

SUMMARY OF TAX LEGISLATION ENACTED DURING THE 2011 LEGISLATIVE SESSION

Prepared for the Revenue and Transportation Interim Committee
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INTRODUCTION

This draft document is a summary of tax-related legislation enacted during the 2011 legislative session. The summary is presented by the following categories: individual income and corporation license taxes, property taxes, property tax administration, tax increment financing districts, and administration and miscellaneous. This version of the summary indicates bills for which a veto override is in progress.

House bills are summarized first in ascending order, then Senate bills in ascending order. Each bill summary is headed by the bill number and chapter number. Sections amended, sections enacted, sections repealed, effective dates, and, if applicable, applicability dates and termination dates are noted at the end of each bill summary.

INDIVIDUAL INCOME AND CORPORATION LICENSE TAXES

1. **House Bill No. 44 (Ch. 9).** Repeals the Montana Capital Company Act.
 - a. Amends sections 17-6-302, 17-6-311, 17-6-312, 17-6-313, 30-10-105, and 32-1-422, MCA.
 - b. Repeals sections 90-8-101, 90-8-102, 90-8-103, 90-8-104, 90-8-105, 90-8-106, 90-8-201, 90-8-202, 90-8-203, 90-8-204, 90-8-205, 90-8-301, 90-8-302, 90-8-303, 90-8-304, 90-8-305, 90-8-311, 90-8-312, 90-8-313, and 90-8-321, MCA.
 - c. Effective October 1, 2011.
2. **Senate Bill No. 11 (Ch. 340).** Reduces the withholding tax rate on the proceeds from lottery winnings.
 - a. Amends section 15-30-2522, MCA.
 - b. Effective July 1, 2011.
3. **Senate Bill No. 166 (Ch. 381).** Allows a taxpayer that has an individual income tax liability for the current year of \$200 or less to pay the entire amount of the tax due, without penalty or interest, when filing an extended return.
 - a. Amends sections 15-1-216 and 15-30-2604, MCA.
 - b. Effective October 1, 2011.
 - c. Applies to tax reporting periods beginning after December 31, 2011.
4. **Senate Bill No. 199 (Veto override in progress--6/21/2011).** Revises certain provisions related to the administration of individual income taxes; revises the uniform penalty assessments on delinquent individual income taxes and certain other taxes; provides that interest assessments on delinquent income taxes are based only on the federal underpayment rate assessed against individual income taxpayers; clarifies the taxation of federal income tax refunds; provides that underpayment interest on estimated individual income taxes is not required under certain conditions.
 - a. Amends sections 15-1-216, 15-30-2110, and 15-30-2512, MCA.
 - b. Effective July 1, 2011. Section 15-30-2110 effective on passage and approval.
 - c. Applies to tax reporting periods beginning after June 30, 2011. Section 15-30-2110 applies to tax years beginning after December 31, 2010.

5. **Senate Bill No. 333 (Ch. 285).** Conforms Montana law to the 2008 amendments to the Uniform Principal and Income Act; changes the marital deduction requirements to allow a trust to qualify for the federal marital deduction requirements; provides for the allocation of taxable income for the determination of taxes on undistributed entity taxable income; provides a transition provision.
 - a. Amends sections 72-34-441 and 72-34-452, MCA.
 - b. Effective January 1, 2012.

6. **Senate Bill No. 411 (Ch. 353).** Revises the uniform penalty assessments on delinquent taxes; amends the waiver of interest; provides that the penalties for substantial understatement of a tax or for filing a fraudulent or frivolous return or report are similar to federal penalties.
 - a. Amends sections 15-1-206 and 15-1-216, MCA.
 - b. Effective May 6, 2011.
 - c. Applies to tax periods beginning after December 31, 2011.

7. **Senate Bill No. 413 (Ch. 269).** Clarifies the due date of individual income tax returns and corporation license or income tax returns when the due date of the return falls on certain federal holidays or federally declared disasters not observed in Montana.
 - a. Amends sections 15-30-2504, 15-30-2512, 15-30-2604, 15-30-3302, 15-31-101, 15-31-111, 15-31-141, and 15-31-502, MCA.
 - b. Effective April 1, 2011.
 - c. Applies retroactively to tax years beginning after December 31, 2010.

8. **Senate Bill 426 (Ch. 311 -- Referendum).** Creating the Treasure State Taxpayer Dividend Program; allowing taxpayers a refund of surplus state government fund balance through an income tax credit; and providing that the tax credit is based upon the relative amounts of all property taxes paid on a claimant's principal residence and upon the amount of individual income taxes that had been paid by the claimant; providing that the proposed act be submitted to the qualified electors of Montana.
 - a. Enacts section
 - b. If approved by the electorate, effective January 1, 2013.

PROPERTY TAXATION

1. **House Bill No. 132 (Ch. 356).** Simplifies classification and reporting of values assigned to taxable property; updates the definition of "animal unit months" to comply with current grazing practices; eliminates obsolete language relating to agricultural and forest land.
 - a. Amends sections 15-7-101, 15-7-102, 15-7-103, 15-7-139, 15-7-201, and 15-44-103, MCA.
 - b. Effective October 1, 2011.

2. **House Bill No. 293 (Ch. 107).** Provides that the property tax exemption for veterans' organizations extends to land owned by the organization continuously since 1960.
 - a. Amends section 15-6-203, MCA.
 - b. Effective April 1, 2011.
 - c. Applies to tax years beginning after December 31, 2011.

3. **House Bill No. 618 (Ch. 278).** Establishes property tax exemptions for certain property owned by federally recognized Indian tribes.
 - a. Amends sections 15-6-201, 41-3-201, 61-3-321, and 61-10-214, MCA.
 - b. Effective October 1, 2011.
 - c. Applies to tax years beginning after December 31, 2011.

4. **Senate Bill No 172 (Ch. 309).** Classifies certain energy storage facilities as class fourteen property; exempts class fourteen energy storage facilities from the provisions of the Major Facility Siting Act.
 - a. Amends sections 15-6-137, 15-6-141, 15-6-156, 15-6-157, 75-20-104, and 75-20-201, MCA.
 - b. Effective October 1, 2011.
 - c. Applies to tax years beginning after December 31, 2011.
5. **Senate Bill 265 (Ch. 405).** Provides for a tax abatement for certain residential gray water systems and common gray water and potable water systems; establishes requirements for the residences and for a minimum number of occupants to qualify; provides for the abatement during construction and for 10 years following completion of construction; requires the Department of Revenue to report to the Revenue and Transportation Interim Committee on the use of the abatement.
 - a. Enacts sections.
 - b. Effective July 1, 2011.
 - c. Applies to residential dwellings and multiple dwelling projects constructed after June 30, 2011.
6. **Senate Bill No. 266 (Ch. 406).** Revises the local abatement of the coal gross proceeds tax on coal produced by a new or expanding underground coal mine; provides that the tax abatement may be 50% or less for an underground mine taxed at 5% of the value of coal; provides an initial coal gross proceeds tax of 2.5% on coal produced from a new or existing underground mine for an initial 10-year period.
 - a. Amends sections 15-23-703 and 15-23-715, MCA.
 - b. Effective on passage and approval.
 - c. Applies retroactively to tax years beginning after December 31, 2010.
7. **Senate Bill No. 372 (Ch. 411).** Reduces the taxation for a portion of the taxable market value of class eight business equipment owned by a taxpayer; provides future tax reductions contingent on increases in state collections of individual income tax and corporation license tax; changes other provisions relating to taxation of class eight property; provides a reimbursement to local governments and tax increment financing districts under the entitlement share payment, to school districts through the block grant program, to county school retirement and county transportation reimbursement, and to the Montana university system through support of public education institutions for the loss of class eight and class twelve property tax revenue; provides statutory appropriations.
 - a. Amends sections 15-1-121, 15-6-138, 15-6-141, 15-10-420, 15-23-101, 17-7-502, 20-9-501, 20-9-630, and 20-10-146, MCA.
 - b. Effective July 1, 2011.
 - c. Applies to tax years beginning after December 31, 2011.
 - d. Certain statutory appropriations terminate June 30, 2013.
8. **Senate Bill No. 412 (Ch. 288).** Provides a temporary tax exemption for property owned by a federally recognized Montana Indian tribe when the property has a federal trust application pending; provides that existing tax liens are not extinguished; provides rulemaking authority.
 - a. Enacts sections 15-6-230 and 15-6-231, MCA.
 - b. Effective January 1, 2012.

PROPERTY TAX ADMINISTRATION

1. **House Bill No. 333 (Veto override in progress--6/16/2011).** Requires the Department of Revenue to include sales of residential property that has been sold because of nonpayment of

- mortgage when using the comparable sales method of determining market value of residential property; establishes requirements for including the sales in the comparable sales method.
- a. Amends sections 15-7-307 and 15-8-111, MCA.
 - b. Effective October 1, 2011.
 - c. Applies to tax years beginning after December 31, 2011.
2. **House Bill No. 616 (Veto override in progress--6/16/2011).** Creates an Agricultural Land Advisory Committee to advise the Department of Revenue on improving the valuation of agricultural land; directs the Agricultural Land Advisory Committee to report to the Revenue and Transportation Interim Committee; requires that the Agricultural Land Advisory Committee assist the Department of Revenue in the valuation of agricultural land.
 - a. Enacts section.
 - b. Amends section 15-7-201, MCA.
 - c. Effective on passage and approval.
 3. **Senate Bill No. 1 (Ch. 293).** Requires recalculation of the amount assessable to each lot, tract, or parcel in a special improvement district or rural special improvement district if the number of lots, tracts, or parcels increases; requires notice of possible recalculations during the creation of the district.
 - a. Amends sections 7-12-2103, 7-12-2105, 7-12-2151, 7-12-4104, 7-12-4106, 7-12-4161, and 7-12-4162, MCA.
 - b. Effective January 1, 2012.
 - c. Applies to bonds issued pursuant to Title 7, chapter 12, parts 21, 41, and 42, for which the resolution to create the district is adopted after December 31, 2011.
 4. **Senate Bill No. 219 (Ch. 261).** Revises the provisions related to access to protested property taxes; revises the provisions related to a school district's election on whether to waive the district's right to receive its portion of the protested taxes upon settlement of the tax protest; provides that the election applies only to centrally assessed property and industrial property that is assessed annually by the Department of Revenue; allows local taxing jurisdictions to access protested taxes of centrally assessed industrial property; revises the calculation of guaranteed tax base aid for a school district that elects to waive its right to receive its portion of centrally assessed protested taxes.
 - a. Amends sections 15-1-402, 15-1-409, and 20-9-366, MCA.
 - b. Effective April 4, 2011; Sections 15-1-409 and 20-9-366, MCA, effective October 1, 2011.
 - c. Applies to tax years beginning after December 31, 2010; Sections 15-1-409 and 20-9-366, MCA, apply to tax years beginning after December 31, 2011.
 5. **Senate Bill No. 288 (Ch. 265).** Allows assessments of a special district to be appealed to the administrative board of the district.
 - a. Amends section 7-11-1027, MCA
 - b. Effective October 1, 2011.
 6. **Senate Bill No. 295 (Ch. 399).** Revises the manner of appraising certain properties for property tax purposes; allows annual informal reviews of classification and appraisal for agricultural, residential and commercial, and forest property; requires certain information be provided to an objector for use in informal reviews; prohibits an increase in the value of property through an informal review except due to a physical change in a property or a mistake in a property description; provides that the consideration paid on a mortgage foreclosure must be disclosed in a realty transfer certificate; requires the use of the uniform standards of professional appraisal practice; requires that erroneous calculation errors must be corrected for all affected properties.
 - a. Amends sections 15-7-102, 15-7-307, 15-8-111, and 15-8-601, MCA.
 - b. Effective July 1, 2012.

7. **Senate Bill No. 382 (Ch. 276).** Requires the Department of Revenue to provide certain information concerning centrally assessed property to taxpayers.
 - a. Enacts section 15-1-210, MCA.
 - b. Effective October 1, 2011.

TAX INCREMENT FINANCING DISTRICTS

1. **House Bill No. 560 (Ch. 374).** Increases public involvement in the creation and operation of urban renewal districts; requires the urban renewal district to include the amount of the tax increment of the district in the report filed with the municipality.
 - a. Amends sections 7-15-4214, 7-15-4215, and 7-15-4237, MCA.
 - b. Effective October 1, 2011.
2. **House Bill No. 561 (Ch. 375).** Changes the criteria for factors involved in the creation and operation of urban renewal districts; requires the findings by a municipality that certain urban renewal conditions exist.
 - a. Amends section 7-15-4210, MCA.
 - b. Effective October 1, 2011.
3. **House Bill No. 562 (Ch. 376).** Requires notification of the county and schools regarding various provisions of an urban renewal district within the jurisdiction of a municipality; requires notification of the intended use of tax increment financing to the county and schools; requires the annual report of urban renewal districts to be made available upon request to the county and schools within the territorial jurisdiction of a municipality.
 - a. Amends sections 7-15-4211, 7-15-4221, 7-15-4237, and 7-15-4282, MCA.
 - b. Effective October 1, 2011.
4. **Senate Bill No. 358 (Veto override in progress--6/21/2011).** Revises tax increment financing district laws; provides for creation of targeted economic development districts; allows counties to create targeted economic development districts and to use tax increment financing; adds components that must be included in an urban renewal plan; removes provisions for creation of and bonding in technology districts, aerospace transportation and technology districts, and industrial districts.
 - a. Amends sections 7-15-4282, 7-15-4283, 7-15-4284, 7-15-4286, 7-15-4288, 7-15-4290, 7-15-4292, 7-15-4293, 7-15-4294, 7-15-4301, 7-15-4302, 7-15-4304, and 7-15-4324, MCA.
 - b. Repeals sections 7-15-4295, 7-15-4296, 7-15-4297, 7-15-4298, 7-15-4299, and 17-5-820, MCA.
 - c. Effective July 1, 2011.

ADMINISTRATION AND MISCELLANEOUS

1. **House Bill No. 103 (Ch. 206).** Improves tax administration and records management by authorizing the Department of Revenue to reproduce any original tax document and to maintain the reproduction as the department's official record; authorizes the Department of Revenue to dispose of its original tax records that are reproduced in accordance with rules adopted by the Secretary of State in consultation with the State Records Committee.
 - a. Amends sections 2-6-110 and 15-1-103, MCA.
 - b. Effective January 1, 2012.
 - c. Applies to tax records that exist on April 18, 2011.

2. **House Bill No. 111 (Ch. 376).** Improves state tax administration by providing that 30% of the lodging facility use tax attributable to expenditures by state agencies for in-state lodging be deposited in the state general fund; eliminates the reimbursement of lodging facility use taxes paid from other state funds to the state general fund.
 - a. Amends sections 15-65-121 and 15-65-131, MCA.
 - b. Effective July 1, 2011.
 - c. Applies to expenditures by state agencies for in-state lodging that are paid after June 30, 2011.
3. **House Bill No. 641 (Ch. 379).** Revises the process for the review of tax expenditures; provides that the Department of Revenue is required to report certain tax expenditures in the biennial report and make it available to the public; allows a fee for publishing costs of the biennial report; encourages a statement of purpose in tax expenditure legislation.
 - a. Amends section 15-1-205, MCA;
 - b. Effective July 1, 2011.
4. **Senate Bill No. 75 (Ch. 295).** Allows the Department of Revenue to establish alternative (local appraiser) office hours.
 - a. Amends section 2-16-117, MCA.
 - b. Effective April 29, 2011.
5. **Senate Bill No. 248 (Ch. 197).** Allows a board of county commissioners to appoint a county tax appeal board with the number of members over three to be determined by the county; provides that in counties with boards of more than three members, only three of the members hear each appeal.
 - a. Amends section 15-15-101, MCA.
 - b. Effective October 1, 2011.
6. **Senate Bill No. 376 (Ch. 306).** Extends the maturity date time limit on certain United States treasury bills, notes, and bonds used as security for school district construction bonds.
 - a. Amends section 7-6-202, MCA.
 - b. Effective April 29, 2011.
7. **Senate Bill No. 429 (Ch. 355).** Revises laws on reinstatement of a limited liability company following administrative dissolution.
 - a. Amends section 35-8-912, MCA.
 - b. Effective on passage and approval; coordination instruction with Senate Bill No. 63 (Ch. 26) amending 35-8-912, MCA, effective October 1, 2011.
 - c. Section 1 terminates September 30, 2011.

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