've processed: 13,368
- Number of individual tax returns we've received electronically: 12,397
- Number of business returns we've received electronically: 1,003
- Number of individual income tax refunds we've issued: 5,290
- Average amount of refunds: \$344.70
- Average number of days in which taxpayers have received a refund after filing an electronic return: 2
- Average number of days in which taxpayers have received a refund after filing a paper return: 0 (Federal-state individual income tax e-filing began January 31. We plan to begin processing individual income tax paper tax returns on February 18.)

Contact us

Visit us online at revenue.mt.gov or call us toll-free at (866) 859-2254 or in Helena at 444-6900.

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Montana Tax News You Can Use is published weekly during tax season and periodically at other times. It is for anyone who helps people file taxes and meet their tax responsibility and for anyone simply interested in the state's tax system. It keeps you posted on what's happening at the department, lets you know about new ways of preparing and filing taxes and brings you up-to-date on some of the issues and trends popping up during tax season in Montana. To subscribe, please visit the [newsroom](#) page on our website and click on the "Tax News You Can Use" tab.

We welcome your suggestions and ideas for articles, as well as your questions and comments. Please send them to DORWritingProject@mt.gov.