

Rev-A-News

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October 12, 2005

Compliance and Collection

New Penalty and Interest Provisions for All Tax Types

Changes have been made to the application of penalties and interest for all Montana taxes as a result of legislation passed in the 2005 Montana Legislative Session.

The updated penalty and interest provisions more closely follow the application of penalty and interest by the Internal Revenue Service, although some differences remain.

Interest

Interest now accrues daily

Although interest is still assessed at the rate of 12% a year, interest now accrues daily on the unpaid tax instead of accruing at 1% a month or fraction of a month. For example, if the original due date is April 15 but the tax return was not received until May 15, you will now pay 30 days of interest. Before you would have paid 60 days of interest.

Late Pay Penalty

Various "grace periods" are no longer in effect

Effective July 1, 2005, if the department determines that the amount of tax due is greater than the amount of tax computed by the taxpayer on the return, there is no longer a "grace period" in which to pay the assessment before penalty is attached. Penalty will be assessed from the due date of the tax return.

Late pay penalty is attached to additional tax

Late pay penalty is attached whenever there is additional tax due after the original due date. Please remember that an "extension to file" should not be considered an "extension to pay."

If you paid a late pay penalty with an original tax return and later reduced your tax, we will recalculate the penalty and refund the reduced amount to you.

The calculation of any applicable late file penalties and/or underpayment of estimated tax interest remain the same.

Individual Income Tax Booklet Improved for Tax Year 2005

The Department of Revenue has just completed a redesign of the 2005 Montana Individual Income Tax Booklet, to make the forms and instructions easier for taxpayers to use. Foremost, the instructions are written in a clear and direct style with larger print and more space between paragraphs. In addition, the tax form is expanded as follows:

- The federal adjusted gross income is revised to mirror the federal Form 1040.
- All Montana additions and subtractions to federal adjusted gross income are identified.
- Tax credits now are classified by categories to help taxpayers better manage the application of credits.
- The Montana voluntary check-off programs are emphasized and promoted.
- There is a new layout for the tax computation.
- The elderly homeowner/renter credit (Form 2EC) is redesigned with easier-to-understand instructions.

Please take the opportunity to preview the 2005 income tax booklet at www.mt.gov/revenue. Go to Forms and Resources, Downloadable Forms, Individual Income Tax Forms.

Reminder: Form 2X Discontinued

As previously noted in Rev-A-News, the Department of Revenue has discontinued the use of the Form 2X. The form is no longer distributed by the department or available on our website. The Form 2X has been used by individuals and fiduciaries to file amended Montana Form 2, Form 2S and Form FID-3 returns.

The department is requiring all amended returns to be filed on the Form 2, or Form 2S, or Form FID-3 of the applicable year. The word "AMENDED" should be written across the top of the tax return. In addition, we are making available for you "Form AMD" that can be used to reconcile your net payment or refund when filing your prior year amended return. We recommend that you attach Form AMD if you are amending your return as a result of a Net Operating Loss carry back, elderly homeowner renter credit, or a federal Revenue Agent Report adjustment. This form is available on the department's website at www.mt.gov/revenue. Go to Forms and Resources, Downloadable Forms, Individual Income Tax Forms.

Beginning October 31, all amended returns completed on a Form 2X will be returned to the taxpayer with a request to use the revised format. Returns for the 2005 tax year were redesigned to allow for filing amended returns, with a checkbox on the return to indicate that it is an "amended" return.

State Withholding Tax Tables for 2006

The state withholding tax tables for the calendar year 2006 will remain the same as the tables in effect for 2005.

Division Administrator Hired for Business and Income Taxes

Gene Walborn is the new Administrator of the Business and Income Taxes Division.

As division administrator, Gene is responsible for the daily administration of individual and corporate income taxes, natural resource taxes, and miscellaneous taxes. He oversees compliance and auditing of the state's largest employers and taxpayers, as well as the valuation of all utility, transportation and industrial facilities located in the state.

Gene began his career with the Department of Revenue in 1990, working as a utility appraiser. He is a graduate of the University of Montana's School of Business.
