

Rev-A-News

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Compliance and Collection

Montana Withholding Tax Tables - Significant Changes for 2005

The Montana Economic Development Tax Act (Senate Bill 407) was passed by the 2003 Legislative Assembly to provide comprehensive tax reform, including a reduction of individual income tax rates.

The state tax rate table has been revised to provide for seven tax brackets with marginal rates ranging from 1% to 6.9%. The tax rate reductions are effective beginning with tax year 2005.

The department has revised the withholding tax tables for tax year 2005 to reflect these new tax rates and tax brackets. The revised 2005 Withholding Tax Tables are now available on the department's website at www.discoveringmontana.com/revenue (click on Forms & Resources / Downloadable Forms / Withholding Forms). In addition, a booklet will be mailed to employers in November 2004.

These additional individual income tax changes, associated with the Montana Economic Development Tax Act, are effective beginning with tax year 2005.

- The current full deduction for federal income taxes paid during the tax year is capped at \$5,000 (\$10,000 if married and filing jointly).
- A new tax credit equal to 1% of the net capital gains is in effect for 2005 and 2006. This percentage increases to 2% beginning in tax year 2007.
- The personal exemption and standard deduction amounts in current law were adjusted to accommodate a new base year (tax year 2005) from which adjustments to these items are calculated. The base amount for calculating exemptions has increased from \$800 to \$1,900. The base amount for calculating the standard deduction has increased from \$665 to \$1,580.

If you have any questions regarding the changes to the withholding tax tables or other changes associated with the Montana Economic Development Tax Act, please call the department's Customer Service Center at (406) 444-6900.

Upcoming Changes to Montana Corporation Tax Forms

Due to the enhanced functionality of the Department of Revenue's new tax system, some changes have been made to the requirements for filing amended C. corporation and S. corporation returns.

The Department of Revenue will discontinue use of Form CLT-4X as of December 1, 2004. This form will no longer be distributed by the department or available on our website. The form has been used by C. corporations and S. corporations to file amended Montana returns for 2003 and prior years.

The department is requiring all amended returns for periods 2003 and prior to be filed on the regular forms. Amended returns for 2003 and prior years for C. corporations will be filed on form CLT-4 of the applicable year. Amended returns for 2003 and prior years for S. corporations will be filed on form CLT-4S of the applicable year. The word "AMENDED" should be written across the top of the return. Also, a statement describing the reason for the amendment is required to be filed with the return.

For 2004, the returns have been redesigned to allow for filing amended returns and do not require an additional statement describing the reason for the amendment.

As a reminder, you can download department forms from our website at www.discoveringsmontana.com/revenue or you can request forms from our Customer Service Center by calling (406) 444-6900.

Customer Service

IRIS Phase I Completed

Good news for the Department of Revenue! The implementation of GenTax to process returns and revenue for the first five taxes has been a success!

Progress and Progression

Five Taxes:

- Rental Vehicle Tax
 - ✓ *In Production, On Schedule, On Budget –
Registration, Returns Issue
All other functionality* *Sept 26, 2003
Oct 27, 2003*
- Lodging Facility Tax
 - ✓ *In Production, On Schedule, On Budget* *March 29, 2004*
- Cigarette Tax
 - ✓ *In Production, Ahead of Schedule, On Budget* *March 29, 2004*
- Employer Withholding
 - ✓ *In Production, On Schedule, On Budget* *July 5, 2004*
- Combined Oil & Gas
 - ✓ *In Production, On Schedule, On Budget* *August 30, 2004*

The initial phase of the IRIS Project was scheduled to last approximately one year and included the implementation of a new tax, rental vehicle tax, and the migration of withholding, lodging facilities, cigarette and combined oil and gas taxes to GenTax. This project was completed September 2004.

Due to the success of the initial phase of IRIS, authorization was granted to proceed with individual income tax and corporation license tax, known as the ICT project. The ICT project encompasses adding these two tax types into GenTax. This project is also scheduled to last approximately one year, with corporate license tax completed by the end of January 2005, and individual income tax completed by the end of September 2005.

The Department of Revenue will consider future phases for migrating additional tax types and evaluating other opportunities to further automate certain business activities, depending on the availability of funding.

E-File Program Continues to Grow

On October 15, the 2003 E-File season ended after a robust year of growth. The Department of Revenue electronically processed 195,888 individual income tax returns – a 16% increase from tax year 2002.

The popularity of E-Filing continues to expand as the department encourages preparers and individuals alike to submit returns electronically. Our E-File program offers both direct deposit of a refund and well as direct debit of tax due. E-Filing in Montana could not be easier. Preparers are automatically accepted into the program after they are approved to E-File with the IRS. The tax year 2004 E-File season begins January 14, 2005.

For additional information regarding E-Filing in Montana, please visit our website or call David Berg at (406) 444-6957.

About the Agency

Creation of a New Taxpayer Accounting Unit

If you will recall, the reason why we chose GenTax, is because we believed this off-the shelf software would work with only minor changes to the software to fit our business needs. That belief has been realized and we have been able to save considerable system development time and costs. The goal has been to utilize GenTax as designed, not rebuild it, and we have been very successful in this effort. As we put more taxes on GenTax, the need has grown to determine if our current business processes and organizational structure takes the most advantage of GenTax.

Over the last several weeks we have been reviewing the business model supported by GenTax and implemented in other states to determine what changes we need to make in Montana. We have determined that the best model is to create a group who makes sure the data going into the system is correct, and that this function should be separate from our compliance activities. As a result, we created the Taxpayer Accounting unit within the Customer Service Division. Taxpayer Accounting will be responsible for correcting errors identified by IRIS that were submitted by the taxpayer and for the completion of any "up-front" edits for all tax types. Taxpayer Accounting will be comprised of ten employees and one unit manager. No new FTE have been authorized, these changes are merely a realignment of existing staff.

Examples of the responsibilities of Taxpayer Accounting include:

- Correcting math errors
- Requesting information
- Correcting suspended returns/payments
- MW-3 reconciliation
- Follow-up necessary for withholding tax "non-payers"
- Processing tax certificates

Taxpayer Accounting will be responsible for the above pre-posting activities for all tax types currently residing in IRIS and for all tax types implemented in IRIS in the future. The Taxpayer Accounting Unit is currently staffed with six people and will be handling all the above responsibilities for the lodging facility use, cigarette, vehicle sales, withholding and corporate income taxes immediately. The unit will be fully staffed and prepared to handle individual income taxes by September 1, 2005.

Property Assessment Division

The Property Assessment Division, within the Department of Revenue, is divided into 6 regions. Region 5 is in the South-central portion of the state. John Grimm, the Regional Manager and Lori Casey and Ty Typolt, Area Managers, handle the management of this region. Region 5 consists of 9 counties with 48 great and very dedicated employees! The counties in Region 5 are Beaverhead, Broadwater, Deer Lodge, Gallatin, Jefferson, Madison, Meagher, Park and Silver Bow.

For office addresses, phones and faxes, and office hours click on the [Local Office Locations](#) page of the DOR Internet site.

Each local office is responsible for valuation and assessment of all real and personal property located in the county. Excellent DOR customer service is provided as well. The work includes assisting or directing customers with inquiries regarding all DOR functions. The majority of the work performed by the staff includes: ownership information, real and personal property information, state income tax forms, exemption forms and information, property tax assistance applications, disabled veteran applications, forest land and GIS maps, valuation and classification of property information, hail insurance policies, aerial photos, boundary information and maps for taxing jurisdictions and districts, valuation information for the various taxing jurisdictions, information on special districts and fees and the county tax roll.

Counties in Region 5 have varied economies, which provide many valuation challenges. Gallatin County has been the fastest growing county in the state for the last few years, averaging over 1,000 new homes a year. While Silver Bow County, in the past few years, had as many demolition permits issued as new house permits. Most counties in the region are experiencing growth, and increasing amounts of new construction. Staff across the region has worked well as a team, to ensure the work in all counties gets completed. When you visit any of the offices, you will find dedicated staff that are always willing to put great customer service in motion.

Liquor License Lottery Held

Liquor Licensing held a lottery on October 14 for seven available licenses in five quota areas and 237 applications were received. To review the lottery results, visit our website by [clicking here](#).

The department conducts lotteries for liquor licenses when a population increase creates the availability of a new license under the quota system. The department publishes the availability of the new license in the local newspaper. If more applications are received than licenses available, the department holds a lottery. Each applicant's name is placed on a card, sealed in a blank envelope and placed in a drum. The entries are ranked in the order in which they are drawn. The winner (first drawn) has 30 days to submit a license application. If the winner is disqualified or fails to make an application, the next ranked applicant is notified. The process continues until all available licenses are issued.

Career Opportunities

The Department of Revenue posts new job opportunities on Wednesday and Friday each week. Visit our website www.discoveringsmontana.com/revenue and go to About the Agency for current job opportunities.