

Montana *Tax News You Can Use*

Montana Department of Revenue

December 14, 2017

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



Season's Greetings



The Department of Revenue would like to wish you a wonderful holiday season and a Happy New Year.

Tax season is right around the corner and we want you to know that you are the reason for the work we do. We appreciate you partnering with us to help us continue improving our service to you.

Online Reporting of Business Equipment is Necessary

The Montana Department of Revenue is notifying business equipment owners to submit their annual report online in 2018 with the department's TransAction Portal (TAP). The department will not mail paper reporting forms.

"Electronic reporting is free, easy to use and saves time for businesses that are trying to work efficiently. It also makes processing the reports more accurate and cost effective," said Shauna Helfert, Property Assessment Division Administrator with the Department of Revenue.

The department will be mailing letters January 2, 2018, to business equipment owners who have reported in prior years and are believed to have a reporting requirement. The letter will contain instructions on how to log in to their TAP account or set up an account at <https://tap.dor.mt.gov>.

Businesses that do not receive a letter still have a statutory reporting requirement if their statewide aggregate market value of equipment is over \$100,000. Those businesses whose statewide aggregate market value is \$100,000 or less are exempt from taxation and do not have a reporting requirement.

Business equipment owners who are notified need to report furniture and fixtures, heavy equipment, manufacturing and mining equipment, farm and ranch equipment, oil and gas equipment, and miscellaneous equipment they own on January 1. Owners need to submit a report even if there were no changes to their business equipment or if they closed or sold their business.

All business equipment reported for 2017 is prepopulated to the 2018 online reporting system. Online reporting creates an electronic repository that lets businesses access submissions from previous years. Businesses can also use the sort and filter functions to quickly locate assets that need to be updated or deleted. Finally, online reporting provides businesses with immediate confirmation that the department received their report.

The reporting deadline is March 1, 2018, to avoid a 20 percent penalty.

For more information, visit revenue.mt.gov, or contact us at (406) 444-6900 or DORCustomerAssistance@mt.gov.

2018 Tax Season Message

As we approach a new tax season, it's important to be aware of the following information:

- ***Why is my refund taking longer to process?*** Tax fraud and identity theft is a growing problem and the Montana Department of Revenue is committed to do all that we can to help protect your tax refund. The measures we have in place to detect, safeguard and prevent identity theft-related tax fraud may extend the time it takes for you to receive your refund.
- ***When can I expect my refund?*** It can take up to 90 days for your refund to be issued. You can check the status of your refund by visiting "Where's My Refund?" at tap.dor.mt.gov or go to revenue.mt.gov for more information. If it has been more than 90 days, contact us at (406) 444-6900 and we can review the status of your account. Also, beginning with the 2018 tax processing season, please be aware that all taxpayers who are considered first-time Montana income tax filers will receive their

refund by paper check.

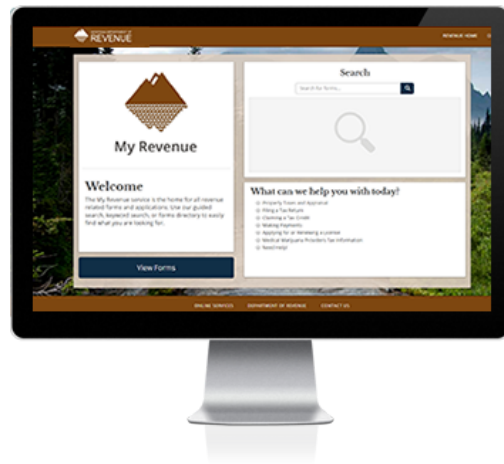
- **Can I do anything to speed up the process?** If you receive a letter from the department, respond with the requested information so we can complete the review and send out your refund.

My Revenue

The department created a new web application called My Revenue.

This service will help you and your clients easily find forms and filing options. It provides a guided search, keyword search, and a directory of all revenue related forms, instructions, and procedures.

You can access My Revenue from the department's homepage at revenue.mt.gov.



Tax Facts

For 2017, as of December 8:

- Total number of individual income tax returns we've processed: 545,552
- Number of individual tax returns we've received electronically: 482,803
- Number of individual income tax refunds we've issued: 420,530
- Average amount of refunds: \$513.34

Filing Taxes Digitally

In an effort to save taxpayer dollars, the Department of Revenue no longer prints tax booklets. Please visit revenue.mt.gov for electronic filing, forms to download and instructions or call us at (406) 444-6900.

National Tax Security Awareness

The Montana Department of Revenue joins with the Internal Revenue Service (IRS) and the nation's tax industry to protect taxpayers and preparers from identity theft and tax fraud. During National Tax Security Awareness Week in late November, the IRS distributed several news releases with information to protect you and your clients. They're titled: Online Security: Seven Steps for Safety, Avoid Phishing Emails by Data Thieves, Victims of Data Breaches Should Consider These Steps, Employers and Payroll Officials: Avoid the W-2 Email Scam, and Small Businesses: Be Alert to Identity Theft.

We encourage you to read the information at www.irs.gov/securitysummit.

New Property Tax Assistance Program

The Montana Department of Revenue announces a new property tax assistance program to help residential property owners whose land value is disproportionately higher than the value of their home. Property owners *may* qualify for the tax assistance if the department's appraised market value of their land is more than 150% of the department's appraised market value of their home and other improvements on the land.

Beginning December 18, visit property.mt.gov and select Property Record Card to search for your property and see if you may qualify. There will be a highlighted note in the *Value History* section of your electronic property record card if your property meets the land value requirement.

In addition, the home must be a primary residence owned by the individual or close family member for at least 30 consecutive years. The land the home is located on must be five acres or less.

On December 18, the application form and more information on the tax relief program will be available on our website, revenue.mt.gov. Property owners should mail completed applications, including all supporting documentation, to their local Department of Revenue office by March 1.

The department will review the applications and notify applicants by mail whether they qualify for the assistance for 2018. The tax assistance applies to the portion of the homeowner's land value that is in excess of 150 percent of the department's appraised market value of the home and other buildings on the land.

Income Tax Considerations for Medical Marijuana Providers

Do you operate a business as a medical marijuana dispensary or as a retailer of medical marijuana with a license issued by the Montana Department of Public Health and Human Services (DPHHS) under the Montana Medical Marijuana Act? If so, you may subtract certain business expenses on your 2017 Montana return that you can't deduct on your federal return due to Section 280E of the Internal Revenue Code.

Section 280E keeps you from deducting business expenses on your federal return, other than the cost of goods sold, if your business involves the cultivation, manufacture, distribution or sale of certain controlled substances. When you file an income tax return in Montana, however, you are allowed a subtraction for the same ordinary and necessary expenses you incur for your business that are allowed for other types of businesses operating in the state. If the expense would have been allowed for federal purposes, but your business falls under Section 812 of the Controlled Substances Act (21 U.S.C. § 801 et seq.), you are allowed a subtraction on your Montana return.

The following are types of expenses that go into figuring the cost of goods sold.

- The cost of products or raw materials, including freight
- Storage
- Direct labor costs (including contributions to pensions or annuity plans) for workers who produce the products

- Factory overhead

See the instructions for the appropriate federal schedule for determining the net income from your business to be reported on your federal return. The schedule showing income after deductions allowed for federal purposes will be submitted with your federal return. Complete a second Montana-only schedule to determine the expense amount you can subtract on your Montana return. Report the difference between the allowed federal amount and the allowed Montana amount as an "Other Subtraction" on your Montana income tax form:

- Montana Form 2, Schedule II, line 35.
- Montana Form PR-1, line 17c.
- Montana Form CLT-4S, line 16c.
- Montana Form CIT, line 3g.

Keep the Montana-only schedule with your tax records.

For more information about business expenses you can and cannot deduct for federal purposes as a Medical Marijuana Provider, we strongly recommend consulting with a tax professional familiar with Section 280E.

Prepaying 2018 Estimated Tax in 2017

Montana estimated income tax payments for the 2018 tax year can be submitted in 2017. It is important, however, to ensure that the applicable tax payment voucher clearly states the "period ending date" is 12/31/2018 and that the "estimated" option is chosen. Otherwise, the payment will be posted to the 2017 tax year.

If you or your client do choose to prepay the 2018 tax year estimated tax by the end of this month, perhaps in anticipation of federal tax reform, we encourage you to e-pay through [Income Tax Express](#) and print a receipt for your records.

VITA/TCE Needs Volunteers

How would you like to help people with low to moderate incomes file their taxes? The Internal Revenue Service Volunteer Income Tax Assistance/Tax Counseling for the Elderly (VITA/TCE) programs are recruiting volunteers to assist with income tax preparation and related activities at sites across Montana.

Every year, tax volunteers prepare thousands of state and federal individual income tax returns as a public service for Montana taxpayers.

There is a role for anyone who wants to help. For additional information or to sign up to be a volunteer, contact Wendi Castle, IRS Relationship Manager, at (406) 444-8625, or go to [irs.gov](https://www.irs.gov) and type "tax volunteer" in the search box. Sign up now and make a difference in your community!

Webinars Offered Through MSCPA - MT State Tax Update

The Montana Society of CPAs will host two webinars in January to provide information about the upcoming tax season. The Montana Department of Revenue's Tracee Abel and David Merrien from the Income and Withholding Tax Bureau will discuss changes in state tax laws and rules, changes to forms and federal taxes and what impact they might have on Montana. Jason Lay from the department's Miscellaneous Tax Unit will also briefly explain business requirements for reporting Unclaimed Property to the state.

To register, click on one of the dates below. The cost to MSCPA members is \$50, the cost to nonmembers is \$100.

[January 11th 12pm-2pm](#)

[January 30th 12pm -2pm](#)

Livestock Reporting Forms for March 1 Reporting Deadline will be Mailed

The Montana Department of Revenue will be mailing 2018 livestock reporting forms January 8, 2018, to livestock owners who need to meet upcoming reporting and payment deadlines.

About 18,500 livestock owners who reported last year will receive reporting forms. All livestock owners need to report by March 1, 2018, any livestock they own as of February 1. Livestock owners can file online at ReportYourLivestock.mt.gov or submit the hardcopy form.

"The department wants to make it more convenient for livestock owners to report their livestock and pay their fees," said Director Mike Kadas, Montana Department of Revenue. "The online system is efficient and secure, which makes it easier for livestock owners to do business in Montana."

Livestock owners who have not reported in the past need to report online or fill out a reporting form available from revenue.mt.gov or their local Department of Revenue office.

Livestock per capita fees are due May 31. Livestock owners who do not pay their per capita fees when they report will receive their bill in early May.

For more information, visit ReportYourLivestock.mt.gov or call us at (406) 444-6900.

Department's New Website to Launch Mid-January

We've scheduled the launch of the Montana Department of Revenue's new website for mid January. When you visit revenue.mt.gov, the website will be more streamlined and user friendly with enhanced navigation to help you find what you're looking for. Look for regular updates in this e-newsletter about the new website.

Administrative Rule Activity

Go to revenue.mt.gov/rules for information about the department's current rule making activity, public hearing dates, and to sign up to receive future notices by email.

January 2018 Dates of Note

January 15 - Medical marijuana provider tax quarterly reporting and payment due

January 31 - Montana Annual W-2 1099 Withholding Tax Reconciliation (Form MW-3) and supporting documentation (Note: This reporting due date is effective beginning with the 2017 tax year and is the same as the federal reporting date. For previous years, the reporting date was February 28.)

Look for our new digital calendar as an added feature for you on our new website!

2018 Newsletter Schedule

In future issues of *Tax News You Can Use*, read about federal tax plan effects on Montana's income tax system, Montana's upcoming apprenticeship tax credit, electronic filing for tax year 2017, and more.

You can look forward to new issues of *Tax News You Can Use* on the following dates in calendar 2018:

2018

January 11, 25

February 1, 8, 15, 22

March 1, 8, 15, 22, 29

April 5, 12, 19

May 10

August 16

October 11

November 15

December 13

Contact MT DOR

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We welcome your suggestions for articles, as well as your questions and comments.

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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 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.

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