



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

I would like to thank all of you for the long hours you've put in this tax season to help people file their taxes correctly and on time. We understand that the last few weeks of tax season can be the most exhausting.

This is our last regular issue of *Montana Tax News You Can Use* for the 2014 tax season. From now until tax season rolls around again in January, we'll be publishing *Montana Tax News You Can Use* on an occasional, as-needed basis--that is, whenever we have some useful or important information we'd like to pass along to you.

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

We'd also value any suggestions or comments you have on Montana tax forms as we begin the annual process of reviewing and updating the forms for the next tax year. Please email those comments or suggestions to Justin Ahlers, Income Tax Specialist, at jahlers@mt.gov.

Thank you for subscribing to our newsletter. We hope you've had a chance to catch up on your sleep and find some time to enjoy yourselves after the demanding tax season. You deserve it!

Statement of Account (SOA) Letters Mailed

The first individual income tax Statement of Account letters for the 2014 tax year are being mailed this week. If there are any questions or concerns regarding the Statement of Account please contact our call center. In some cases if a payment was submitted by the taxpayer without the appropriate information, the payment may have not been applied as the taxpayer expected. We can do research on payments made for the 2014 tax year and have a correction made if applicable.

New Account Types Added to ACH Credit Program

Payments can now be submitted with ACH credit for Small Business Corporation (SBC), Partnership (PTR), Unclaimed Property Holder (UCH), and Unlocatable Mineral Holder (UCM), in addition to the more than 40 tax types already available.

ACH Credit is a convenient, secure method that is initiated by the taxpayer through their financial institution and allows them to transfer funds by instructing their financial institution to debit their account and credit the Department of Revenue's account. To register for the ACH Credit Program, submit a one-time [Electronic Fund Transfer Registration Form](#) via email, fax, or mail.

More information on the ACH Credit Program can be found on the Department of Revenue website under [Online Services](#) > Businesses > ACH Credit Payment Instructions.

TAP Added Security Features

The Montana Department of Revenue has taken several steps to safeguard the integrity of taxpayers' confidential information.

As an added security measure, a taxpayer will now be required to request and provide a new authorization code each time they log into their Taxpayer Access Point (TAP) account with a public computer. The authorization code will immediately be emailed or a text will be sent to the taxpayer each time they attempt to access their TAP account from a public or shared computer. If they are using a work or home computer, they can select the "*Trust This Computer*" option, which will eliminate the need to use an authorization code each time they log on. The "*Trust This Computer*" option should not be selected if the taxpayer is using a public computer. If they choose the "*Trust This Computer*" option on a public computer, the taxpayer could be putting their confidential information at risk. In addition, taxpayers will be required to provide their password after 20 minutes of inactivity and TAP will automatically log them out after 45 minutes of inactivity.

Taxpayers can safeguard their tax information when using TAP by:

- Creating a unique password and answer to the secret question
- Keeping their username and password secret
- Logging out of TAP after each session
- Closing their browser after logging out of TAP

Deadline Reminder: Form CIT

May 15 is the deadline for calendar-year taxpayers to file Montana corporate income tax returns (Form CIT). The form is available on <http://revenue.mt.gov/home/forms> in the Corporate Income Tax section.

Assistance for Business Clinics (ABC) Schedule

The Assistance for Business Clinics (often called ABC clinics) are designed to assist new and established employers, accountants, and other professionals by providing updates regarding state income tax withholding requirements, e-file applications that help businesses with their filing requirements, unemployment insurance tax requirements, workers compensation coverage, and other related subjects.

For additional information, including the registration form and full 2015 schedule, visit dli.mt.gov/resources/abc.

Tax Facts

For 2015, as of May 1:

- Total number of individual income tax returns we've processed: 453,875
- Number of individual tax returns we've received electronically: 308,650
- Number of individual income tax refunds we've issued: 352,477
- Average amount of refunds: \$423

As of May 2:

- Number of fraudulent tax returns we've intercepted: 1,298
- Amount of fraudulent refunds we've prevented: \$1,371,264

DOR 2015 Legislative Summary of Bills Enacted Into Law

You can find additional information about legislation on the Montana Legislature's [LAWS website](#).

HB 52 Revise electronic signature authority: House Bill 52 updates existing law regarding signatures and verification associated with electronic filing of returns, reports, and other documents.

HB 56 Subdivision classifications for agricultural land valuation: The new law amends 15-7-202(4), MCA, by removing language that land cannot be classified as agricultural land if it is part of a platted subdivision, or has covenants or other restrictions that effectively prohibit agricultural use. Effective immediately, the department will look at the actual use of the land when classifying land and not the language contained within covenants. Additionally, HB 56 added language to clarify the portion of law regarding family farm relationships.

HB 122 Clarify the requirements for agricultural labor wage withholding: House Bill 122 clarifies existing law and exempts wages for agricultural labor from mandatory withholding. There is no change otherwise to the taxation of these wages; this bill simply corrects an unintentional change in wording made several legislative sessions ago.

HB 359 Revise laws related to inflation indexing of income taxes: House Bill 359 changes the timing for when the department updates various amounts for a tax year, such as the tax brackets and exemption amount. The department will be able to provide the updated figures prior to the start of the tax year.

HB 379 Generally revise income tax laws: House Bill 379 revises Montana's penalty and interest provisions so that they are similar to the federal provisions. Interest and penalties are generally lower for the average taxpayer and an automatic six-month extension for individuals is provided. The change also increases the amount of interest the department may waive in certain situations. Conversely, the penalties are stiffened for situations where a taxpayer has grossly understated income or made a fraudulent or frivolous submission.

Additionally, the statute of limitations that applies to individual income tax returns is lowered from five years to three. This change affects both the amount of time the department has to assess additional tax, as well as the amount of time a taxpayer may file a refund claim.

The new penalty, interest, and waiver provisions take effect January 1, 2017, and the changes in the statute of limitations apply to tax years beginning after December 31, 2014.

HB 389 Reapplication process of tax-exempt properties: The new law requires all currently-exempt entities to reapply for exempt status by March 1, 2016. The department began managing exemptions in 1981 and has little documentation from when the county governments managed exemptions. Once all entities have reapplied, the department will provide a public listing of each entity's exemption type per county. The new law will sunset in six years, meaning reapplication will no longer be required. Tax-exempt property owners now have a duty to report any changes in use to the department within 30 days of the change. This duty will help the department keep the exemption records up to date.

SB 6 Clarify Department of Revenue's uniform dispute review procedures: Senate Bill 6 makes a minor change to the wording in the dispute resolution procedures and outlines that a taxpayer has the right to request an alternative method for resolving a dispute with the department, including mediation. Taxpayers have always had the right to request alternative methods under the law; the change simply clarifies that.

SB 54 Sale price disclosure: Effective immediately, if a residential property taxpayer submits a Request for Informal Assessment Review (Form AB-26) and signs a written or electronic confidentiality agreement, they can request to receive all of the sales in their market area.

SB 62 Livestock reporting and payment of per capita fees: The new law amends the payment date for livestock per capita fees from November 30 to May 31 starting in 2016. By changing the payment date, livestock owners will now have the option to report their livestock and pay their per capita fees electronically in one transaction. Additionally, livestock owners bringing livestock into the state after February 1 must complete a reporting form rather than submit a certified letter to the department and the Department of Livestock will no longer furnish monthly livestock reports to the department delineating the type and number of livestock moving into each county.

SB 122 Property tax exemptions for businesses manufacturing ammunition components: Effective January 1, 2016, a person or entity engaged in the primary business of the manufacture of ammunition components will be exempt from property taxes levied for state educational purposes and the business equipment tax, if they meet the following conditions:

- The products of the business are and remain available to commercial and individual consumers in the state.
- The business sells its products to in-state commercial and individual consumers for a price no greater than that for out-of-state purchasers, including any products that leave the state regardless of destination or purchaser.
- The business does not enter into any agreement or contract that could actually or potentially command or commit all of its production to out-of-state consumers or interfere with or prohibit sales and provision of products to in-state consumers.

The exemptions apply only to the property and business activity attributable to the manufacture of ammunition components. Any property within 500 yards of a structure used for the manufacture of ammunition components or of any structure used for storage of products manufactured onsite would also be exempt from property taxes levied for state educational purposes.

SB 157 Revision of property tax reappraisal laws: This new law changes the reappraisal cycle from six years to two years for residential, commercial, industrial, and agricultural property. The two-year reappraisal cycle began retroactively on January 1, 2015. The valuation date for the cycle is January 1, 2016, with the mailing of assessment notices to follow in the summer of 2017. Forestland valuation will remain on a six-year reappraisal cycle, but the collection of sales data will increase from five years to ten years to decrease the fluctuation in values.

The new law also combined property and income eligibility requirements for the Property Tax Assistance Program (PTAP) and the Montana Disabled Veteran's Program (MDV). The Extended Property Tax Assistance Program (EPTAP) was not renewed.

SB 175 Revise tax credit for temporary emergency lodging: Currently, a tax credit is available to a lodging facility that provides free lodging to a displaced individual referred to the facility by a designated charitable organization. Senate Bill 175 would amend the definition of who may receive lodging with the intention of providing more flexibility in the program.

SB 308 Property tax exemptions for certain land leased by local governments: The new law will provide a property tax exemption for certain property leased by a county, municipality, or taxing unit used for a public park, recreation, or beautification purposes. The land must be leased or rented for less than \$100 a year and cannot total more than 10 acres within the municipality or taxing unit. The exemption does not include buildings and the municipality or taxing unit must apply for the exemption.

SB 309 Revise laws to incentivize access to isolated state and federal lands: Senate Bill 309 expands eligibility for a program enacted by the 2013 Montana Legislature. Currently, a tax credit is available to landowners who provide access to certain parcels of state-owned land. This act expands the program to include public land starting in 2016.

SB 378 Revise military pay exemption from state income taxes: Senate Bill 378 refines the definition of what military pay is exempt from taxation under Montana law. The amendments will not change the treatment of military pay and will only add to the definition to improve clarity.

SB 386 Revise late file penalty, filing, and withholding for pass-through entities: Senate Bill 386 modifies the filing and withholding requirements for partnerships and S corporations. The bill eliminates the Second-Tier Pass-Through Entity Owner Statement (PT-STM) used by pass-through entity owners that are also pass-through entities. Second-tier pass-through owners will be exempt from withholding only if they are Montana entities and can establish that their share of Montana source income will be fully accounted for on resident individual income tax returns. The changes also establish that a minimum distributive share of Montana source income of \$1,000 before withholding on a nonresident individual or foreign C corporation owner is required (unless the owner completes and submits Form PT-AGR). Finally, the bill caps the penalty for late filing of a pass-through entity's information return at \$2,500 per period.

SB 405 Montana Health and Economic Livelihood Partnership (HELP) Act: Senate Bill 405 creates a program that provides certain low-income Montanans with access to Medicaid. One part of the program calls for participants to pay at least a portion of their premiums, while another part assesses an integrity fee for participants whose assets exceed certain levels. The bill makes the Department of Revenue responsible for collecting the integrity fee and any unpaid premiums.

SB 410 Provide for tax credits for contributions to public and private schools: Senate Bill 410 provides tax credits for donations to an educational improvement account that provides funds to innovative educational programs in Montana's public schools. A credit will also be available for donations to qualifying organizations that provide scholarships to students attending nonpublic schools.

Contact Us

Visit us online at revenue.mt.gov; email us at DORCustomerAssistance@mt.gov; or, call us toll-free at (866) 859-2254 or in Helena at (406) 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, 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.



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