

August 14, 2014



## Montana Tax News You Can Use

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

### 2014 income tax form changes

As a result of feedback we received from taxpayers, tax practitioners and department staff, we updated the income tax forms and schedules for 2014. The updates implement legislation and increase efficiency in the preparation, filing and processing of returns. Thank you for contacting us with your observations, experiences and ideas.

To see drafts of the 2014 income tax forms, click [here](#).

#### Forms 2, CLT-4S, FID-3 and PR-1

Beginning with the 2014 tax year, the Unlocking State Lands program allows a landowner to enter into a contractual agreement with the Montana Department of Fish, Wildlife and Parks to provide public recreational access where no legal public access currently exists. The landowner may receive an annual tax credit in the amount of \$500 per agreement (up to a maximum of \$2,000 tax credit per year) for allowing such access. For additional information, click [here](#).

#### Form 2

Beginning with the 2014 tax year, we have consolidated Schedules VI and VII. The schedules calculate the credit for an income tax liability paid to another state or country. In prior years, a full-year resident completed Schedule VI and part-year residents completed Schedule VII although both calculations were the same. For 2014, all calculations will occur on Schedule VI with specific line references within the calculation for each residency status.

#### Forms PR-1 and CLT-4S

\* Schedule II, line 17

For partnerships and S corporations that received the unlocking state lands credit, we added line 17 to the credit schedule

to allow them to report their credit.

#### \* Schedule III

We changed the reporting requirement for Schedule III, column D. Beginning in 2014, partnerships will enter each owner's share of Montana source income in column D. This amount more accurately reflects the amount of Montana source income that each owner may be responsible to report on their personal Montana income tax return. Prior to 2014, pass-throughs entered ownership percentage in column D. Ownership percentage did not accurately reflect the amount of Montana source income received if there were special allocations and if the owner did not have an ownership interest the entire tax year.

We simplified the calculations for the column totals on line 8. Beginning in 2014, pass-throughs will only report the total of all rows for columns D, E and F. Previously, pass-throughs subtotaled seven rows for each column. The subtotal line was removed to help reduce confusion so that the total of column D matches total Montana source income reported on page 1, total composite tax reported on page 2 and total pass-through withholding reported on page 2.

We added new entity type codes as options for Schedule III, column B. The entity type codes added to Form PR-1 are D for disregarded entity, PTP for publicly traded partnership and TE for tax-exempt entity. The entity type code added to Form CLT-4S is TE for tax-exempt entity.

### New e-filing requirement for partnership entities with more than 100 partners

With the passage of SB179 in 2013 Legislative Session, a partnership with more than 100 partners over the course of its tax year now must file the Montana Partnership Information and Composite Tax Return (Form PR-1) electronically. This requirement is effective for tax years beginning after December 31, 2013. The list of tax software vendors who support the Montana Form PR-1 form for e-filing can be found [here](#).

We are currently defining the process for a partnership to request a waiver of the electronic filing requirement.

### A reminder about withholding

Every year the department contacts employers who have active withholding accounts but did not submit a Form MW-3 "Montana Annual Wage Withholding Tax Reconciliation" for the previous tax year. In the course of working with these

employers, we have identified some common issues.

If employers with existing withholding accounts pay no wages during a tax year, they are still required to submit a Form MW-3 showing 'zero' wages and withholding. This will fulfill their filing requirement and prevent us from sending them a 'non-filer' letter. The filing deadline for Form MW-3 is February 28<sup>th</sup>. (You can file an MW-3 online at [Taxpayer Access Point](#) (TAP).)

The law requires entities to send the following documents within 30 days of ceasing to be an employer or paying payroll:

- Payment voucher with remittance for the final payroll period in which wages were paid.
- The MW-3 with the W-2 forms, reporting employees' wages and taxes withheld during the year to the date of termination of the wage payments. Please be sure to check the "account ceased" box on the Form MW-3 and include the date that the final wages were paid.

If you have any questions regarding your withholding tax filing requirements, please contact Larry Sullivan, Withholding Tax Unit Manager, at (406) 444-7701 or at [lsullivan@mt.gov](mailto:lsullivan@mt.gov).

## Local Government Advisory Council meets August 21

The Montana Department of Revenue's Local Government Advisory Council will next meet on August 21, 2014 from 10 a.m. to 3 p.m. in the Mitchell Building at 126 Sanders Street in Helena.

The Advisory Council provides recommendations to Revenue Director Mike Kadas and the Department of Revenue for how the department can better serve Montana's communities. The Advisory Council consists of 11 local government leaders recommended by Director Kadas and appointed by Governor Steve Bullock. They all have proven expertise over issues regarding governance, taxation, finance and budgets in local governments, schools, and tribes.

The meeting agenda includes presentations to the committee by Business and Income Tax Division Administrator Gene Walborn, Tax Policy Research Director Ed Caplis, and Property Assessment Division Administrator Cynthia Monteau Moore, as well as by Director Kadas. To access the agenda, click [here](#) and select "Local Government Advisory Committee."

The public and press are welcome to attend the meeting. Please check in at the Department of Revenue counter on the third floor of the Mitchell Building. Parking is available on streets and parking lots surrounding the building.

The department will make reasonable accommodation for people with disabilities who wish to participate in this meeting. If you require an accommodation, please contact Kristan Barbour at (406) 444-2762 or [kbarbour@mt.gov](mailto:kbarbour@mt.gov).

## 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 August 8...

- Total number of individual income tax returns we've processed: 489,895
- Number of individual tax returns we've received electronically: 423,706
- Number of business returns we've received electronically: 51,593
- Number of individual income tax refunds we've issued: 384,716
- Average amount of refunds: \$438
- Total amount of refunds: \$166,201,898
- Average number of days it's taken us to issue a refund after receiving an electronic return: 4.26
- Average number of days it's taken us to issue a refund after receiving a paper return: 23
- Number of fraudulent tax returns we've intercepted: 867
- Amount in fraudulent refunds we've prevented: \$1,002,783

## Contact us

Visit us online at [revenue.mt.gov](http://revenue.mt.gov), email us at [DORCustomerAssistance@mt.gov](mailto:DORCustomerAssistance@mt.gov), or call us toll-free at (866) 859-2254 or in Helena at 444-6900.

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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.

We welcome your suggestions and ideas for articles, as well as your questions and comments. Please send them to [DORWritingProject@mt.gov](mailto:DORWritingProject@mt.gov).