

May 15, 2014



## Montana Tax News You Can Use

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

### A word of thanks from Mike Kadas, Montana Department of Revenue Director

The Department of Revenue would like to thank all of you for your hard work helping Montana's taxpayers file their state taxes correctly and on time during the recent tax season.

Your know-how and professionalism play a pivotal role in making our tax system work. Without you, we'd have a much harder time collecting the revenue that helps supports the quality of life we enjoy in Montana.

As always, we encourage you to let us know how we're doing. We rely on your feedback to ensure that we're offering Montana's taxpayers the best service possible.

We've recently begun the process of reviewing and updating the Montana tax forms for the next tax year. As a preparer, you know these forms well and see many different situations play out on them. We would like to hear, and would value, any comments or suggestions you have regarding the forms. Please feel free to email those comments or suggestions to Justin Ahlers, Income Tax Specialist, at [jahlers@mt.gov](mailto:jahlers@mt.gov).

If you have any other suggestions for how we do business, please email them to [dorcustomerassistance@mt.gov](mailto:dorcustomerassistance@mt.gov) or call toll-free (866) 859-2254 or 444-6900 in Helena.

I hope you all took a much-needed break after April 15 and enjoyed your time away from the office. You certainly deserved it!

## C.A. Daw, 1953-2014

On May 1, the Department of Revenue and the State of Montana lost one of its sharpest legal minds and most distinguished public servants, C.A. Daw. He was the department's Chief Legal Counsel from 2007 until his death.

Daw had 25 years of experience in state taxation, successfully arguing on behalf of the State of Montana in several cases that maintained justice and equity in state tax law and administrative rules. Under his legal guidance, the Department of Revenue won numerous high-profile cases brought before the Montana Supreme Court, including many in which large corporations and wealthy individuals sought to pay less than their fair share of state taxes.

"In just seven years, C.A. made a lasting impact on tax administration in Montana, with equity, fairness and integrity the hallmark of his legacy," says Alan Peura, the department's Deputy Director.

During his years as a private lawyer and later as legal counsel for the Montana Department of Revenue, he became a nationally recognized authority on various types of property taxation.

Those who worked with Daw at the department remember him affectionately for his caring demeanor and brilliance of mind.

"I will remember C.A. for his sharp intellect and dry wit," says department Director Mike Kadas. "I will miss him."

## Licensing your business online using eStop

Some of your clients may be interested to know that Montana business owners and operators are now able to do their one-stop business licensing [online](#). Along with the online improvement, we have changed the name from One-Stop Business Licensing to [eStop Business Licenses](#).

Here are a few good reasons why your clients may want to take advantage of our *new* electronic service:

- You can renew and pay your licenses online with an echeck or credit card.
- You can view the history and details of your business and location.
- You can print your license.
- You can easily notify us of changes to your business or locations, including new mailing address, new business structure, new physical location, closed business locations and so on.

When businesses receive their license renewal notice this year, they will get a passcode and instructions for signing up

for eStop. They should then go online to [estop.mt.gov](http://estop.mt.gov) and follow the instructions. Your clients can also email our Customer Service Center at [DORestop@mt.gov](mailto:DORestop@mt.gov) or call toll free at 1(866) 859-2254 or in Helena at 444-6900.

The eStop program is a service provided by the Montana Departments of Revenue, Environmental Quality, Labor and Industry, Public Health and Human Services, and Agriculture.

## Complying with wage withholding

We would like to thank all tax practitioners who filed the 2013 Montana Annual Wage and Withholding Tax Reconciliation Form (MW-3) on behalf of their clients by February 28. We would also like to thank business owners who continually comply with the Montana wage withholding requirements.

Unfortunately, the department has, through past compliance efforts, identified employers who knowingly and willingly fail to remit to our department the taxes they withhold from their employees. The department takes this matter quite seriously.

If you happen to have any clients who have not remitted employee withholdings, we urge you to remind them that any amount they deduct and withhold from their employees' paychecks is tax collected and must, by law, be held in trust for the state. Misuse of this trust money comes with serious legal consequences.

For more information regarding Montana wage withholding requirements, please see [the Montana Employers Tax Guide](#) or review [Montana Code Annotated](#) 15-30-2501 through 15-30-2509. In addition, please feel free to contact Larry Sullivan, Withholding Tax Unit Manager, at (406) 444-7701 or at [lsullivan@mt.gov](mailto:lsullivan@mt.gov) with any specific questions.

## 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](mailto:dore-services@mt.gov).

## Tax facts

For 2014, as of May 9...

- Total number of individual income tax returns we've processed: 473,048
- Number of individual tax returns we've received electronically: 414,546
- Number of business returns we've received electronically: 30,116
- Number of individual income tax refunds we've issued: 367,094
- Average amount of refunds: \$430
- Total amount of refunds: \$158,067,064
- Average number of days it's taken us to issue a refund after receiving an electronic return: 3.8
- Average number of days it's taken us to issue a refund after receiving a paper return: 20
- Number of fraudulent tax returns we've intercepted: 397
- Amount in fraudulent refunds we've prevented: \$596,450

## An anomaly in last year's tax revenue collections

The Montana Department of Revenue collected \$180.7 million in April 2014. In April 2013 we collected much more - \$218.4 million. Despite that difference, we collected more in fiscal year 2014 than we did in fiscal year 2013. From July 2013 through April 2014 we collected \$886 million. From July 2012 through April 2013 we collected \$879 million.

So, how do you explain this surge in April 2013 revenue?

The surge had to do with the number of payments with returns. Last year, payments with returns were much higher than normal. There are at least two reasons for this:

One is that the state economy grew strongly in 2012. Some people didn't anticipate this and therefore underestimated what their income for the year would be when they made their estimated payments. Others based their estimated payments on last year's income even though they knew that their income, and tax liability, had grown. Both of these groups would end up owing additional tax with their returns.

The other reason is that the temporary Bush-era tax rate reductions expired at the end of 2012. Taxpayers who can control the timing of when they recognize income for tax purposes shifted some income from later years into 2012 to reduce their taxes. In particular, people sold stocks and other appreciated assets to recognize the capital gains income in

2012 rather than in a later year. People who did this would have had a year-end surge of income that they would owe tax on.

The revenue we collected in April 2014 was closer to normal levels.

## Contact us

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### Montana Department of Revenue | Tax News You Can Use

edited by [Ted Brewer](#)

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.

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