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The Montana Tax Foundation is a non-profit research and education organization established to provide information and data concerning all levels of government in Montana. The Foundation is non-partisan and is supported by voluntary contributions from those interested in providing the public with information about government expenditures and taxation in Montana.

## Overview

The Montana Tax Digest is designed to provide citizens with a brief summary of state and local taxes in Montana. A description of certain licenses and fees is also included. The digest should not be used as a replacement for competent legal counsel or accounting advice.

This publication should be used in conjunction with information provided by State of Montana agencies, including information included on [www.mt.gov](http://www.mt.gov) and other related web sites (see reference section at the end of the digest).

The Montana Tax Foundation would like to thank the employees of the state agencies who provided input and suggestions. A special thanks to the Montana Department of Revenue for their support in reviewing the publication in the interest of providing information on Montana’s tax system.

## How to Use This Digest

The Montana Tax Digest is divided into nine sections. The first seven sections describe the various taxes and fees paid by individual taxpayers and businesses and the available tax incentives. The next section describes some of the licenses required of individuals and businesses. The final section contains a list of other resources and registration procedures and a state directory.

In addition to the administrative rules listed with specific taxes and incentives, ARM Chapter 2 deals with general Department of Revenue applications such as standard penalty and interest, public participation, appeal rights, declaratory ruling process, partial payments, and ethic standards that apply to department of revenue employees.



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**SECTION 1**

**Taxes and Fees - Paid by Individuals**

**Tax:** **Property Tax – enacted 1891 (First Territorial Legis. 1864)**  
**Statute:** Title 15, Chapters 6-10, 15-18, 23-24, MCA. ARM Title 42, Chapters 18-22.

**Basis of Tax:** Real and personal property (excluding agricultural and forestland) are subject to a tax on the market value of the property. Agricultural and forestland are subject to a tax based on productivity value.

**Measure of Tax:** Tax liability is determined by the following calculation:  
 Market value X Classification rate = Taxable value  
 Taxable value X Mill levy = Property tax liability

The classification rate varies depending on the type of property being taxed. The mill levy is an aggregate of state and local mill levies imposed annually for the purpose of funding city and county government, schools, and the university system. Most real and personal property is assessed locally by the department of revenue. Property that is single and continuous in nature (such as railways, telecommunication, utilities) are centrally assessed.

**Rate:** Classification rates range from 3% - 12% of market value. Mill levies vary by location. (See Montana Property Tax Mill Levies – published by the Montana Tax Foundation)

**Exemptions:** Residential and commercial real property are allowed homestead and comstead exemptions. Numerous other exemptions are allowed (See in particular 15-6-201 – 15-6-226).

**Administration:** Valuation – Montana Department of Revenue  
 Tax Billing – Local County Treasurer

**Report/Payment:** Business equipment reporting forms are due back to the department within 30 days of receipt of the annual report. Centrally assessed companies are due March 31, except pipeline companies and railroads which are due April 15.

**Distribution:** Local schools, state general fund, university system, local government, and miscellaneous districts.

Class 4 property (land and improvements for residential and commercial) is appraised every six years. The Montana Legislature has made the impacts of reappraisal revenue neutral on a statewide basis by phasing in a reduction in the tax rate and phasing up an exemption (see property tax incentives). The tax rate for Class 4 property is 3.40% in tax year 2003; 3.3% in tax year 2004; 3.22% in tax year 2005; 3.14% in tax year 2006; 3.07% in tax year 2007; and 3.01% in tax years after 2007.

Class	2007 Tax Rates	
1	Net Proceeds	100% (MCA 15-6-131)
2	Gross Proceeds	3% (MCA 15-6-132)
3	Agricultural Land	3.07% (MCA 15-6-133)
4	Real Residential & Commercial Property	3.07% (MCA 15-6-134)
5	Co-operatives and Pollution Control	3.00% (MCA 15-6-135)
7	Qualifying Rural Electric Associations	8.00% (MCA 15-6-137)
8	Business Equipment	3.00% (MCA 15-6-138)
9	Pipelines, Non-electric Generating Property	12.00% (MCA 15-6-141)
10	Timber	0.35% (MCA 15-6-143)
12	Railroads and Airlines (2006)	3.55% (MCA 15-6-145)
13	Telecomm. And Electric Generating Property	6.00% (MCA 15-6-156)
14	Wind and Energy Facilities	3.00% (15-6-157, MCA)

**Tax:** **Income Tax - enacted 1933**  
**Statute:** Title 15, Chapter 30 MCA. ARM Title 42, Chapters 15 and 16.  
**Basis of Tax:** Individuals are liable for income tax on Montana-source income.  
**Measure of Tax:** There must be levied, collected and paid for each tax year upon the taxable income (starting point is federal adjusted gross income – taxable dividends not included in federal adjusted gross income are included in Montana adjusted gross income) 15-30-111(1)(g) of each taxpayer subject to this tax, after making allowance for exemptions, deductions and credits as provided by law. For tax years 2004 and prior, federal income taxes are fully deductible. For tax years beginning after December 31, 2005, the federal tax deduction is limited to 5,000 for single filers and \$5,000 for joint filers. Each year the exemptions and standard deductions are indexed for inflation.

Non-residents are taxed just as residents with a final proration of their calculated tax liability. The proration compares Montana source income to total income with the resulting percentage multiplied times the computed tax liability.

Electronic filing, payment by credit card and electronic deposit of refunds are available.

**TAX TABLE – 2006 TAX YEAR**

Rate:	If <u>Taxable Income</u> is:		<u>Tax Liability</u>
	Over	But not over	Multiply by and Subtract = Tax
	\$ 0.....	\$ 2,400.....	x.....1% (0.010).....\$ 0
	\$.2,400.....	\$ 4,300.....	x.....2% (0.020).....\$ 24
	\$.4,300.....	\$ 6,500.....	x.....3% (0.030).....\$ 67
	\$. 6,500.....	\$ 8,800.....	x.....4% (0.040).....\$ 132
	\$. 8,800.....	\$11,300.....	x.....5% (0.050).....\$ 220
	\$11,300.....	\$14,500.....	x.....6% (0.060).....\$ 333
	\$14,500 or more.....	x.....6.9% (0.069)....	\$ 464

Example = taxable income \$4,500 x 3% (.03) = \$135 subtract \$67 = \$68 tax

**Exemptions:** Taxpayers, spouses and each dependent are allowed an exemption of \$1,980 (tax year 2006). An additional exemption is allowed for taxpayers attaining the age of 65 (and qualifying spouse), and for the taxpayer if blind (and qualifying spouse).

**Deduction:** A standard deduction of 20% of Montana adjusted gross income is allowed with a minimum of \$1,650 and a maximum of \$7,420 (tax year 2006) or an individual may elect to itemize deductions .

**Administration:** Department of Revenue

**Report/Payment:** A return must be made to the department on or before the 15<sup>th</sup> day of the 4<sup>th</sup> month following the close of the calendar year. An automatic six-month extension of time for filing is allowed provided the taxpayer has applied with the IRS for an extension. The taxpayer must have paid 90% of the 2006 Montana income tax liability or 100% of the 2005 Montana income tax liability through estimated tax payments, withholding tax, or a combination of estimated and withholding tax payments to have a valid extension of time. Self-employed individuals are required to make estimated payments, 15-30-Part 2. Unpaid individual income taxes are

due on or before the date required for filing a return and not necessarily at the time of filing (15-30-142).

**Distribution:** State General Fund

### **Income Tax - New for Tax Years Beginning in 2006**

Form 2S (short form) has been discontinued and replaced with two new forms. Form 2EZ is designed for those who have income from wages and interest only, and would not benefit from itemizing deductions. This form can be filed free electronically on the Department of Revenue website at <http://mt.gov/revenue/>. Form 2M is designed for those who have mainly wage, salary and investment income, but also itemize deductions and are entitled to certain tax credits.

Insure Montana Small Business Health Insurance Tax Credit provides a refundable state income tax credit to employers who currently pay some or all of the cost of group health insurance for their employees.

The Voluntary Check-Off for End-state Renal Disease Program Contributions provides financial assistance to people with chronic renal disease.

Where's My Refund? is now online. Taxpayers can now check the status of refunds online by visiting the department's website at <http://mt.gov/revenue/> and go to the "Where's My Refund?" section.

Effective January 1, 2007, the interest rate for all unpaid individual income taxes changed. Interest will accrue daily at an annual rate of 8% instead of 12%. To calculate your interest, multiply the tax liability of .0002192 (.02192%) times the number of days after April 16, 2007 your payment is received. The new rate applies during the year to all individual income tax debts regardless of the age of the debt. The rate depends on the rate set by the Internal Revenue Service. It may fluctuate each year but will never be less than 8%.

**Tax:** Estate Tax (Inheritance Tax - Repealed 2000) – enacted 1933  
**Statute:** Title 72, Chapter 16 MCA. ARM Title 42, Chapters 35 & 36.

**Basis of Tax:** An estate tax is imposed upon the transfer of the estate of every decedent having an estate that is subject to the federal estate tax imposed by the United States that has, in whole or in part a taxable situs in this state.

**Measure of Tax:** The tax imposed upon the transfer of each estate is equal to the maximum tax credit allowable for state death taxes against the federal estate tax imposed with respect to the portion of the decedent's estate having a taxable situs in this state. It is the purpose and intent of this part to impose only those additional taxes that may be necessary to give this state the full benefit of the maximum tax credit allowable against the federal estate tax imposed with respect to a decedent's estate that has a taxable situs in this state. If only a portion of a decedent's estate has a taxable situs in this state, the maximum tax credit must be determined by multiplying the entire amount of the credit allowable against the federal estate tax for state death taxes by the percentage that the value of the portion of the decedent's estate that has a taxable situs in this state bears to the value of the entire estate.

**Rate:** Maximum tax credit allowable against the federal estate tax imposed. The Economic Growth and Tax Reconciliation Act (EGTRRA) of 2001 reduces the amount of the state death tax credit that may be taken against the federal estate tax. The EGTRRA reduces the credit by 25 percent for deaths occurring in 2002, 50 percent for deaths in 2003, 75 percent for deaths in 2004, and 100 percent for deaths occurring in 2005 and

thereafter. Therefore, there is no Montana estate tax due for deaths occurring in 2005 and thereafter.

**Exemptions:** If only a portion of a decedent's estate has a taxable situs in this state, the maximum tax credit must be determined by multiplying the entire amount of the credit allowable against the federal estate tax for state death taxes by the percentage that the value of the portion of the decedent's estate that has a taxable situs in this state bears to the value of the entire estate.

**Administration:** Department of Revenue

**Report/Payment:** The personal representative of the estate shall file a duplicate of the United States estate tax return along with an INH-4 form for date of death after December 31, 2000 but before January 1, 2005 and an INH-1, INH-2 or INH-3 form for date of death December 31, 2000 or before. If the tax is not paid within 18 months of the death of the decedent, interest must be charges and collected at the rate of 10% a year from the date of death. No filing or payment is required for a date of death after December 31, 2004.

**Distribution:** State General Fund

**Taxation of Indian Income and Property.** Federal law governs the taxation of Indians. Generally Art. I, sec. 8, of the U.S. Constitution gives Congress the power regulate commerce with Indian Tribes. Article I, Compact with the United States, adopts the federal Indian jurisdiction requirements of the Enabling Act (sec. 4, second paragraph) and Ordinance No. 1 (second paragraph). Because of these federal requirements the state cannot tax certain income earned by enrolled members of the tribe living within the boundaries of the Indian reservation and earned on the Indian reservation nor certain property within the boundaries of the reservation (although Indians may be subject to fees in lieu of property tax). What is taxable or not taxable is not codified in state statute, it is determined by case law.

## Utility Taxes

<b>Tax:</b>	<b>Consumer Counsel Fee – enacted 1973</b>
<b>Statute:</b>	69-1-223, MCA. ARM Title 42, Chapter 31.
<b>Basis of Tax:</b>	Gross operating revenue from all activities regulated by the Public Service Commission including motor carriers.
<b>Measure of Tax:</b>	<p>The department of revenue determines a percentage of gross operating revenue from all activities regulated by the commission within the state that produces sufficient income to fund the legislative appropriated budget for the consumer counsel. The amount of money which may be raised by the fee on the regulated companies during a fiscal year may not be increased, except as from the amount appropriated, including both base and contingency appropriations, by the legislature for that fiscal year. Any additional money required for operation of the office of the consumer counsel must be obtained from other sources in a manner authorized by the legislature.</p> <p>All fees paid by a regulated company pursuant to this section are immediately recoverable by the regulated company in its rates and charges.</p>
<b>Rate:</b>	Dependent on the amount appropriated to the Consumer Counsel by the legislature and the total gross operating revenue of regulated activities.
<b>Exemptions:</b>	None
<b>Administration:</b>	Department of Revenue and Public Service Commission
<b>Report/Payment:</b>	30 days after the close of the calendar quarter.
<b>Distribution:</b>	State special revenue fund from which all appropriations to the office of the consumer counsel must be paid.

<b>Tax:</b>	<b>Public Service Commission Fee – enacted 1986</b>
<b>Statute:</b>	69-1-402, MCA. ARM Title 42, Chapter 31.
<b>Basis of Tax:</b>	<ul style="list-style-type: none"><li>■ Gross operating revenue from all activities regulated by the Public Service Commission.</li><li>■ Gross operating revenues less sales to other regulated companies for resale.</li></ul>
<b>Measure of Tax:</b>	<p>The department of revenue determines a percentage of gross operating revenue from all activities regulated by the commission within the state (less sales to other regulated companies for resale) that produces sufficient income to fund the legislative appropriated budget for the public service commission. The amount of money which may be raised by the fee on the regulated companies during a fiscal year may not be increased, except as from the amount appropriated, including both base and contingency appropriations, by the legislature for that fiscal year. Any additional money required for operation of the office of the consumer counsel must be obtained from other sources in a manner authorized by the legislature.</p> <p>All fees paid by a regulated company pursuant to this section are immediately recoverable by the regulated company in its rates and charges.</p>
<b>Rate:</b>	Dependent on the amount appropriated to the Public Service Commission by the legislature and the total gross operating revenue of regulated activities.
<b>Exemptions:</b>	Sales to other regulated companies for resale.
<b>Administration:</b>	Department of Revenue
<b>Report/Payment:</b>	Within 30 days of the close of each calendar quarter.
<b>Distribution:</b>	State special revenue fund to credit of the public service commission.

**Tax:** **Statewide Emergency Telephone System (911) Fee – enacted 1985**  
**Statute:** Title 10, Chapter 4, Part 2, MCA. ARM Title 42, Chapter 31.  
**Basis of Tax:** Monthly fee per access line.  
**Measure of Tax:** Monthly fees per access line on each service subscriber in the state is imposed on the amount charged for telephone exchange access services, wireless telephone service, or other 9-1-1 accessible services and for enhanced 9-1-1 services. The subscriber paying for exchange access line services is liable for the fees imposed by this section. The provider shall collect the fees.  
**Rate:** 25 cents per month per access line for basic 9-1-1 services. 25 cents per month per access line for enhanced 9-1-1 services.  
**Exemptions:** Services that the state is prohibited from taxing under the constitution or laws of the United States or the constitution or laws of the state of Montana, federal agencies and tax exempt instrumentalities of the federal government and Indian tribes, or access lines of individuals on tribal reservations; or amounts paid by depositing coins in a public telephone.  
**Administration:** Reports and Collection: Department of Revenue  
Administration and Distribution: Department of Administration  
**Report/Payment:** The provider must file a return with the department of revenue on or before the last day of the month following the end of each calendar quarter, reporting the amount of fee due on exchange access line services during the quarter.  
**Distribution:** Special revenue fund for the development of emergency 9-1-1 systems in the state.

**Tax:** **TDD Telecommunications Services Fee - enacted 1989**  
**Statute:** Title 53, Chapter 19, Part 3, MCA. ARM Title 37, Chapter 36.  
**Basis of Tax:** Monthly fee per access line.  
**Measure of Tax:** Monthly charge may be assessed on each telephone access line provided and billed by each local exchange company to help fund a program to make specialized telecommunication equipment and services available to persons with disabilities. Each customer of a local exchange company is liable for payment to the local exchange company of any charge properly imposed. The local exchange company is not liable for any uncollected charge, nor does the company have an obligation to take legal action to enforce the collection of any charge that is unpaid by its customers.  
**Rate:** 10 cents per month charge on each telephone access line.  
**Exemptions:** Each local exchange company may deduct and retain 3/4 of 1% of the total charges billed and collected each month to cover its administrative expenses in complying with the requirements of the statute.  
**Administration:** Reports and Collection: State Treasurer  
Administration and Distribution: Department of Revenue  
**Report/Payment:** All charges billed and collected by a local exchange company must be transmitted to the state treasurer no later than the last day of the month following the end of each calendar quarter in which the charge is billed.  
**Distribution:** Deposited in the telecommunications special revenue fund for the physically disabled that are unable to use traditional telecommunication equipment.  
**Tax:** **Retail Telecommunications Excise Tax – enacted 1999**  
(Replaced Telephone License Tax – enacted 1937)  
**Statute:** Title 15, Chapter 53, Part 1, MCA. ARM Title 42, Chapter 31.  
**Basis of Tax:** Sales price of retail telecommunication services  
**Measure of Tax:** An excise tax is imposed on the sales price of retail telecommunications services. The tax is imposed on the purchaser and must be collected by the telecommunications services provider.  
**Rate:** 3.75%  
**Exemptions:** A customer, upon proof that the customer has paid a tax in another state on the consumption or use of retail telecommunications services, is allowed a credit against the tax imposed by this part if the tax has been paid to another state. Enrolled Native American entities, enrolled tribal members residing on their own reservation, federal government entities.  
**Administration:** Department of Revenue  
**Report/Payment:** Report and payment of the tax for the preceding calendar quarter must be filed with the department on or before 60 days after the end of each calendar quarter in which the tax imposed by this part is payable.  
**Distribution:** State General Fund

**Tax:** **Electrical Energy Producers Tax – enacted 1933**  
**Statute:** Title 15, Chapter 51, Part 1, MCA. ARM Title 42, Chapter 25, Subchapter 16.

**Basis of Tax:** Tax on production of electrical energy.

**Measure of Tax:** A quarterly tax is imposed on any business engaged in the generation of electrical energy. The tax is on each kilowatt-hour of electrical energy generated, manufactured or produced. A customer’s bill or statement may contain an itemized amount of the tax.

**Rate:** 0.0002 cents per kilowatt-hour.

**Exemptions:** Rural Electric Cooperative Utilities (35-18-503, MCA).

**Administration:** Department of Revenue

**Report/Payment:** On or before the 30th day following the end of each calendar quarter.

**Distribution:** State General Fund

**Tax:** **Universal System Benefits (USB) Tax – enacted 1997**  
**Statute:** Title 69, Chapter 8, Part 4, MCA. ARM Title 42, Chapter 29.

**Basis of Tax:** Tax on retail sales of energy.

**Measure of Tax:** Beginning January 1, 1999, 2.4% of each utility’s annual retail sales revenue in Montana for the calendar year ending December 31, 1995, is established as the initial funding level for universal system benefits programs. To collect this amount of funds on an annualized basis in 1999, the commission shall establish rates for utilities subject to its jurisdiction and the governing boards of cooperatives shall establish rates for the cooperatives. The recovery of all universal system benefits programs costs imposed pursuant to this section is authorized through the imposition of a universal system benefits charge assessed at the meter for each local utility system customer.

**Rate:** Electric - 0.001143 per kw; Gas – 0.23 per mcf.  
  
Large customers shall pay a universal system benefits programs charge with respect to the large customer’s qualifying load equal to the lesser of : \$500,000, less the large customer credits or the product of 0.9 mills per kilowatt hour multiplied by the large customer’s total kilowatt hour purchases, less large customer credits.

**Exemptions:** Credits are allowed to utilities and large customers for certain qualifying USB programs.

**Administration:** Department of Revenue

**Report/Payment:** Annual report must be filed by March 1.

**Distribution:** Programs or activities that qualify as universal system benefits programs, including those amortized or nonamortized portions of expenditures for the purchase of power that are for the acquisition or support of renewable energy, conservation-related activities, conservation and efficiency measures for irrigated agriculture, or low-income energy assistance. Programs can be internal. Remaining funds are managed by the Departments of Environmental Quality, Public Health and Human Services and Agriculture.

**Tax:** **Wholesale Energy Transaction Tax – enacted 1999**  
**Statute:** Title 15, Chapter 72, Part 1, MCA. ARM Title 42, Chapter 22, Subchapter 2.

**Basis of Tax:** Tax on electricity transmission within the state charged to the consumer.

**Measure of Tax:** The tax is imposed per kilowatt hour of electricity transmitted by a transmission services provider in the state. The transmission services provider charges the tax to the consumer’s electric bill.

**Rate:** 0.015 cent per kilowatt hour.

**Exemptions:** Electricity produced in the state by an agency of the United States government; electricity produced from an electric energy generation facility constructed after May 1, 2001, that is within the exterior boundaries of a Montana Indian reservation for delivery outside of the state; electricity produced by wind turbines erected on state land for which annual lease payments are made to the permanent school trust fund; electricity delivered to a distribution services provider that is a municipal utility; a rural electric cooperative; electricity delivered to a purchaser that receives its power directly from a transmission or distribution facility owned by an entity of the United States government on or before May 2, 1997, or electricity that is transmitted exclusively on transmission or distribution facilities owned by an entity of the United States government on or before May 2, 1997, or electricity delivered by a distribution services provider to a customer with loads of 1,000 kilowatts or greater that was first served by a public utility after December 31, 1996.

**Administration:** Department of Revenue

**Report/Payment:** On or before the 30th day of the month following the end of the calendar quarter in which the tax imposed by this part is payable, a return, on a form provided by the department, and payment of the tax for the preceding calendar quarter must be filed with the department.

**Distribution:** State General Fund

## General Sales Tax

**Tax:** **General Sales Tax**

The state of Montana has no general sales or use tax (however there are numerous selective sales taxes and limited local option resort taxes). Since there is no sales tax, the state does not provide a sales tax exemptions number. Vendors are often asked for their sales tax exemption number when ordering products from manufacturers or out-of-state wholesalers. Since Montana does not provide a sale tax exemption number, the department of revenue suggests you use one number that is unique to your business, such as your social security number (SSN) or Federal Identification Number (FEIN).

The state of Montana does not have a general business license. However, some businesses are required to register and be licensed by the state. The license requirement depends on the type of business entity. If your business is required to be licensed you could use your license number as proof that you are in business when ordering supplies.

## Selective Sales Taxes

**Tax:** **Accommodations Tax - enacted 1987  
(Lodging and Facility Use Tax)**

**Statute:** Title 15, Chapter 65, Part 1, MCA. ARM Title 42, Chapter 14.

**Basis of Tax:** Tax on users of accommodation facilities.

**Measure of Tax:** There is imposed on the user of a facility a tax on the accommodation charges collected by the facility.

**Rate:** 4%

**Exemptions:** Health care facilities, as defined in 50-5-101, any facility owned by a corporation organized under Title 35, chapter 2 or 3, that is used primarily by persons under 18 years of age for camping purposes, any hotel, motel, hostel, public lodginghouse, or bed and breakfast facility whose average daily accommodation charge for single occupancy does not exceed 60% of the amount authorized under 2-18-501 for the actual cost of lodging for travel within the state of Montana, or any other facility that is rented solely on a monthly basis or for a period of 30 days or more.

**Administration:** Department of Revenue

**Report/Payment:** The owner or operator shall report to the department of revenue, at the end of each calendar year quarter. The report is due on or before the last day of the month following the end of the calendar quarter and must be accompanied by a payment in an amount equal to the tax required to be collected. New taxpayers are required to register with the department using the GenReg form. Facilities will be mailed a single return form toward the end of each calendar quarter.

**Distribution:** Proceeds from the tax are deposited in a special revenue fund to pay administrative costs incurred by the department of revenue and various state funds are reimbursed for taxes paid by state agencies for in-state lodging, and \$400,000 each year goes to the Montana Heritage Preservation Fund. The balance is distributed: 67.5% to the department of commerce for its direct use, 1% to the Montana Historical Society, 2.5% to the university system for the Montana Travel Research Program, and 6.5% to the department of fish, wildlife and park for maintenance of facilities. The remaining 22.5% goes to various regional nonprofit tourism corporations.

**Tax:** **Accommodations and Campgrounds Tax - enacted 2003**  
**Statute:** Title 15, Chapter 68, Parts 1 – 8, MCA.

**Basis of Tax:** Tax on users of accommodation facilities.

**Measure of Tax:** For the privilege of using property or services within this state, there is imposed a use tax on accommodations and campgrounds. Accommodations means a building or structure containing individual sleeping rooms or suites that provides overnight lodging facilities for periods of less than 30 days to the general public for compensation. Accommodations includes a facility represented to the public as a hotel, motel, campground, resort, dormitory, condominium inn, dude ranch, guest ranch, hostel, public lodginghouse, or bed and breakfast facility "Campground" means a place used for public camping where persons may camp, secure tents, or park individual recreational vehicles for camping and sleeping purposes.

A person filing a timely return may claim a quarterly vendor allowance for each permitted location in the amount of 5% of the tax determined to be payable to the state, not to exceed \$1,000 a quarter.

**Rate:** 3%

**Exemptions:** Health care facilities, as defined in 50-5-101, any facility owned by a corporation organized under Title 35, chapter 2 or 3, that is used primarily by persons under 18 years of age for camping purposes, any hotel, motel, hostel, public lodginghouse, or bed and breakfast facility whose average daily accommodation charge for single occupancy does not exceed 60% of the amount authorized under 2-18-501 for the actual cost of lodging for travel within the state of Montana, or any other facility that is rented solely on a monthly basis or for a period of 30 days or more. The sale of property or of a service is nontaxable if the seller is an organization that has a tax-exempt designation under the provisions of section 501(c)(3) of the Internal Revenue Code, 26 U.S.C. 501(c)(3), as amended.

That portion of a trailer court, trailer park, or mobile home park intended for occupancy by trailers or mobile homes for resident dwelling purposes for periods of 30 consecutive days or more. Sales to the U.S. Government, or any agency instrumentality of the U.S. Government. Sales to state, county, and local governments are taxable.

**Administration:** Department of Revenue

**Report/Payment:** The owner or operator shall report to the department of revenue, at the end of each calendar year quarter. The report is due on or before the last day of the month following the end of the calendar quarter and must be accompanied by a payment in an amount equal to the tax required to be collected. New taxpayers are required to file a GenReg registration form. Facilities will be mailed a single return form toward the end of each calendar quarter.

**Distribution:** State General Fund

**Tax:** **Gasoline, Aviation and Special Fuel License Tax - enacted 1921**  
**Statute:** Title 15, Chapter 70, MCA. ARM Title 18, Chapters 9-11.  
**Basis of Tax:** Tax per gallon of gasoline.  
**Measure of Tax:** Tax based on each gallon of fuel distributed by the distributor within the state and which the gasoline license tax has not been paid by any other distributor.  
**Rate:** 4 cents per gallon for aviation fuel;  
27 cents per gallon for all other gasoline;  
27.75 cents per gallon for diesel fuel;  
when certain conditions are met, the tax on ethanol blended gasoline is reduced to 85% of the tax.  
**Exemptions:** Certain off-road use; diesel dyed fuel, jet fuel sold to the Defense Fuel Supply Center.  
**Administration:** Department of Transportation  
**Report/Payment:** No later than the 25<sup>th</sup> day of each calendar month if paid by mail. If payment is made by EFT, it is due five days after the 25<sup>th</sup> of each calendar month.  
**Distribution:** Highway revenue account in the state special revenue fund to the credit of the department of transportation. All interest and income earned on the account must be deposited to the credit of the account and any unexpended balance in the account must remain in the account. The amount of \$16,766,000 of the taxes collected is statutorily appropriated to the department of transportation and must be allocated each fiscal year on a monthly basis to the counties, incorporated cities and towns, and consolidated city-county governments in Montana for construction, reconstruction, maintenance, and repair of rural roads and city or town streets and alleys. \$100,000 must be designated for the purposes and functions of the Montana local technical assistance transportation program in Bozeman, \$6,306,000 must be divided among the various counties in the following manner: (i) 40% in the ratio that the rural road mileage in each county, exclusive of the national highway system and the primary system, bears to the total rural road mileage in the state, exclusive of the national highway system and the primary system; (ii) 40% in the ratio that the rural population in each county outside incorporated cities and towns bears to the total rural population in the state outside incorporated cities and towns; (iii) 20% in the ratio that the land area of each county bears to the total land area of the state. \$10,360,000 must be divided among the incorporated cities and towns in the following manner: (i) 50% of the sum in the ratio that the population within the corporate limits of the city or town bears to the total population within corporate limits of all the cities and towns in Montana; (ii) 50% in the ratio that the city or town street and alley mileage, exclusive of the national highway system and the primary system, within corporate limits bears to the total street and alley mileage, exclusive of the national highway system and primary system, within the corporate limits of all cities and towns in Montana.

**Tax:** **Insurance Premium Tax – enacted 1959**  
(in lieu of corporation license tax)  
**Statute:** Title 33, Chapter 2, Part 7, MCA. ARM Title 6, Chapter 6, Subchapter 27.  
**Basis of Tax:** Tax on insurance premium value.  
**Measure of Tax:** Each authorized insurer must pay tax on Montana net premium. Net premium equals total direct premium minus dividends and return premium. Title insurance premium includes the total charge for the insurance.  
**Rate:** 2¾%  
**Exemptions:** Annuity contracts; Fraternal Benefit Societies; Health Service Corporations; Health Maintenance Organizations; Multiple Employer Welfare Arrangements.  
**Administration:** State Auditor’s Office  
**Report/Payment:** On or before March 1.  
**Distribution:** Deposited with the state treasurer to the credit of the general fund.  
**Tax:** **Petroleum Storage Tank Cleanup Fee – enacted 1989**  
**Statute:** 75-11-314, MCA. ARM Title 17, Chapter 58.  
**Basis of Tax:** Fee for each gallon of gasoline, aviation fuel, special fuel, or heating oil.  
**Measure of Tax:** Each distributor shall pay a petroleum storage tank cleanup fee for each gallon of gasoline, aviation gasoline, special fuel, or heating oil distributed by the distributor within the state and upon which the fee has not been paid by any other distributor. Gasoline, aviation gasoline, special fuel, and heating oil that has come to rest in Montana and then is exported out of the state must be included in the measure of a distributor’s fee.  
**Rate:** 0.75 cent for each gallon.  
**Exemptions:** A fee may not be imposed or collected beginning on the first day of the first month in the first calendar quarter after the unobligated balance in the fund equals or exceeds \$8 million. Whenever the unobligated fund balance, less claims anticipated for board approval within the next 90 days, is less than \$4 million, the department of transportation shall, within 30 days, notify distributors by mail that the fee is reinstated beginning on the first day of the first month that begins no less than 30 days after the date of the notice. Once reinstated, the fee must be imposed and collected until the unobligated fund balance again equals or exceeds \$8 million.  
**Administration:** Department of Transportation  
**Report/Payment:** No later than the 25<sup>th</sup> of each calendar month if paid by mail. If payment is made by EFT, it is due 5 days after the 25<sup>th</sup> of each calendar month.  
**Distribution:** Subject to the availability of money from the fund, an owner or operator who is eligible and who complies with any rules adopted to implement those sections must be reimbursed by the board from the fund for the following eligible costs caused by a release from a petroleum storage tank.

**Tax:** **Rental Vehicle Tax – enacted 2003**  
**Statute:** Title 15, Chapter 68, Parts 7 – 8, MCA  
**Basis of Tax:** Tax on the base rental charge of rental vehicles.  
**Measure of Tax:** A person filing a timely return may claim a quarterly vendor allowance for each permitted location in the amount of 5% of the tax determined to be payable to the state, not to exceed \$1,000 a quarter.  
**Rate:** 3%  
**Exemptions:** Farm vehicles, machinery, equipment, travel trailers, motor homes, airplanes, snowmobiles, golf carts, and sail boards. Sales to the U.S. Government, or any agency instrumentality of the U.S. Government. Sales to state, county, and local governments are taxable. The sale of property or of a service is nontaxable if the seller is an organization that has a tax-exempt designation under the provisions of section 501(c)(3) of the Internal Revenue Code, 26 U.S.C. 501(c)(3), as amended.  
**Administration:** Department of Revenue  
**Report/Payment:** The owner or operator shall report to the department of revenue, at the end of each calendar year quarter. The report is due on or before the last day of the month following the end of the calendar quarter and must be accompanied by a payment in an amount equal to the tax required to be collected. New taxpayers are required to file LFT-1 registration form. Every August, the department of revenue mails out quarterly report/payment forms to all registered facilities for the next tax year.  
**Distribution:** State General Fund

**Tax:** **Resort Tax – enacted 1985**  
**Statute:** Title 7, Chapter 6, Part 15, MCA, Local administrative ordinance.  
**Basis of Tax:** Tax on retail value of all goods and services sold by certain establishments.  
**Measure of Tax:** The resort tax is a tax on the retail value of all goods and services sold, except for goods and services sold for resale, within the resort community or area by the following establishments: hotels, motels, and other lodging or camping facilities; restaurants, fast food stores, and other food service establishments; taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor, or other alcoholic beverages by the drink; and destination ski resorts and other destination recreational facilities. Establishments that sell luxuries shall collect a tax on such luxuries.  
**Rate:** May not exceed 3%  
**Exemptions:** Determined by governing body of the resort community subject to approval of the electorate. May be further clarified in the local administrative ordinance. Vendors and commercial establishments may withhold up to 5% of the resort taxes collected to defray their costs for the administration of the tax collection or receive a refund of up to 5%.  
**Administration:** Governing body of the resort community.  
**Report/Payment:** Determined by local administrative ordinance.  
**Distribution:** Determined by petition subject to voter approval. Annually anticipated receipts from the resort tax must be applied to reduce the municipal property tax levy for the fiscal year in an amount equal to at least 5% of the resort tax revenues derived during the preceding fiscal year.

**Tax:** Risk Insurance Premium Tax – enacted 1911  
**Statute:** 50-3-109, MCA.  
**Basis of Tax:** Tax on risk insurance premium value.  
**Measure of Tax:** Each insurer authorized to effect insurance on risk insurance that is doing business in this state shall pay to the state auditor, in addition to the taxes on premiums required by law to be paid by it, taxes on the fire portion of the direct premiums on the enumerated risks received during the previous calendar year after deducting cancellations and return premiums. Risk insurance includes insurance of houses, buildings, and all other kinds of property against loss or damage by fire or other casualty; all kinds of insurance on goods, merchandise, or other property in the course of transportation, whether by land, water, or air; insurance against loss or damage to motor vehicles resulting from accident, collision, or marine and inland navigation and transportation perils; insurance of growing crops against loss or damage resulting from hail or the elements; insurance against loss or damage by water to any goods or premises arising from the breakage or leakage of sprinklers, pumps, or other apparatus; insurance against loss or legal liability for loss because of damage to property caused by the use of teams or vehicles, whether by accident or collision or by explosion of any engine, tank, boiler, pipe, or tire of any vehicle; and insurance against theft of the whole or any part of a vehicle.  
**Rate:** 2½%  
**Administration:** State Auditor’s Office  
**Report/Payment:** During the month of February or March in each year.  
**Distribution:** State General Fund

## ALCOHOL, TOBACCO AND GAMING TAXES

### Alcohol Taxes

**Tax:** Beer Tax – enacted 1933  
**Statute:** 16-1-406, MCA. ARM Title 42, Chapter 13.  
**Basis of Tax:** Tax on each barrel of beer.  
**Measure of Tax:** A tax is imposed on each barrel of 31 gallons of beer sold in Montana by a wholesaler. A barrel of beer equals 31 gallons. The tax is based upon the total number of barrels of beer produced by a brewer in a year.  
**Rate:** A brewer who produces less than 20,000 barrels of beer a year is taxed on the following increments of production:  
(i) up to 5,000 barrels, \$1.30;  
(ii) 5,001 barrels to 10,000 barrels, \$2.30; and  
(iii) 10,001 barrels to 20,000 barrels, \$3.30.  
The tax on beer sold for a brewer who produces over 20,000 barrels is \$4.30 per barrel.  
**Exemptions:** None  
**Administration:** Department of Revenue  
**Report/Payment:** The tax is due by the 15<sup>th</sup> day after month end from the wholesaler upon beer sold by the wholesaler during that month.  
**Distribution:** 23.26% must be deposited in the state treasury to the credit of the department of public health and human services for the treatment, rehabilitation, and prevention of alcoholism and chemical dependency; and the balance must be deposited in the state general fund.  
**Tax:** Liquor Excise Tax – enacted 1937  
**Statute:** 16-1-401, MCA. ARM Title 42, Chapter 11.  
**Basis of Tax:** Tax on the retail price of liquor.  
**Measure of Tax:** An excise tax on the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold liquor nationwide in the calendar year preceding imposition of the tax. Every airline or railroad operating in the state of Montana and selling liquor purchased outside this state for consumption within this state shall pay to the department the excise taxes and state markup that would be applicable to the liquor if purchased from an agency liquor store.  
**Rate:** 16% more than 200,000 proof gallons;  
13.8% less than 200,000 proof gallons.  
**Exemptions:** None  
**Administration:** Department of Revenue  
**Report/Payment:** No later than the last day of the month immediately following the close of each quarterly period.  
**Distribution:** State General Fund

**Tax:** **Liquor License Tax – enacted 1957**  
**Statute:** 16-1-404, MCA. ARM Title 42, Chapter 11.

**Basis of Tax:** Tax on retail selling price of liquor.

**Measure of Tax:** A license tax is charged and collected on all liquor brought into the state and taxed by the department. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

**Rate:** 10% more than 200,000 proof gallons;  
8.6% less than 200,000 proof gallons.

**Exemptions:** None

**Administration:** Department of Revenue

**Report/Payment:** At the time of sale.

**Distribution:** 34.5% is allocated to the state general fund. 65.5% is deposited in the state special revenue fund to the credit of the department of public health and human services for the treatment, rehabilitation, and prevention of alcoholism and chemical dependency.

**Tax:** **Wine and Hard Cider Tax – enacted 1978**  
**Statute:** 16-1-411, MCA. ARM Title 42, Chapter 11 and 13.

**Basis of Tax:** Tax per liter of wine and cider.

**Measure of Tax:** A tax per liter is imposed on table wine, except hard cider, imported by a table wine distributor or the department.

**Rate:** 27 cents per liter for table wine.  
3.7 cents per liter for hard cider.

**Exemptions:** None

**Administration:** Department of Revenue

**Report/Payment:** The tax is due by the 15<sup>th</sup> date after month end.

**Distribution:** 69% to the state general fund and 31% to the state special revenue fund to the credit of the department of public health and human services for the treatment, rehabilitation, and prevention of alcoholism and chemical dependency.

## Tobacco Taxes

**Tax:** **Cigarette Sales Tax – enacted 1947 (increased 2003 and 2004)**  
**Statute:** Title 16, Chapter 11, Part 1, MCA. ARM Title 42, Chapter 31, Subchapters 1 and 3.

**Basis of Tax:** Tax on cigarettes.

**Measure of Tax:** A tax on the purchase of cigarettes for consumption, use, or any purpose other than resale in the regular course of business is imposed and must be pre-collected by the wholesaler and paid to the state of Montana.

**Rate:** \$1.70 on each package containing 20 cigarettes;  
(was 57 cents prior to 2003, increased to \$1.00 in 2003).  
  
\$2.15 on each package containing 25 cigarettes.

**Exemptions:** A wholesaler making a sale of cigarettes to a retailer within the boundaries of a Montana Indian reservation may apply to the department for a refund or credit for taxes pre-collected on cigarettes sold by the retailer to a member of the federally recognized Indian tribe or tribes on whose reservation the sale is made.

**Administration:** Department of Revenue

**Report/Payment:** Must be pre-collected by the wholesaler.

**Distribution:** Initiative 149 (passed in November, 2004) reserved approximately 45% of revenues for: additional enrollment in the children's health insurance program; increased Medicaid services and provider rates; and, if created by the legislature, a supplemental need-based prescription drug program for certain groups, and programs to help small businesses provide employee health insurance. Remaining revenues are allocated to state veterans' nursing homes, the state building fund, and the general fund. The ultimate distribution will be decided by the 2005 Legislature.

**Tax:** Tobacco Products Tax – enacted 1969 (increased 2003 and 2004)  
**Statute:** Title 16, Chapter 11, Part 2, MCA. ARM Title 42, Chapter 31, Subchapters 2 and 3.

**Basis of Tax:** Wholesale price of tobacco products.

**Measure of Tax:** A tax on the wholesale price of all tobacco products to the wholesaler. Tobacco products shipped from Montana and destined for retail sale and consumption outside the state are not subject to this tax. The tax imposed must be precollected and paid by the wholesaler to the department prior to the sale of tobacco products.

**Rate:** 50% (was 12.5% prior to 2003, increased to 25% in 2003).

**Exemptions:** None

**Administration:** Department of Revenue

**Report/Payment:** Must be precollected and paid by the wholesaler to the department prior to the sale of tobacco products.

**Distribution:** Initiative 149 (passed in November, 2004) reserved approximately 45% of revenues for: additional enrollment in the children’s health insurance program; increased Medicaid services and provider rates; and, if created by the legislature, a supplemental need-based prescription drug program for certain groups, and programs to help small businesses provide employee health insurance. Remaining revenues are allocated to state veterans’ nursing homes, the state building fund, and the general fund. The ultimate distribution will be decided by the 2005 Legislature.

## Gaming Taxes

**Tax:** Bingo and Keno Tax – enacted 1989  
**Statute:** Title 23, Chapter 5, Part 4, MCA. ARM Title 23, Chapter 16.

**Basis of Tax:** Gross proceeds from the operation of each live bingo and keno game operated.

**Measure of Tax:** Gross proceeds from the operation of live bingo and keno games.

**Rate:** 1%

**Exemptions:** Organizations granted an exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) on or before January 15, 1989. After January 15, 1989, is exempt from taxation if the organization carries on gambling activities for no more than 60 days a calendar year. Long-term care facility or a retirement home are also exempt.

**Administration:** Department of Justice

**Report/Payment:** Annually

**Distribution:** The department shall forward the tax to the treasurer of the county or the clerk, finance officer, or treasurer of the city or town in which the licensed game is located for deposit to the county or municipal treasury.

**Tax:** Boxing and Wrestling Gross Receipts Tax – enacted 1983  
**Statute:** Title 23, Chapter 3, Part 6, MCA. ARM Title 23, Chapter 16.

**Basis of Tax:** Gross receipts from boxing or wrestling exhibitions.

**Measure of Tax:** An individual or organization licensed to conduct a boxing or wrestling match or exhibition must within 24 hours pay to the department a tax on the total gross receipts, after deducting the federal admission tax, if any, from the sale of tickets.

**Rate:** 5%

**Exemptions:** None

**Administration:** Department of Labor and Industry

**Report/Payment:** Written report due within 24 hours after the completion of each match or exhibition.

**Distribution:** State special revenue fund for the use of the board of athletics.

**Tax:** Horseracing Tax – enacted 1965  
**Statute:** Title 23, Chapter 4, Part 3, MCA. ARM Title 23.  
**Basis of Tax:** Tax on horse racing wagering.  
**Measure of Tax:** Tax on percent of total handle or wagers for live or simulcast horse, mule or greyhound racing.  
**Rate:** 1%  
3% additional for exotic (2 or more animals in a wager such as quinilas or trifectas) wagering on simulcast.  
**Exemptions:** None  
**Administration:** Board of Horseracing  
**Report/Payment:** Reports due within 5 days of receipt of wagers.  
**Distribution:** Board of Horseracing’s agency fund for administration purposes. The exotic wagering funds are distributed by the board to live race purses or for other purposes that the board considers appropriate for the good of the existing horseracing industry.

**Tax:** Sports Pools Tax – enacted 1977  
**Statute:** Title 23, Chapter 5, Subchapter 5, MCA. ARM 23, Chapter 16, sup - chapter 17.  
**Basis of Tax:** Tax on sales of sports tabs.  
**Measure of Tax:** A sports tab game seller who sells sports tabs for use in a sports tab game shall collect from the purchaser, at the time of sale, a tax of \$1 for each 100 sports tabs sold.  
**Administration:** Department of Justice  
**Report/Payment:** Within 15 days after the end of each calendar quarter.  
**Distribution:** Department of Justice for administration costs.

**Tax:** Video Gambling Machine Gross Income Tax – enacted 1987  
**Statute:** Title 23, Chapter 5, Part 6, MCA. ARM Title 23, Chapter 16  
**Basis of License:** A licensed machine owner shall pay to the department a video gambling machine tax on the gross income from each video gambling machine. A licensed machine owner may deduct from the gross income amounts equal to amounts stolen from machines under certain conditions.  
**Measure of Tax:** Gross income from video machines.  
**Rate:** 15%  
**Exemptions:** None  
**Administration:** Department of Justice  
**Report/Payment:** For each video gambling machine, a licensed machine owner shall, within 15 days after the end of each quarter, complete and deliver to the department a statement showing the total gross income, together with the total amount due the state as video gambling machine gross income tax for the preceding quarter.  
**Distribution:** State General Fund

\* As of the date of publication, a system has not been implemented so the credits are not available.

## SECTION 2

### Taxes and Fees Paid by Businesses

<b>Tax:</b>	<b>Corporation License Tax – enacted 1917</b>
<b>Statute:</b>	Title 15, Chapter 31, MCA. ARM Title 42, Chapters 23 and 26.
<b>Basis of Tax:</b>	Corporations are liable for tax on Montana-generated income.
<b>Measure of Tax:</b>	<p>Every corporation engaged in business in the state of Montana shall annually pay to the state treasurer as a license fee for the privilege of carrying on business in this state the percentage or percentages of its total net income for the preceding taxable year. In the case of corporations having income from business activity that is taxable both within and outside of this state, the license fee must be measured by the net income derived from or attributable to Montana sources. Income is apportioned on an equally-weighted three factor formula based on sales, property and payroll.</p> <p>Taxpayers may elect a water's edge election but that election must be made within the first 90 days of the first tax period it is to be effective. Elections are effective for three taxable periods and then must be renewed.</p> <p>Income from a corporation that is in a unitary relationship with the taxpayer and that is incorporated in a tax haven must be included as taxable income. Tax havens include Andorra, Anguilla, Antigua and Barbuda, Aruba, the Bahamas, Bahrain, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Cook Islands, Turks and Caicos Islands, Dominica, Gibraltar, Grenada, Guernsey-Sark-Alderney, Isle of Man, Jersey, Liberia, Liechtenstein, Luxembourg, Maldives, Marshall Islands, Monaco, Montserrat, Nauru, Netherlands Antilles, Niue, Panama, Samoa, Seychelles, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Tonga, U.S. Virgin Islands, and Vanuatu.</p>
<b>Rate:</b>	6.75%. For water's edge corporations the tax rate is 7%. Minimum tax liability of \$50. Corporations whose only activity in Montana consists of making sales, and do not own or rent real estate or tangible personal property, and whose annual gross volume of sales made in Montana does not exceed \$100,000 may elect to pay a tax of ½ of 1% of gross sales.
<b>Exemptions:</b>	Numerous federal 501C3 registered non-profit corporations. (See 15-31-102 and 15-31-103). Corporations must file with the Department of Revenue to establish tax exempt status.
<b>Administration:</b>	Department of Revenue
<b>Report/Payment:</b>	Due and payable on the 15th day of the 5th month following the close of the taxable year of the corporation. An automatic extension of time of up to six months is available. It is not necessary to file an extension form to receive the extension. Interest will accrue on any unpaid balance as of the due date.
<b>Distribution:</b>	General Fund. For FY2005, taxes collected from water's-edge corporations must be deposited as follows: \$37,000 in the state special revenue fund to the credit of the department of public health and human services; and the balance in the general fund (15-31-121(4)).

<b>Tax:</b>	<b>Income Tax – (Pass-Through Entities such as Sub S Partnership or LLC) – enacted 1933</b>
<b>Statute:</b>	Title 15, Chapter 30, Part 11, MCA. ARM Title 42, Chapter 9.
<b>Basis of Tax:</b>	Information returns required for certain pass through entities.
<b>Measure of Tax:</b>	<p>Partnerships, S corporations, and certain disregarded entities while not subject to individual income taxes or corporation license taxes are required to file informational returns if they have Montana source income. The partners, shareholders, members or other owners of these entities are subject to either the individual income tax or the corporation license tax as provided by law.</p> <p>For tax years beginning after December 31, 2001, pass-through entities required to file informational returns that have nonresident individual partners, shareholders, members or other owners must also: (1) file the nonresident's agreement to be subject to and pay tax; (2) join with the nonresident in filing a composite return; or (3) remit an amount on behalf of the nonresident equal to the nonresident's share of Montana source income multiplied by the highest marginal individual income tax rate, which is 11% through 2004 and 6.9% starting 2005.</p> <p>For tax years beginning after December 31, 2003, the tax agreement, composite return, and remittance requirements are extended to pass-through entities with owners that are C corporations not doing business in the state. The amount remitted for the foreign C corporation owner is determined at the corporation license tax rate. The remittance requirements are also extended to pass-through entities with an owner that itself is a pass-through (2nd tier) entity if: (1) the 1st and 2nd tier pass-through entities do not join in filing a composite return or (2) the 2nd tier owner does not identify its owners and establish that its share of Montana source income from the 1st tier entity will be fully accounted for in corporation license or income tax returns filed with the state. The amount remitted for a 2nd tier pass-through owner is the 2nd tier entity's share of Montana source income multiplied by the highest marginal individual income tax rate, 11% through 2004 and 6.9% starting 2005.</p>
<b>Rate:</b>	Refer to either individual income or corporation license tax.
<b>Exemptions:</b>	Refer to either individual income or corporation license tax.
<b>Administration:</b>	Department of Revenue
<b>Report/Payment:</b>	Partnerships: on or before the 15th day of the 4th month following the close of its annual accounting period; S corporation that has Montana source income: on or before the 15th day of the 3rd month following the close of its annual accounting period; and disregarded entities that are sole owner entities, filing is due at the time the owner's return is due.
<b>Distribution:</b>	Payments are made through individual income tax or the corporation license tax which are deposited to the General Fund.

**Tax:** **Individual Income Tax Withholding – enacted 1947**  
**Statute:** Title 15, Chapter 30, Part 2, MCA. ARM Title 42, Chapter 17.

**Basis of Tax:** Employers are required to withhold income tax from wages paid to an employee with certain exemptions.

**Measure of Tax:** Each employer making payment of wages for employment shall withhold from wages a tax determined in accordance with the withholding tax tables prepared and issued by the department.

**Rate:** The amount of tax withheld from an employee's pay depends on three factors: (1) length of payroll period, (2) gross pay, and (3) number of withholding allowances claimed on federal form W-4. The department periodically updates and prints withholding tax tables.

**Exemptions:** Retirement or pension pursuant to a qualified plan; sickness or accident disability under a workers' compensation policy; medical or hospitalization expenses in connection with sickness or accident disability; distributions from a multiple employer welfare arrangement; payments made by an employee to any group plan or program to the extent that the payments are not taxable for state income tax purposes; tips or gratuities that are in accordance with 26 U.S.C. 3402(k) or service charges that are covered by 26 U.S.C. 3401 of the Internal Revenue Code; and agricultural labor. Other specific exclusions to withholding are described in 15-30-201 and 15-30-256, MCA.

**Administration:** Department of Revenue

**Report/Payment:** Filing is dependent on employers' total liability for state income tax withholding during the preceding lookback period.

Annual Filers – Payment must be received on or before February 28 of the year following payment of wages (for businesses with a liability of less than \$1,200)

Monthly filers – 15<sup>th</sup> day of month following period end date (for businesses with a liability of less than \$12,000 but more than \$1,199);

Accelerated filers – payment must be received 5 business days after end of pay period (for businesses with a liability of \$12,000 or more).

**Distribution:** State General Fund

**Tax:** **Contractor's Gross Receipts Tax – enacted 1967**  
**Statute:** Title 15, Chapter 50, Part 2, MCA. ARM Title 42, Chapter 31, Subchapter 21.

**Basis of Tax:** Percentage of gross receipts.

**Measure of Tax:** A public contractors license fee on gross receipts from public contracts during the income year in which the public contractor receives payment. A credit is allowed on corporate or individual income tax liability. The credit may be used as a carryforward against taxes imposed by chapter 30 or 31 for the 5 succeeding tax years. The entire amount of the credit not used in the year earned must be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year. Taxes paid on personal property tax (including vehicles) used in the operation of the business, may be credited against the license fee.

**Rate:** 1% of gross receipts.

**Exemptions:** Contracts on federal research facilities.

**Administration:** Department of Revenue

**Report/Payment:** The state, county, city, or any agency who the contractor is performing public work shall withhold 1% of all payments due the contractor and transmit the money to the department of revenue. If the 1% of gross receipts is not withheld as provided, the contractor shall make payment of these amounts to the department within 30 days after the date on which the contractor receives each increment payment for work performed by the contractor.

**Distribution:** State General Fund

**Tax:** **Foreign Capital Depository Fee – enacted 1997**  
**Statute:** Title 15, Chapter 32, Part 8, MCA. ARM Title 2, Chapters 59 and 60.

**Basis of Tax:** Fee on average value of assets on deposit.

**Measure of Tax:** Foreign capital depository shall pay a fee that is equal to 0.375% of the average value of assets on deposit or in a safe deposit box. The total annual rate of assessment is 0.75%. Each semiannual assessment must be based on the average balance, at the close of the last business day of the month in each of the 6-month periods prior to June 15 and December 15, of the total value of the assets on deposit or in safe deposit boxes.

**Rate:** 0.375% on average value of deposits;  
0.75% annual.

**Exemptions:** None

**Administration:** Department of Revenue

**Report/Payment:** June 15 and December 15 of each year.

**Distribution:** State General Fund (June 15 payment redistributed to individual income taxpayers for tax relief).

**Tax:** **Hospital Facilities Utilization Fee – enacted 2003**  
**Statute:** Title 15, Chapter 66, Parts 1 and 2, MCA  
**Basis of Tax:** Utilization fee for inpatient bed days  
**Measure of Tax:** Each hospital in the state shall pay a utilization fee to the department of revenue for inpatient bed days. Inpatient bed day means a day of inpatient care provided to a patient in a hospital. A day begins at midnight and ends 24 hours later. A part of a day, including the day of admission, counts as a full day. The day of discharge or death is not counted as a day. If admission and discharge or death occur on the same day, the day is considered a day of admission and counted as one inpatient bed day. Inpatient bed days include all inpatient hospital benefit days as defined for medicare reporting purposes in section 216 of the centers for medicaid and medicare services publication 10, the Hospital Manual. Inpatient bed days also include all nursery days during which a newborn infant receives care in a nursery. A hospital may not place a fee created in this chapter on a patient's bill.

**Rate:** \$19.43 between January 1, 2004, and June 30, 2005;  
\$29.75 between January 1, 2005 and December 31, 2005;  
\$27.70 between January 1, 2006 and December 31, 2006; and  
After January 1, 2007, the department by rule shall determine the amount of the fee, not to exceed \$50, based upon: (a) an estimate of the unpaid medicaid hospital costs, total inpatient days, and the federal medical assistance percentages; (b) an estimate of any federal limit on federal financial participation for hospital services; and (c) an estimate of federal disproportionate share funds not matched by state general funds. (Terminates June 30, 2007).

**Exemptions:** None  
**Report/Payment:** On or before January 31.  
**Distribution:** Department of public health and human services in a state special revenue fund for funding increases in Medicaid payments to hospitals.

**Tax:** **Intermediate Care Facility for the Developmentally Disabled – enacted 2003**  
**Statute:** Title 15, Chapter 67, Parts 1 and 2  
**Basis of Tax:** Utilization fee for resident bed days in an intermediate care facility.  
**Measure of Tax:** An intermediate care facility shall pay a utilization fee for each resident bed day. Intermediate care facility or facility means an intermediate care facility for the developmentally disabled. Resident bed day" means each 24-hour period that a resident in an intermediate care facility is present in the facility and receiving care or in which a bed is held for a resident while the resident is on temporary leave from the facility. The term includes all benefit days as defined for medicare reporting purposes in section 242.1 of Publication 12, the Skilled Nursing Facility Manual, published by the centers for medicare and medicaid services, regardless of the source of payment.

**Rate:** 6s% of the intermediate care facility's quarterly revenue divided by the resident bed days for the quarter.  
**Report/Payment:** Each calendar quarter.  
**Administration:** Department of Revenue  
**Distribution:** 30% in the state general fund; and 70% in an account in the state special revenue fund established pursuant to 53-6-1101 to the credit of the department of public health and human services to finance, administer, and provide health and human services.

**Tax:** **Nursing Facilities Bed Tax – enacted 1991**  
**Statute:** Title 15, Chapter 60, Part 1 and 2, MCA. ARM Title 42, Chapter 31, Subchapter 8  
**Basis of Tax:** Number of Bed Days.  
**Measure of Tax:** A nursing facility in the state shall pay to the department of revenue a utilization fee for each bed day in the facility. "Bed day" means each 24-hour period that a resident of a nursing facility is present in the facility and receiving skilled nursing care or intermediate nursing care or in which a bed is held for a resident while the resident is on temporary leave from the facility.

**Rate:** \$2.80 per bed, which must be applied to maintain the price-based average payment rate to nursing facilities at the fiscal year 2003 base amount. In fiscal year 2006, an additional amount of \$4.25 to be used to increase the price-based average payment rate to nursing facilities above the fiscal year 2003 base as provided in 15-60-211; and beginning July 1, 2006, an additional amount of \$5.50 to be used to increase the price-based average payment rate to nursing facilities above the fiscal year 2003 base.

**Exemptions:** None  
**Administration:** Department of Revenue  
**Report/Payment:** On or before the last day of the month following the close of each calendar quarter. The department will allow for payment of fees on an annual basis if the amount owed is less than \$50 in each of the quarters of the preceding year.  
**Distribution:** Revenues collected from the original \$2.80 per bed to the State General Fund. Collections from the additional fees are deposited in a state special revenue fund described in 15-60-211, MCA, for funding increases in Medicaid payments.

**Tax:** **Railroad Car Tax – enacted 1992 (Replaced Freight Line License Tax – enacted 1949)**  
**Statute:** Title 15, Chapter 23, Part 2, MCA. ARM Chapter 22, Subchapter 1.  
**Basis of Tax:** Tax on the activity of railroad car company property.  
**Measure of Tax:** Value of all property of the railroad car company is allocated to the state of Montana on the basis of the car miles traveled within the state to the total car miles traveled. The value is multiplied by the percentage rate "R" as determined in 15-6-145, to achieve compliance with the requirements of the federal Railroad Revitalization and Regulatory Reform Act of 1976. The taxable value is multiplied by the average mill levy of other commercial and industrial property.

**Rate:** Montana market value X "R" X average mill levy.  
**Exemptions:** None.  
**Administration:** Department of Revenue  
**Report/Payment:** Reports due to the Department of Revenue by April 15. By the third Monday in October the department shall compute the tax and send a notice to the owner. The tax is due and payable according to the provisions of 15-16-102, MCA.  
**Distribution:** State General Fund

**Tax:** **Unemployment Insurance Tax – enacted 1937**  
**Statute:** Title 39, Chapter 51, Part 11, MCA. ARM Title 24, Chapter 11  
**Basis of Tax:** Percent tax on taxable wages.  
**Measure of Tax:** Montana's Unemployment Insurance (UI) program is financed by employers through a payroll tax. The majority of employers pay the contribution tax based on taxable wages paid to their employees for services performed in Montana. These employers are also liable for paying an administrative fund tax, which, for most employers, is computed at 0.13% of taxable payroll. The taxable wage base for 2002 is \$18,900 per employee and generally increased each year as it is based on average annual wages. Governmental agencies pay the contribution tax on total wages. Governmental agencies and non-profit organizations who elect to reimburse the Unemployment Insurance trust fund pay the administrative fund tax at 0.05% of total payroll.  
The state UI contributions are used to pay benefits to unemployed workers who meet eligibility requirements. In addition to the state UI tax program, a federal unemployment tax (FUTA) is paid to the Internal Revenue Service. FUTA taxes are used primarily to pay for the administration of the UI program. Employers who pay their state UI tax timely receive a 5.4% credit when filing their FUTA tax return (federal Form 940).  
**Rate:** Varies depending on the employer's industry and experience rate.  
**Exemptions:** Payments made by the employer into a qualified plan for health insurance, life insurance, medical or hospitalization expenses, payment for sickness or accident disability under a workers' compensation policy; allocated tips. Refer to 39-51-201, MCA. Certain types of employment are exempt. Refer to 39-51-204, MCA.  
**Administration:** Department of Labor  
Collection: Department of Labor  
**Report/Payment:** Report and payment is due quarterly on the last day of the month following each calendar quarter (e.g., April 30, July 31, October 31, and January 31).  
**Distribution:** Unemployment Insurance Trust Fund

**Insurance:** **Workers' Compensation – enacted 1915 (Old Fund Liability Tax Repealed 1997)**  
**Statute:** Title 39, Chapter 71, Part 4, MCA. ARM Title 24, Chapters 29, 30 & 35  
**Basis of Tax:** Employers to provide Workers' Compensation Insurance.  
**Measure of Tax:** Except as provided in the law, the Workers' Compensation Act applies to all employers and to all employees. Each employee whose employer is bound by the Workers' Compensation Act is subject to and bound by the compensation plan that has been elected by the employer. An employer who uses the services of a worker furnished by another person, association, contractor, firm, limited liability company, limited liability partnership, or corporation, other than a temporary service contractor, is presumed to be the employer for workers' compensation premium and loss experience purposes for work performed by the worker.  
**Rate:** Varies depending on the employer's industry, job classifications, amount of payroll, claims experience, safety measures and other factors.  
**Exemptions:** Household and domestic employment; casual employment; dependent member of an employer's family for whom an exemption may be claimed under the federal Internal Revenue Code; sole proprietors, working members of a partnership, limited liability partnership, or member-managed limited liability company; real estate, securities, or insurance salesperson paid solely by commission and without a guarantee of minimum earnings; direct seller; person performing services in return for aid or sustenance only; railroad engaged in interstate commerce; official, including a timer, referee, umpire, or judge, at an amateur athletic event; newspaper carrier or freelance correspondent; cosmetologist's services and barber's services; a person who is employed by an enrolled tribal member or an association, business, corporation, or other entity that is at least 51% owned by an enrolled tribal member or members, whose business is conducted solely within the exterior boundaries of an Indian reservation; jockey who is performing under a license issued by the board of horseracing from the time that the jockey reports to the scale room prior to a race through the time that the jockey is weighed out after a race; trainer, assistant trainer, exercise person, or pony person who is performing services under a license issued by the board of horseracing while on the grounds of a licensed race meet; employer's spouse for whom an exemption based on marital status may be claimed by the employer under 26 U.S.C. 7703; petroleum land professional; officer of a quasi-public or a private corporation or qualifying manager of a manager-managed limited liability company; officer or a manager of a ditch company; service performed by an ordained, commissioned, or licensed minister of a church in the exercise of the church's ministry or by a member of a religious order in the exercise of duties required by the order.  
An employer may elect to cover these exempt employees for workers' compensation through an endorsement to their policies, and pay additional premium based on the payroll for these exempt employments.  
**Administration:** Department of Labor  
**Report/Payment:** Employers may use the state of Montana's State Fund or an insurer of their choice or self insure under some circumstances. The Montana State Fund is the insurer of last resort in Montana. Each carrier has its own guidelines for payment of premium and reporting of payroll.

### SECTION 3

#### Natural Resources

**Tax:** **Bentonite Production and Royalty Tax – enacted 2005**

**Statute:** Title 15, Chapter 30, Part 4

**Basis of Tax:** Tax on Gross Yield of Bentonite

**Measure of Tax:** The tax is on the gross yield of bentonite produced, measured in tons before crushing and drying, by the owner or operator within the exterior boundaries of an elementary school district.

**Rate:** \$1.56 a ton - first 80,000 tons produced in excess of the amount exempted  
\$1.50 a ton - on the next 150,000 tons produced;  
\$1.40 a ton - on the next 250,000 tons produced;  
\$1.25 a ton - on the next 500,000 tons produced;  
\$1.00 a ton – on the production in excess of 1 million tons.

For tax years beginning after December 31, 2009, the dollar amounts must be adjusted by inflation.

Royalty tax is 15% of the amount paid or apportioned in kind to the royalty owner.

**Exemptions:** The first 20,000 tons produced in a calendar year.

**Administration:** Department of Revenue

**Report/Payment:** Reporting is due the semiannual periods ending June 30 and December 31. Payments are due 45 days after the report.

**Distribution:** Deposited in a state special revenue account. Beginning in tax year 2005, the distribution will approximate the distribution each taxing entity would have received under the net proceeds tax for bentonite. Over a 10 year period, the county and local portion will be shifted to being allocated to the counties based on the relative amount of tax collected in each county. The counties will be allowed to count one-third of the gross value of bentonite production as taxable value for purposes of county classification, school district and local government debt and bond limits.

**Tax:** **Cement and Gypsum Producers License Tax – enacted 1921**

**Statute:** Title 15, Chapter 59, Part 1, MCA.

**Basis of Tax:** Tax on cement and gypsum production.

**Measure of Tax:** Tax on each ton of cement, gypsum, gypsum plaster, stucco, wallboard, land plaster, or other products of cement or gypsum produced or imported into this state for sale or use.

**Rate:** 22 cents per ton for cement;  
5 cents per ton for gypsum.

**Exemptions:** None

**Administration:** Department of Revenue

**Report/Payment:** On or before the 30<sup>th</sup> day after each calendar quarter.

**Distribution:** State General Fund

**Tax:** **Coal Gross Proceeds Tax – enacted 1975**

**Statute:** Title 15, Chapter 23, Part 7, MCA. ARM Title 42, Chapter 25, Subchapter 5.

**Basis of Tax:** Tax on gross proceeds of coal.

**Measure of Tax:** A statewide 5% flat tax on gross proceeds. The gross proceeds of coal is determined by multiplying the number of tons produced by the contract sales price (see coal severance tax).

**Rate:** 5%

**Exemptions:** None

**Administration:** Department of Revenue  
Collection: Local county treasurer

**Report/Payment:** On or before March 31 the annual reporting form to the Department of Revenue. One half of the tax is due on November 30 and one half is due on May 31.

**Distribution:** Proportionally distributed to the appropriate taxing jurisdictions in which production occurred based on the total number of mills levied in fiscal year 1990 against 1988 production.

**Tax:** **Coal Severance Tax – enacted 1975**  
**Statute:** Title 15, Chapter 35, Part 1, MCA. ARM Title 42, Chapter 25, Subchapter 17.

**Basis of Tax:** Tax on each ton of coal produced.

**Measure of Tax:** A coal severance tax is imposed on the “contract sales price” on all coal mined in the state. The contract sales price is the price of coal extracted and prepared for shipment f.o.b. mine, less that amount required to pay production taxes. Production taxes include the state severance tax, resource indemnity and groundwater assessment tax (RIGWAT), local gross proceeds, federal reclamation taxes, and the federal Black Lung tax. The contract sales price includes royalties of \$0.15 per ton paid to federal and state government, or Indian tribes, and all royalties paid to other mineral rights owners.

**Rate:**

	<u>BTU Heating Quality</u>	<u>Surface</u>	<u>Underground</u>
Under 7,000		10%	3%
7,000 and over		15%	4%

The rates above are 1/3 for coal used for the production of electricity within the state in an electrical generation facility that was constructed after December 31, 2001 and before January 1, 2008 if half of the power is offered for use to Montana customers.

**Exemptions:** The first 20,000 tons produced for producers over 50,000 tons per year. Producers of less than 50,000 tons per year. The first 2 million tons of coal produced as “feed stock” for a coal enhancement facility.

**Administration:** Department of Revenue

**Report/Payment:** On or before the 30<sup>th</sup> day after each calendar quarter.

**Distribution:** 50% to the trust fund; 12% to the long-range building program account; 5.46% for provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking, conservation districts, and the Montana Growth Through Agriculture Act; 1.27% to a permanent fund account for parks acquisition or management; 0.95% to the debt service fund to the credit of the renewable resource loan debt service fund; 0.63% to a trust fund for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects; and 2.9% must be credited the oil, gas and coal natural resource account. All other revenue from severance taxes collected under the provisions of this chapter must be credited to the general fund of the state.

The interest income from \$140 million permanent fund that is deposited in the general fund is statutorily appropriated, on an annual basis: \$65,000 to the cooperative development center; \$1.25 million for the growth through agriculture program; the department of commerce: (1)\$125,000 for a small business development center; (2)\$50,000 for a small business innovative research program; (3) \$425,000 for certified regional development corporations; (4)\$200,000 for the Montana manufacturing extension center at Montana state university-Bozeman; and (5)\$300,000 for export trade enhancement; \$3.65 million to the research and commercialization state special revenue account.

**Tax:** **Metal Mines Gross Proceeds Tax – enacted 1975**  
**Statute:** 15-6-132 (Class 2), and Title 15, Chapter 23, Part 8, MCA. ARM 42-25.201.

**Basis of Tax:** Property tax on Gross Proceeds of Metal Mines.

**Measure of Tax:** Tax is based on the merchantable value, which is the receipts of all salable metals produced or extracted in a county over a 12-month period. If the extracted ores are milled, smelted, or reduced by the taxpayer, then the merchantable value in the county in which they are extracted is the receipts received for these metals after processing. Receipts received means the monetary payment or refined metal received by the mining company from the metal trader, smelter, roaster, or refinery, determined by multiplying the quantity of metal received by the metal trader, smelter, roaster, or refinery by the quoted price for the metal and then subtracting the following: basic treatment and refinery charges; costs of transporting the mineral product from the mine or mill to the smelter or other processor, including costs of demurrage, storage, interest, and other miscellaneous costs related to transporting the mineral product; quantity deductions; price deductions; interest; and penalty metal, impurity, and moisture deductions as specified by contract between the mining company and the receiving metal trader, smelter, roaster, or refinery. Basic treatment and refinery charges" means the costs or charges incurred in the smelting, refining, or other treatment of ore and includes: labor costs, including wages, salaries, and fringe benefits; utility and fuel costs; costs of maintenance, repairs, and supplies; costs of materials; depreciation computed on a straight-line basis with a 20-year life for buildings and improvements and a 7-year life for all other depreciable assets; equipment and machinery rental; costs of pollution control, environmental testing, and slag removal; costs incurred for training, freight, engineering services, insurance, and license fees directly attributable to smelting or refining; administrative services in Montana, including that portion of accounting, laboratory, purchasing, human resources, and warehouse allocable to smelting or refining; and any costs, charges, or fees paid by the mining company to other persons or entities for treating or processing ore, concentrate, dore, bullion, matte, or other form of processed concentrate.

**Rate:** Merchantable value is multiplied times 3% to determine the taxable value. The taxable value is multiplied times the local mill levy.

**Exemptions:** One half of the merchantable value for mines that produce less than 20,000 tons of ore in one year.

**Administration:** Department of Revenue Collection: County Treasurer.

**Report/Payment:** On or before March 31. One half of the tax is due on November 30 and one half is due May 31.

**Distribution:** Tax is distributed on the basis of relative mills levied by all jurisdictions levying taxes in that area which includes statewide levies that are deposited into the state general fund for schools.

**Tax:** Metal Mines License Tax – enacted 1925  
**Statute:** Title 15, Chapter 37, Part 1, MCA. ARM Title 42, Chapter 25, Part 1.  
**Basis of Tax:** Annual license tax on gross value of production.  
**Measure of Tax:** Tax is based on the “annual gross value of product” which is receipts received from all merchantable metals or concentrate containing metals or precious and semiprecious gems and stones extracted or produced each calendar year from any mine or mining property in the state as recovered from the smelting, milling, reduction, or treatment in any manner of ores extracted from the mine or mining property or from tailings resulting from the smelting, reduction, or treatment of the ores.  
**Rate:** Concentrate shipped to a smelter, mill, or reduction work  
First \$250,000 0%  
More than \$250,000 1.81% of the increment  
Gold, silver, or any platinum-group metal that is dore, bullion, or matte and that is shipped to a refinery is taxed at the following rates:  
First \$250,000 0%  
More than \$250,000 1.6% of the increment  
**Exemptions:** First \$250,000 in production.  
**Administration:** Department of Revenue  
**Report/Payment:** Reporting periods are for the six month periods ending June 30 and December 31. Payments due on or before August 15 and March 31.  
**Distribution:** 57% to the general fund, 2.5% to the state special revenue fund to the credit of a hard-rock mining impact trust account, 8.5% to the hard-rock mining reclamation debt service fund, 7% to the reclamation and development grants program state special revenue account, 25% to counties identified as experiencing fiscal and economic impacts, resulting in increased employment or local government costs, under an impact plan for a large-scale mineral development. Not less than 37.5% to the county hard-rock mine trust reserve account; all remaining money not allocated is allocated to the county for planning or economic development activities (33 1/3%), to the elementary school districts within the county (33 1/3%), and to the high school districts within the county (33 1/3%).

**Tax:** Micaceous Mineral Mines License Tax – enacted 1951  
**Statute:** Title 15, Chapter 37, Part 2, MCA.  
**Basis of Tax:** License tax on production of micaceous minerals.  
**Measure of Tax:** Every person engaged in or carrying on the business of working or operating any mine or mining property in the state from which vermiculite, perlite, kerrite, maconite, or any other micaceous minerals are mined, extracted, or produced must pay a license tax for engaging in and carrying on such business.  
**Rate:** 5 cents per ton.  
**Exemptions:** None  
**Administration:** Department of Revenue  
**Report/Payment:** 30 days after the end of each quarter.  
**Distribution:** State General Fund  
**Tax:** Miscellaneous Mines Net Proceeds Tax – enacted 1891  
**Statute:** 15-6-131 (Class 1), and Title 15, Chapter 23, Part 5, MCA. ARM Title 42, Chapter 25, Part 11.  
**Basis of Tax:** Property tax on net proceeds of mines.  
**Measure of Tax:** The gross yield and value from mining, extracting, or producing from any quartz vein or lode, placer claim, dump or tailings, or other place or source whatever precious stones or gems, vermiculite, bentonite, or other valuable mineral, except coal and metals during the year preceding January 1.  
Value of Proceeds  
Talc \$4.25 per ton adjusted for inflation  
Vermiculite \$27.00 per ton adjusted for inflation  
Limestone \$0.34 per ton, adjusted for inflation  
Industrial Garnets \$20.00 per ton adjusted for inflation  
All other minerals Gross proceeds minus allowable expenses.  
**Rate:** 100% of annual net proceeds after deducting allowable expenses times the local mill levies in the taxing jurisdiction. Royalty interests are taxed at the same rate.  
**Exemptions:** The first 1000 tons of travertine and building stone. A person who produces and sells 1000 tons or less of industrial garnets and by products.  
**Administration:** Department of Revenue  
**Report/Payment:** On or before March 31.  
**Distribution:** Tax is distributed on the basis of relative mills levied by all jurisdictions levying taxes in that area which includes statewide levies that are deposited into the state general fund for schools.

**Tax:** **Oil and Natural Gas Production Tax – enacted 1921**

**Statute:** Title 15, Chapter 36, Part 3, MCA. ARM Title 42, Chapter 25, Subchapter 18.

**Basis of Tax:** Gross value of oil and gas.

**Measure of Tax:** Total gross value of all oil or gas produced and sold each quarter is determined by taking the total number of barrels or cubic feet of oil or natural gas produced and sold each month at the average value at the mouth of the well during the month that the oil or natural gas is produced and sold. A deduction is allowed for the amount of oil or gas used in connection with the operation of the well.

**Rate:** Taxable royalties 14.8% - with P&L – 15.06%\*  
Working interests 0.5% - 14.8% - with P&L - .76% - 15.06%\*

Working interests are taxed at a variety of rates depending on the initial production date of the well, number of barrels or MCFs, whether the well is a vertical, horizontal, or horizontally recompleted well and whether the production is primary production, incremental production above a decline curve in an enhanced recovery project, or stripper production.

Incremental production is subject to lower rates when the average price per barrel as reported in the Wall Street Journal for west Texas intermediate crude oil during a calendar quarter is less than \$30.

The reduced tax rates on stripper oil from wells producing less than 15 barrels a day is applied when the price per barrel, as reported in the Wall Street Journal, for west Texas intermediate crude oil during a calendar quarter is less than \$30. Three barrel per day stripper wells are taxed at lower rates than 10 or 15 barrel per day stripper wells.

A reduced, drilling incentive tax rate applies to the first 12 months of production from a vertical well, the first 18 months of production from a horizontal well and the first 18 months of incremental production from a horizontally recompleted well.

\*The tax rates on working interest owners and nonworking interest owners are adjusted to include the privilege and license tax adopted by the board of oil and gas conservation to fund the board's regulatory program (82-11-131, MCA) and the oil, gas, and coal natural resource account tax. Maximum combined rate for both taxes is .03%. Rate 2002-2006 was .26%.

**Exemptions:** Oil and gas royalties received by an Indian tribe, on mineral interests were issued pursuant to the U.S. government as trustee for individual Indians, by the U.S. government, by the state of Montana, or by a county or municipality.

**Administration:** Department of Revenue. Horizontal wells, horizontal recompleted wells, and decline curves for enhanced recover projects are certified to the Department of Revenue by the Board of Oil and Gas Conservation.

**Report/Payment:** On or before the 60<sup>th</sup> day after each calendar quarter.

**Distribution:** A variety of percentage rates in statute sets each county's share of the oil and gas production taxes attributable to oil and gas production in each county. There is no county or local ad valorem taxation of oil and gas production. First the privilege and license tax and the oil, gas, and coal natural resource account tax is distributed to the board of oil and gas and to incorporated cities and towns and counties where production occurred. Second is the statutory distribution of oil and gas production taxes to the counties. The remaining oil and gas production taxes, the "state's share", are distributed to the university system (2.65%) the environmental clean up orphan share account (2.95%), the coal bed methane protection account (1.23%), the reclamation and development grants program (2.95%), and the State General Fund (90.22%).

**Tax:** **Resource Indemnity and Groundwater Assessment Tax – enacted 1973**

**Statute:** Title 15, Chapter 38, Part 1, MCA. ARM Title 42, Chapter 32.

**Basis of Tax:** Gross value of product.

**Measure of Tax:** Annual \$25 tax on the business of mining, extracting, or producing a mineral, plus an additional amount computed on the gross value of product that was derived from the business work or operation during the calendar year immediately preceding plus a rate times the gross value of product at the time of extraction from the ground. Unless otherwise provided in a contract or lease, the pro rata share of any royalty owner or owners may be deducted from any settlements under the lease or leases or division of proceeds orders or other contracts.

Gross value of product

Talc	\$4.25 per ton adjusted for inflation
Coal	Based on contract sales price
Vermiculite	\$27.00 per ton adjusted for inflation
Limestone	\$0.34 per ton, adjusted for inflation
Industrial Garnets	\$20.00 per ton adjusted for inflation
All other minerals	Gross value of product.

**Rate:**

Talc	\$25 + 4% of gross value over \$625
Coal	\$25 + 0.4% of gross value over \$6,250
Vermiculite	\$25 + 2% of gross value over \$1,250
Limestone	\$25 + 10% of gross value over \$250
Industrial Garnets	\$25 + 1% of gross value over \$2,500
All other minerals	\$25 + 0.5% of gross value over \$5,000

**Exemptions:** Metal production subject to the metal mines license tax. Oil and natural gas production subject to the oil and gas production tax.

**Administration:** Department of Revenue

**Report/Payment:** On or before March 31 for metal producers. All other producers are required to file on or before the 60<sup>th</sup> day following the end of the calendar year. Tax due is required to be paid at the time of filing the gross yield.

**Distribution:** 50% of the proceeds of the tax in the permanent resource indemnity trust fund; \$300,000 of the remaining proceeds in the ground water assessment account; 50% of the remaining proceeds in the reclamation and development grants account for the purpose of making grants to be used for mineral development reclamation projects, all remaining proceeds in the orphan share account. Effective July 1 immediately following the date that the governor by executive order certifies to the secretary of state that the resource \$150,000 indemnity trust fund balance has reached \$100 million, of the remaining proceeds in the natural resource workers' tuition scholarship account., all remaining proceeds in the orphan share account.

## SECTION 4

### Miscellaneous Fees

**Fee:** **Water Adjudication – enacted 2005**

**Statute:** 85-2-276, MCA

**Basis of Fee:** Biennial fee based on the claimed or calculated volume (in acre feet) of the water right. Terminates June 30, 2014

**Measure of Fee:** Graduated fees from \$20 to \$2,000 per water right. Capped at 20 water rights a person for each graduated level. Forty user fee cap for irrigation water user groups.

**Exemptions:** Federal water rights, and Indian reserved and aboriginal claims to water.

**Administration:** Department of Revenue  
Department of Natural Resources and Conservation

**Report/Payment:** Fee is due by January 31 of even-numbered years.

**Distribution:** Water Adjudication Account (State Special Revenue Account)

**Fee:** **Fire Protection – enacted 1939**

**Statute:** Title 76, Chapter 13, Part 2, MCA. ARM Title 36, Chapter 10.

**Basis of Fee:** Fee per acre of forest land.

**Measure of Fee:** An owner of land classified as forest land by the department shall protect against the starting or existence and suppress the spread of fire on that land. This protection and suppression must be in conformity with reasonable rules and standards for adequate fire protection adopted by the department. If the owner does not provide for the protection and suppression, the department may provide it at a cost to the landowner as necessary to yield the amount of money determined by the department for 1/3 of the annual operation costs as approved by the legislature.

**Rate:** Not more than \$30 for each landowner in the protection district and of not more than an additional 20 cents per acre per year for each acre in excess of 20 acres owned by each landowner in each protection district.

**Exemptions:** An authorized person who accompanies a licensed disabled hunter.

**Administration:** Department of Natural Resources and Conservation

**Report/Payment:** Billed and collected through property tax statement.

**Distribution:** Deposited to special revenue account in state general fund for costs associated with fire suppression.

**Fee:** **Hail Insurance – enacted 1917**

**Statute:** Title 80, Chapter 2, Part 2, MCA. ARM Title 4, Chapter 4, Subchapter 3.

**Basis of Fee:** A fee on all lands in this state growing crops subject to injury or destruction by hail, the owners of which have elected to become subject to the provisions of this part.

**Measure of Fee:** The department of revenue shall issue hail insurance policies to each person who desires to become subject to this part, to become liable for the fee provided in this part, and to be eligible for the benefits and protection of this part. A person who elects to become subject to this part is liable for the fees for hail insurance and shall participate in the benefits and protection afforded by this part. The owners of lands worked by others under lease or contract may make the election for hail insurance, or the lessee of the land may tender payment, in cash, of the fee levied for hail insurance to the officer authorized to receive payment.

**Rate:** The board of hail insurance annually estimate the amount required to pay all losses, interest on warrants, and costs of administration and shall recommend a fee to be imposed on each kind of land to the department of revenue. The rates recommended to apply on the lands of owners must be applied in the same proportions to the crops of those insured on a personal basis.

**Administration:** Department of Revenue and Department of Agriculture

**Report/Payment:** Can be paid in cash at time of purchase or billed by the Department of Revenue and due November 30.

**Distribution:** Enterprise fund for Department of Agriculture.

**Fee:** **Investment License – enacted 1961**

**Statute:** Title 30, Chapter 10, Part 2, MCA. ARM Title 6, Chapter 10, Subchapter 1.

**Basis of Fee:** Fee for registration of securities or a notice filing of a federal covered security

**Measure of Fee:** Initial fee plus 1/10 of 1% for any excess over \$100,000, with a maximum fee of \$1,000.

**Rate:** Registration of securities:  
Not less than \$200 nor more than \$1,000

Registration fee:  
broker-dealer or investment adviser \$200  
salesperson or investment adviser representative \$50  
federal covered adviser \$200

**Administration:** State Auditor's Office

**Distribution:** State General Fund. Portfolio filing fees are deposited to a special revenue account for expenses for the State Auditor's Office associated with regulation of portfolio activities.

**Fee:** **Livestock Per Capita – enacted 1895**  
**Statute:** Title 15, Chapter 24, Part 9, MCA. ARM 42.21.124.  
**Basis of Fee:** Fee on number of livestock.  
**Measure of Fee:** Each year the Department of Revenue determines the numbers of livestock in each county (as reported by the owner who had possession of the animal on February 1 of each year) and multiplies the number times the per capita fee.  
**Rate:** The board of livestock annually determines the fee for all categories of livestock including: cattle, sheep, swine, poultry, bees, goats, horses, mules, lamas, alpacas, domestic bison, ostriches, rheas, emus and domestic ungulates.  
**Exemptions:** Certain age exemptions – usually nine months or younger with the exception of swine which is three months or younger.  
**Administration:** Departments of Revenue and Department of Livestock  
**Report/Payment:** Reports are due to the Department of Revenue in February (on the same form used to report business equipment).  
Payment due November 30 to the Department of Revenue.  
**Distribution:** Special revenue account of the Department of Livestock.

## SECTION 5

### Tax Incentives - Individual Income and Corporation License Tax

#### Exemptions

**Exemption:** **Dependent Child with Disability – enacted 1977**  
**Statute:** 15-30-114 and 115, MCA  
**Procedure:** In lieu of the personal exemption, an exemption for twice the amount allowed for dependents is allowed for each dependent child with a disability. In order to be eligible for the exemption, a dependent child with a disability must, for the taxable year of the taxpayer, have as the child's principal place of abode the home of the taxpayer and have a permanent disability of great enough severity that it constitutes not less than 50% disability to the body as a whole. An exemption may be allowed for a dependent with a permanent disability after the individual reaches the age of majority if the individual continues to be a dependent.

**Exemption:** **Gain on Sale or Exchange of Certain Capital Assets – enacted 1987**  
**Statute:** 15-30-110, MCA. ARM 42.15.218 and 318.  
**Procedure:** Subject to certain provisions, adjusted gross income does not include 40% of capital gains on the sale or exchange of capital assets before December 31, 1986, as capital gains are determined under subchapter P. of Chapter 1 of the Internal Revenue Code as it read on December 31, 1986.

**Exemption:** **Interest on US Government Obligations – enacted 1933**  
**Statute:** 15-30-111(2)(a), MCA. ARM 42.15.216.  
**Procedure:** Notwithstanding the provisions of the federal Internal Revenue Code of 1954, as labeled or amended, adjusted gross income does not include the following, which are exempt from taxation: all interest income from obligations of the United States government, the state of Montana, a county, municipality, or district, or other political subdivision of the state and any other interest income that is exempt from taxation by Montana under federal law; exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code of 1986, 26 U.S.C. 852(b)(5), as that section may be amended or renumbered.

**Exemption:** **Military Pay – enacted 1943**  
**Statute:** 15-30-313 and 15-30-314, MCA. ARM 42.15.214.  
**Procedure:** The collection from any person in the military service, as defined by the Soldiers' and Sailors' Civil Relief Act of 1940, effective October 17, 1940, as amended October 6, 1942, of any tax prescribed by the state on the income of such person, whether falling due prior to or during his period of military service, shall be deferred for a period extending not more than 6 months after the termination of his period of military service if such person's ability to pay such tax is materially impaired by reason of such service. Any such person may, during his period of military service or within 6 months thereafter, apply to a court for relief in respect of any tax obligation or any tax liability incurred by such person prior to his period of military service or in respect of any such obligation or liability, whether falling due prior to or during his period of military service.

**Exemption:** **Personal Exemptions for Individual Income Tax- enacted 1933**  
**Statute:** 15-30-112, MCA. ARM 42.15.401-403.  
**Procedure:** Taxpayers, spouses and each dependent are allowed an exemption of \$1,980 (tax year 2006). An additional exemption is allowed for taxpayers attaining the age of 65 (and qualifying spouse), and for the taxpayer if blind (and qualifying spouse). The amount of exemption is indexed each year for inflation.

**Exemption:** **Research and Development Firms – enacted 1987**  
**Statute:** 15-31-103, MCA. ARM 42.23.112-114 and 116.  
**Procedure:** A research and development firm organized to engage in business in Montana for the first time, is exempt from corporation license taxation for the first five years of taxable activity in the state. To be considered a research and development firm, the chief development officer of the firm or business agent shall file with the Department of Revenue an application for treatment as a research and development firm. The application must be filed with the department before the end of the first calendar quarter the firm engages in business.

**Exemption:** **Small Business Investment Company Tax - 1981**  
**Statute:** Title 15, Chapter 33, Part 1, MCA. ARM 42.23.107-110.  
**Procedure:** Capital gains and dividend income received from a small business investment company is exempt from individual and corporation income taxation.

**Exemption:** **Tip Income**  
**Statute:** 15-30-111(2)(f), MCA.  
**Procedure:** Notwithstanding the provisions of the federal Internal Revenue Code of 1954, as labeled or amended, adjusted gross income does not include the following, which are exempt from taxation: all tips or gratuities that are covered by section 3402(k) or service charges that are covered by section 3401 of the Internal Revenue Code of 1954, 26 U.S.C. 3402(k) or 3401, as amended and applicable on January 1, 1983, received by persons for services rendered by them to patrons of premises licensed to provide food, beverage, or lodging.

**Exemption:** **Unemployment Insurance**  
**Statute:** 15-30-101(9), MCA.  
**Procedure:** "Gross income" means the taxpayer's gross income for federal income tax purposes as defined in section 61 of the Internal Revenue Code (26 U.S.C. 61) or as that section may be labeled or amended, excluding unemployment compensation included in federal gross income under the provisions of section 85 of the Internal Revenue Code (26 U.S.C. 85) as amended.

**Exemption:** **Workers Compensation**  
**Statute:** 15-30-111(2)(g), MCA.  
**Procedure:** Notwithstanding the provisions of the federal Internal Revenue Code of 1954, as labeled or amended, adjusted gross income does not include the following, which are exempt from taxation: all benefits received under the workers' compensation laws.

## Exclusions

**Exclusion:** **Disability Income**  
**Statute:** 15-30-111(6), MCA. ARM 42.15.217.  
**Procedure:** A taxpayer receiving retirement disability benefits who has not attained 65 years of age by the end of the tax year and who has retired as permanently and totally disabled may exclude from adjusted gross income up to \$100 a week received as wages or payments in lieu of wages for a period during which the employee is absent from work due to the disability. If the adjusted gross income before this exclusion and before application of the two-earner married couple deduction exceeds \$15,000, the excess reduces the exclusion by an equal amount. This limitation affects the amount of exclusion, but not the taxpayer's eligibility for the exclusion. If eligible, married individuals shall apply the exclusion separately, but the limitation for income exceeding \$15,000 is determined with respect to the spouses on their combined adjusted gross income. For the purpose of this subsection, "permanently and totally disabled" means unable to engage in any substantial gainful activity by reason of any medically determined physical or mental impairment lasting or expected to last at least 12 months.

**Exclusion:** **Elderly Interest**  
**Statute:** 15-30-111(2)(b), MCA. ARM 42.15.215.  
**Procedure:** Notwithstanding the provisions of the federal Internal Revenue Code of 1954, as labeled or amended, adjusted gross income does not include the following, which are exempt from taxation: interest income earned by a taxpayer who is 65 years of age or older in a tax year up to and including \$800 for a taxpayer filing a separate return and \$1,600 for each joint return.

**Exclusion:** **Health Care Professional – enacted 2003**  
**Statute:** 15-30-111(9) and 15-30-121, MCA.  
**Procedure:** A taxpayer may exclude from taxable income the amount of a student loan payment incurred as a result of health-related education from taxable income and who has received a loan payment during the tax year made on the taxpayer's behalf by a loan repayment program as an incentive to practice in Montana. The exclusion may not to exceed \$5,000. The taxpayer must be a health care professional licensed in Montana as provided in Title 37; is serving a significant portion of a designated geographic area, special population, or facility population in a federally designated health professional shortage area, a medically underserved area or population, or a federal nursing shortage county as determined by the secretary of health and human services or by the governor. a loan repayment program includes a federal, state, or qualified private program. A qualified private loan repayment program includes a licensed health care facility, as defined in 50-5-101, that makes student loan payments on behalf of the person who is employed by the facility as a licensed health care professional.

**Exclusion:** **Montana Farm and Ranch Risk Management Account – enacted 2001**  
**Statute:** Title 15, Chapter 30, Part 6, MCA.  
**Procedure:** An individual or a family farm corporation engaged in an eligible agricultural business may create a Montana farm and ranch risk management account to use as a risk management tool for the individual's or family farm corporation's agricultural business. The number of risk management accounts that may be created is limited to one for each individual or family farm corporation. Deposits to the account may be excluded from adjusted gross income in an amount not to exceed the lesser of 20% of the taxpayer's net income attributable to agricultural business included in federal adjusted gross income or \$20,000 a year.

**Exclusion:** **Pension and Annuity Income – enacted 1987**  
**Statute:** 15-30-111(2)(c), MCA. ARM 42.15.219.  
**Procedure:** Notwithstanding the provisions of the federal Internal Revenue Code of 1954, as labeled or amended, adjusted gross income does not include the following, which are exempt from taxation: the first \$3,600 of certain pension and annuity income received. Each taxpayer filing singly, head of household, or married filing separately shall reduce the total amount of the exclusion provided by \$2 for every \$1 of federal adjusted gross income in excess of \$30,000 as shown on the taxpayer's return. In the case of married taxpayers filing jointly, if both taxpayers are receiving pension or annuity income or if only one taxpayer is receiving pension or annuity income, the exclusion claimed must be reduced by \$2 for every \$1 of federal adjusted gross income in excess of \$30,000 as shown on their joint return.

## Deductions

**Deduction:** **Dependent Care Services – enacted 2003**  
**Statute:** 15-30-121 (1)(c), MCA.  
**Procedure:** In computing net income, there are allowed as deductions expenses of household and dependent care services necessary for gainful employment incurred for a dependent under 15 years of age for whom an exemption can be claimed; a dependent as allowable under 15-30-112(5), except that the limitations for age and gross income do not apply, who is unable to provide self-care because of physical or mental illness; and a spouse who is unable to provide self-care because of physical or mental illness. Only employment-related expenses incurred to enable the taxpayer to be gainfully employed can be deducted. The total amount of deduction allowed is specifically defined in law.

**Deduction:** **Family Day Care – enacted 2003**  
**Statute:** 15-30-121(2), MCA.  
**Procedure:** A taxpayer who operates a family day-care home or a group day-care home and who cares for the taxpayer's own child and at least one unrelated child in the ordinary course of business may deduct employment-related expenses considered to have been paid for the care of the child. The amount of employment-related expenses considered to have been paid by the taxpayer is equal to the amount that the taxpayer charges for the care of a child of the same age for the same number of hours of care. The employment-related expenses apply regardless of whether any expenses actually have been paid. Employment-related expenses may not exceed the amounts specified in law.

**Deduction:** **Family Education Savings Program Account – enacted 1997**  
**Statute:** Title 15, Chapter 62, Part 2, MCA. ARM Title 42, Chapter 15, sub-chapter 8.  
**Procedure:** An individual may deposit up to \$3,000, \$6,000 if both spouses contribute into a Montana family education saving program to pay for qualified higher education expenses of a designated person. The contribution must be made to an individual participating trust account owned by the contributor, the contributor's spouse, the contributor's child, or the contributor's stepchild if the stepchild is a Montana resident.

**Deduction:** **Federal Income Tax – enacted 1933**  
**Statute:** 15-30-121(1)(b), MCA.  
**Procedure:** In computing net income, there are allowed as deductions: federal income tax paid within the tax year. For tax years beginning after 2004, the deduction may not exceed \$5,000 for single filers and \$10,000 for married filers.

**Deduction:** **First Time Home Buyer Savings Account – enacted 1997**  
**Statute:** Title 15, Chapter 63, Part 2, MCA. Title 42, Chapter 15, sub-chapter 9.  
**Procedure:** A first-time home buyer who is a resident of this state may establish a first-time home buyer savings account for the first-time home buyer, either individually or jointly. The amount of principal contributed annually by an account holder to an account and all interest or other income on the principal may be excluded from the adjusted gross income of the account holder and is exempt from taxation as long as the principal and interest or other income is contained within the account or withdrawn only for eligible costs for the purchase of a single-family residence by a first-time home buyer. Any part of the principal or income, or both, withdrawn from an account may not be excluded if the amount is withdrawn from the account and used for a purpose other than for eligible costs for the purchase of a single-family residence. An account holder who files singly, head of household, or married filing separately may exclude as an annual contribution in 1 year up to \$3,000. An account holder who files jointly may exclude as annual contribution in 1 year up to \$6,000. There is no limitation on the amount of principal and interest or other income on the principal that may be retained tax-free within an account. An account holder may not contribute to the first-time home buyer savings account for a period exceeding 10 years.

**Deduction:** **Land Sale to Beginning Farmers - enacted 1983**  
**Statute:** 80-12-211, MCA. ARM 42.15.415 and 42.23.424.  
**Procedure:** A landowner who sells land consisting of 80 acres or more to a beginning farmer at 9% or less interest on a long-term contract is entitled to a reduction in his taxable income in an amount equal to 100% of any income or capital gain, or both, realized and otherwise subject to state income taxes from the sale, up to a maximum of \$50,000, provided the transaction is approved by the authority for this purpose.

**Deduction:** **Medical Care Savings Account– enacted 1995**  
**Statute:** Title 15, Chapter 61, Part 20, MCA., ARM Title 42, Chapter 15, sub-chapter 6.  
**Procedure:** An employer may establish a medical care savings account for an employee of the employer or for a dependent of the employee. An individual who is a resident of this state may establish a medical care savings account for that individual or for a dependent of the individual. The amount of principal contributed annually by an employee or account holder to an account and all interest or other income on that principal may be excluded from the adjusted gross income of the employee or account holder and are exempt from taxation as long as the principal and interest or other income is contained within the account or withdrawn only for payment of eligible medical expenses or for the long-term care of the employee or account holder or a dependent of the employee or account holder. An employee or account holder may exclude as an annual contribution in 1 year not more than \$3,000. There is no limitation on the amount of funds and interest or other income on those funds that may be retained tax-free within an account. The transfer of money in an account owned by one employee or account holder to the account of another employee or account holder within the immediate family of the first employee or account holder does not subject either employee or account holder to tax liability.

**Deduction:** **Medical Insurance Premiums**  
**Statute:** 15-3-121(1)(a)(iii), MCA. ARM 42.15-406.  
**Procedure:** In computing net income, there are allowed as deductions premium payments for medical care made by the taxpayer, except premiums deducted in determining Montana adjusted gross income, or for which a credit was claimed under 15-30-128; insurance for medical care, as defined in 26 U.S.C. 213(d), for coverage of the taxpayer, the taxpayer's dependents, and the parents and grandparents of the taxpayer; and long-term care insurance policies or certificates that provide coverage primarily for any qualified long-term care services, as defined in 26 U.S.C. 7702B.

**Deduction:** **Net Operating Loss (Carry Over and Carry Back Provisions – enacted 1985 and 1989**  
**Statute:** 15-30-117 and 15-31-119, MCA. ARM 42.15.318 and 42.23.412-414.  
**Procedure:** For individual income tax purposes, operating losses can be carried back two years and forward twenty years. Farming losses can be carried back five years and casualty losses carried back three years. For corporation license tax purposes operating losses can be carried back three years and forward seven years. An election must be made to forgo the carry back provisions.

**Deduction:** **Standard Deduction for Individual Income Tax – enacted 1933**  
**Statute:** 15-30-122, MCA. ARM 42.15.523.  
**Procedure:** In computing taxable income, an individual is entitled to a standard deduction equal to 20% of his/her adjusted gross income. This standard deduction is in lieu of taking itemized deductions. The minimum standard deduction for tax year 2006 for a single taxpayer is \$1,650 and the maximum is \$3,710. If taxpayers are filing a joint return or filing as head of household, for tax year 2006 the minimum standard deduction is \$3,300 and the maximum is \$7,420. Each year the standard deduction is indexed for inflation.

## Credits

**Credit:** **Capital Gains – enacted 2003 (effective January, 2005).**  
**Statute:** 15-30-183, MCA.  
**Procedure:** An individual taxpayer is allowed a credit against the taxes imposed by 15-30-103 in an amount equal to 1% of the taxpayer's net capital gains for tax years 2005 and 2006 and 2% of the taxpayer's net capital gains for tax years beginning after 2006. The credit allowed under this section may not exceed the taxpayer's income tax liability.

**Credit:** **College Contribution – enacted 1991**  
**Statute:** 15-30-163, 15-31-135 and 15-31-136, MCA.  
**Procedure:** An individual, corporation, partnership, or small business corporation, is allowed a tax credit in an amount equal to 10% of the aggregate amount of charitable contributions made by the taxpayer during the year to any of the general endowment funds of the Montana university system foundations or a general endowment fund of a Montana private college or its foundation. The maximum credit that a taxpayer may claim in a year under this section is \$500. The credit allowed under this section may not exceed the taxpayer's income tax liability. There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied in the year the donation is made, as determined by the taxpayer's accounting method.

**Credit:** **Contractor Gross Receipt – enacted 1967**  
**Statute:** 15-50-207, MCA. ARM 42.15.503, 42.23.501 and 42.31.2141-2143.  
**Procedure:** The contractor's gross receipt tax withheld or paid under 15-50-205, MCA may be used as a credit against the contractor's corporation license tax or against the contractor's individual income tax liability. In addition, the contractor's gross receipt tax withheld or paid may be used against the personal property taxes and the fees in lieu of tax on buses, trucks having a manufacturer's rated capacity of more than 1 ton, or buses, motor vehicles having rated capacity of more than 1 ton, and truck tractors and the registration fee on light vehicles on any personal property or vehicle of the contractor that is used in the business of the contractor. The property must be located in the state to qualify for the credit.

**Credit:** **Contributions to Affordable Housing Revolving Loan Account – enacted 2001**  
**Statute:** 15-30-181 and 15-31-170, MCA.  
**Procedure:** A taxpayer is allowed a tax credit in an amount equal to 20% of the amount donated by an individual taxpayer or 10% of the amount donated by a corporation during the year to the affordable housing revolving loan account. The maximum credit that may be claimed by a taxpayer is \$10,000. The credit allowed under this section may not exceed the taxpayer's income tax liability. The credit allowed under this section may not be claimed by a taxpayer if the taxpayer has included the full amount of the contribution upon which the amount of the credit was computed as a deduction. The credit allowed under this section may not be claimed by a taxpayer if the taxpayer has claimed a credit for a contribution to a qualified endowment. There is no carryback or carryforward of the credit.

**Credit:** **Day Care Facilities – enacted 2001**  
**Statute:** 15-30-130 and 15-31-133, MCA.  
**Procedure:** A credit is available to an employer based on the amounts paid or incurred during the tax year by the employer to acquire, construct, reconstruct, renovate, or otherwise improve real property so that the property may be used primarily as a day-care facility. The credit is the lesser of \$2,500, multiplied by the number of dependents that the day-care facility is designed to accommodate at the end of the first tax year for which the credit is first claimed, 15% of the cost of the acquisition, construction, reconstruction, renovation, or other improvement; or \$50,000. To qualify for the credit allowed the following conditions apply: The property must be in actual use in Montana as a day-care facility on the last day of the tax year for which the credit or any carryforward amount of the credit is claimed. Day-care services assisted by the employer must take place on the property on the last day of the tax year for which the credit or any carryforward amount of the credit is claimed.

**Credit:** **Dependent Care Assistance and Referral Services – enacted 1989**  
**Statute:** 15-30-186 and 15-31-131, MCA.  
**Procedure:** Credit available to an employer for amounts paid or incurred during the tax year by the employer for dependent care assistance actually provided to or on behalf of an employee if the assistance is furnished by a registered or licensed day-care provider. The amount of the credit allowed is 25% of the amount paid or incurred by the employer during the tax year, but the credit may not exceed \$1,575 of day-care assistance actually provided to or on behalf of the employee.

In addition, a credit equal to 25% of the amount paid or incurred is allowed for providing information and referral services to assist employees of the employer employed within this state to obtain dependent care.

**Credit:** **Developmental Disability Services Account – enacted 2003**  
**Statute:** 15-30-187, MCA.  
**Procedure:** An individual, corporation, partnership, or small business corporation is allowed a credit against taxes in an amount equal to 30% of the amount donated by the taxpayer during the year to the developmental disability services account established in 53-20-171. The maximum credit that may be claimed by the taxpayer is \$10,000. The credit may not exceed the taxpayer's income tax liability. A taxpayer claiming a credit under this section may not claim a deduction for the contribution for which a credit is claimed. There is no carryback or carryforward of the credit provided for in this section. The credit must be applied in the year the donation is made, as determined by the taxpayer's accounting method. (*Terminates January 1, 2008--sec. 6, Ch.338, L. 2005.*)

**Credit:** **Disability Insurance for Employees – enacted 1991**  
**Statute:** 15-30-129 and 15-31-132, MCA. ARM 42.23.503.  
**Procedure:** A credit is available for the amount of premiums for disability insurance paid by the employer for the employer's employees. The tax credit is available only to employers who have been in business in Montana for at least 12 months and employ 20 or fewer employees working at least 20 hours a week. At least 50% of each employee's insurance premium must be paid by the employer. The employer is entitled to a tax credit for a maximum of 10 employees. A credit of \$25 a month for each employee if the employer pays 100% of the employee's premium or a credit equal to \$25 a month multiplied by the percentage of the employee's premium paid by the employer for each employee if the employer pays less than 100% of the employee's premium. The credit may not exceed 50% of the premium cost for each employee and may not be claimed for a period of more than 36 consecutive months. The credit may not be claimed as a carryback or carryforward and may not be refunded if the employer has no tax liability.

**Credit:** **Elderly Care – enacted 1989**  
**Statute:** 15-30-128, MCA.  
**Procedure:** A credit is allowed against your individual income tax liability for qualified elderly care expenses paid by an individual for the care of a qualifying family member during the tax year. To qualify for the credit the family member must be related to the taxpayer by blood or marriage; be at least 65 years of age; or has been determined to be disabled by the social security administration; and has family income of \$15,000 or less for an unmarried individual and \$30,000 or less for married individuals. The credit is limited to \$5,000 for a qualifying family member and to \$10,000 for two or more family members in a taxable year.

**Credit:** **Empowerment Zone New Employee – enacted 2003**  
**Statute:** 15-30-182 and 15-31-134, MCA.  
**Procedure:** There is a credit for taxes due for an employer for each new employee at a business in an empowerment zone created pursuant to Title 7, chapter 21, part 37. The taxpayer must be certified by the department of labor and industry to be eligible to receive the credit. The amount of the credit for each qualifying employee is: \$500 the 1<sup>st</sup> year of employment; \$1,000 the 2<sup>nd</sup> year of employment and \$1,500 the 3<sup>rd</sup> year of employment. If the amount of the credit exceeds the taxpayer's liability, the credit may be carried forward 7 years and carried back 3 years. The entire amount of the tax credit not used in the year earned must be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year.

**Credit:** **Health Insurance Premiums Paid – enacted 2005**  
**Statute:** 15-30-185, MCA ARM 42.4.2802  
**Procedure:** There is a tax credit, determined under Title 33, chapter 22, part 20, for eligible small employers who are individuals against the taxes imposed in 15-30-103, MCA for qualifying premiums paid by the eligible small employer for coverage of eligible employees and eligible employees' spouses and dependents under a group health plan as defined in 33-22-2002, MCA. If the employer is an S. corporation, the shareholders may claim a pro rata share of the tax credit. If the employer is a partnership, the credit may be claimed by the partners in the same proportion used to report the partnership's income or loss for Montana income tax purposes.

**Credit:** **Income Taxes Paid to Another State or Foreign Country – enacted - 1941**  
**Statute:** 15-30-124, MCA. ARM 42.4-402 – 404.  
**Procedure:** A resident of Montana is allowed a credit against their individual income taxes for income taxes imposed by and paid to another state or country on income taxable in Montana; and for their pro-rata share of any income tax imposed by and paid to another state or country by an S. corporation of which the resident is a shareholder. The credit is only for taxes paid to another state or country on income derived from sources within the other state or country that is taxable under the laws of the other state or country regardless of the residence or domicile of the taxpayer. The credit is not allowed if the other state or country allows the Montana resident a credit for the taxes paid on income taxable in Montana. For tax years beginning after December 31, 2005, the credit is not allowed on taxes imposed by a foreign country to the extent that a credit for the taxes imposed by the foreign country was claimed for federal income tax purposes.

**Credit:** **Infrastructure Users Fee – enacted 1995**  
**Statute:** 17-6-316, MCA. ARM 42.2.3002 – 3004.  
**Procedure:** A business that is created or expanded as the result of a loan made to enhance economic development and create jobs in the basic sector of the economy is entitled to a tax credit against individual income and corporate license taxes in an amount not to exceed the loan. In order to qualify, the new or expanded business must employ at least 15 people in Montana on a permanent, full-time basis or raise salaries, wages, and business incomes of existing employees and employers.

**Credit:** **Montana Capital Company - enacted 1983**  
**Statute:** 90-8-202, MCA.  
**Procedure:** Taxpayers are allowed a tax credit equal to 50% of their investments (up to a maximum of \$150,000) for investments in regular capital companies, and up to an additional \$250,000 for investment in the qualified small business investment capital company. The credit may be carried forward 15 years or carried back 3 years.

**Credit:** **Movie and TV Industries and Related Media – enacted 2005**  
**Statute:** Title 13, Chapter 31, Part 9, 15-31-901 through 15-31-911  
**Procedure:** A production company that has submitted an application for a tax credit and paid the fee as required under 15-31-906 is allowed a tax credit against the taxes imposed by chapter 30 or 31 for the employment of residents of this state in connection with a state-certified production in the state. Except as provided, the credit is equal to credit carryovers and the credit for the tax year. The aggregate of the credit allowed under this section for a production occurring in the production company's tax year is equal to the sum of 12% of the first \$50,000 or less of actual compensation paid to each Montana resident employed in connection with the state-certified production during the tax year. (*Terminates January 1, 2010--sec. 17, Ch. 593, L. 2005.*)

A production company that has submitted an application for a tax credit and paid the fee as required under 15-31-906 is allowed a tax credit against the taxes imposed by chapter 30 or 31 for qualified expenditures in this state made in connection with a state-certified production in the state. Except as provided, the credit is equal to credit carryovers and the credit for the tax year. The credit allowed under this section is equal to 8% of the total qualified expenditures incurred in connection with the state-certified production during the tax year. (*Terminates January 1, 2010--sec. 17, Ch. 593, L. 2005.*)

**Credit:** **New or Expanding Industry Credit - enacted 1975**  
**Statute:** 15-31-124 - 127, MCA. ARM 42.41.610 – 1612.  
**Procedure:** A new or expanding manufacturing corporation may receive a corporation license tax credit of 1% of wages paid to new employees for the first three years of operation or expansion.

**Credit:** **Preservation of Historic Property – enacted 1997**  
**Statute:** 15-30-180 and 15-31-151, MCA. ARM 42.4.2902 - 2904.  
**Procedure:** An individual, corporation, partnership or small business corporation is allowed a tax credit equal to 25% of the amount of credit allowed under federal tax law for qualifying rehabilitation expenditures with respect to any certified historic building located in Montana. As an alternative, an individual is allowed a credit against individual income taxes by an amount equal to 20% of the cost of creating the conservation easement and the diminution in the value of a historically significant property, including buildings and structures, that may result from a contract that places a conservation easement on the property if: the conservation easement holder is a qualified private organization, the owner of the property is obligated by the contract creating the easement to maintain and preserve the property to retain its historical significance and characteristics for a period of not less than 29 years; and the state historic preservation officer verifies that a property is listed on the national register of historic places or that the property is historically valuable.

**Credit:** **Qualified Endowment Tax – enacted 1997**  
**Statute:** 15-30-166, 15-31-161 and 15-31-162, MCA. ARM 42.4.2703 – 2708.  
**Procedure:** An individual taxpayer, corporation, small business corporation, and partnership, limited liability company, or estate limited liability company is allowed a tax credit in an amount equal to 40% a percent of the present value of the aggregate amount of the charitable gift portion of a planned gift made by the taxpayer during the year to any a qualified endowment. The credit is also allowed for outright gifts to a qualified endowment by Corporations, small business corporations, partnerships, or limited liability companies, and estates, are also allowed a credit in the amount of 20% for a qualified charitable give but at a lower percent. The percents have varied since enactment and are 40% for planned gifts, and 20% for outright gifts, effective April 2, 2003. The maximum annual credit that may be claimed by a taxpayer for contributions made from all sources in a year is \$10,000. Contributions by pass-through small business corporations, partnerships, and limited liability companies are attributed to the owners, with the \$10,000 maximum applied to each owner. Credits not used by an estate are attributed to the beneficiaries, each of whom is subject to the \$10,000 maximum. The nonrefundable credit allowed under this section may can not exceed the taxpayer's income current year tax liability or be carried forward or back. The amount of the contribution for which the credit is claimed cannot also be claimed as a deduction. The credit allowed under this section may not be claimed if the taxpayer has included the full amount of the contribution upon which the amount of the credit was computed as a deduction. There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made. If during any tax year a charitable gift is recovered by the taxpayer, the taxpayer shall: (a) include as income the amount deducted in any prior year that is attributable to the charitable gift to the extent that the deduction reduced the taxpayer's individual income tax or corporation license tax; and (b) increase the amount of tax due under law by the amount of the credit allowed in the tax year in which the credit was taken.  
(Terminates December 31, 2007).

**Credit:** **Qualified Research Tax – enacted 1999**  
**Statute:** 15-30-168 and 15-31-150, MCA. ARM Title 42, Part 4, Subchapter 32.  
**Procedure:** A credit is available for increases in qualified research expense and basic research payments for research conducted in Montana. For purposes of the credit, the applicable percentage specified in 26 U.S.C. 41(a) is 5%; election of the alternative incremental credit allowed under 26 U.S.C. 41(c)(4) does not apply; special rules in 26 U.S.C. 41(g) do not apply; and termination date provided for in 26 U.S.C. 41(h) does not apply. The credit allowed under this section for a tax year may not exceed the tax liability. A credit may not be refunded if a taxpayer has tax liability less than the amount of the credit. The credit may be used as a carryback against for the 2 preceding tax years and may be used as a carryforward against taxes imposed the 15 succeeding tax years. The entire amount of the credit not used in the year earned must be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year. A taxpayer may not claim a current year credit under this section after December 31, 2010. However, any unused credit may be carried back or forward.

**Credit:** **Residential Property Tax Credit for Elderly – enacted 1981**  
**Statute:** 15-30-171 thru 15-30-179, MCA. ARM 42.4.302 and 303.  
**Procedure:** A maximum credit of \$1,000 is available against the claimant's Montana individual income tax liability for property tax relief. To qualify, the claimant must reside in Montana for at least nine months during the tax period, be 62 years and older having less than \$45,000 gross household income and occupy a dwelling in Montana as an owner, renter or lessee for at least six months during the tax period. If the amount of the credit exceeds the claimant's liability under this chapter, the amount of the excess shall be refunded to the claimant. The credit may be claimed even though the claimant has no income taxable.

The taxpayer may revise and make a claim within five years of from the last day prescribed for filing a claim for relief.

**Credit:** **Rural Physician Tax – enacted 1991**  
**Statute:** 15-30-188 - 191, MCA. ARM Title 42, Chapter 4, Subchapter 6.  
**Procedure:** With certain restrictions, physicians who relocate to a “rural” area are allowed an annual credit of \$5,000 against individual income tax for four years. The credit is non-refundable, and may not be carried forward or back.

## Tax Incentives – Energy Related Individual Income and Corporation

### Energy Related Deductions

**Deduction:** **Energy-Conserving Investments – enacted 1975**  
**Statute:** Title 15, Chapter 32, Part 1, MCA. ARM 42.23.421-423.  
**Procedure:** In addition to all other deductions from gross corporate income a taxpayer may deduct a portion of expenditures for a capital investment in a building for an energy conservation purpose. The credit is subject to the approval of the department of revenue. No deduction is allowed for capital investment for an energy conservation practice in the new construction of a building if that capital investment would have been made under established standards of new construction. Deduction is limited to persons and firms not primarily engaged in the provision of gas or electricity derived from fossil fuel extraction or conventional hydroelectric development and has a ceiling of \$100,000 in tax saving per year.

If the investment is made in a residential building:

100% of the first \$1,000 expended;  
50% of the next \$1,000 expended;  
20% of the next \$1,000 expended;  
10% of the next \$1,000 expended.

If the investment is made in a building not used as a residence:

100% of the first \$2,000 expended;  
50% of the next \$2,000 expended;  
20% of the next \$2,000 expended;  
10% of the next \$2,000 expended.

**Deduction:** **Montana-Produced Organic Fertilizer Tax – enacted 1981**  
**Statute:** Title 15, Chapter 32, Part 3, MCA.  
**Procedure:** A taxpayer may deduct expenditures for organic fertilizer and inorganic fertilizer produced as a byproduct produced in Montana and used in Montana if the expenditure was not otherwise deducted in computing taxable income.

**Deduction:** **Recycled Material Purchases – enacted 2001**  
**Statute:** Title 15, Chapter 32, Part 6, MCA. ARM 42.4.2602.  
**Procedure:** In computing Montana adjusted gross income for an individual or net income for a corporation, a taxpayer may take as a deduction 10% of the taxpayer's expenditures for the purchase of recycled material that was otherwise deductible by the taxpayer as business-related expense in Montana. The deduction may be applied either to individual income or corporation license tax.  
*(Terminates December 31, 2011)*

## Energy Related - Credits

**Credit:** **Alternative Energy – enacted 1983**  
**Statute:** Title 15, Chapter 32, Part 4, MCA. ARM Title 42, Chapter 4.  
**Procedure:** An individual, corporation, partnership, or small business corporation as defined that makes an investment of \$5,000 or more that is depreciable under the Internal Revenue Service code for a commercial system or a net metering system that is located in Montana and that generates energy by means of an alternative renewable energy source is entitled to a tax credit against taxes in an amount equal to 35% of the eligible costs. The credit can be taken only against taxes due as a consequence of taxable or net income produced by one of the following: manufacturing plants located in Montana that produce alternative energy generating equipment; a new business facility or the expanded portion of an existing business facility for which the alternative energy generating equipment supplies, on a direct contract sales basis, the basic energy needed; or the alternative energy generating equipment in which the investment for which a credit is being claimed was made.

Whenever any federal wind energy tax credits for a system that generates electricity by means of wind power are allowed the state credit must be reduced by the amount of federal credits so that the effective credit does not exceed 60% of the eligible costs. An exemption to this limitation is available for investments in a commercial system located within the exterior boundaries of a Montana Indian reservation, which commercial system is 5 megawatts or larger in size and signs an employment agreement with the tribal government of the reservation where the commercial system would be constructed regarding the training and employment of tribal members in the construction, operation, and maintenance of the commercial system; and offers contracts with a duration of at least 5 years to sell at least 33% of that commercial system's net generating output at the cost of production plus a reasonable rate of return as designated by the public service commission to customers for use within the state of Montana; or invests in a commercial system located on state trust land; signs a lease agreement with the state to make annual lease payments to the permanent school trust fund; and offers contracts with a duration of at least 5 years to sell at least 33% of that commercial system's net generating output at the cost of production plus a rate of return not to exceed 12%.

The tax credit allowed is to be deducted from that portion of the taxpayer's tax liability for the tax year in which the equipment invested in by the taxpayer is placed in service. If the amount of the tax credit exceeds the taxpayer's tax liability for the tax year, the amount that exceeds the tax liability may be carried over for credit against the taxpayer's tax liability in the next succeeding tax year or years until the total amount of the tax credit has been deducted from tax liability. However, except as provided, a credit may not be carried beyond the seventh tax year succeeding the tax year in which the equipment was placed in service. A credit may be extended through the 15th tax year succeeding the tax year in which the equipment was placed in service if an individual, corporation, partnership, or small business corporation: invests in a commercial system located within the exterior boundaries of a Montana Indian reservation, which commercial system is 5 megawatts or larger in size; and signs an employment agreement with the tribal government of the reservation where the commercial system would be constructed regarding the training and employment of tribal members in the construction, operation, and maintenance of the commercial system.

**Credit:** **Alternative Fuel Motor Vehicle Conversion – enacted 1993**  
**Statute:** 15-30-164 and 15-31-137, MCA.  
**Procedure:** An individual, a corporation, a partnership, or a small business corporation is allowed a tax credit for equipment and labor costs incurred to convert a motor vehicle licensed in Montana to operate on alternative fuel. A seller of alternative fuel may not receive a credit for converting its own vehicles to the alternative fuel that it sells. The maximum credit a taxpayer may claim in a year under this section is an amount equal to 50% of the equipment and labor costs incurred but the credit may not exceed: \$500 for conversion of a motor vehicle with a gross weight of 10,000 pounds or less; or \$1,000 for conversion of a motor vehicle with a gross vehicle weight over 10,000 pounds.

**Credit:** **Biodiesel Production – Oilseed Crush Facility - enacted 2005**  
**Statute:** 15-32-701, MCA  
**Procedure:** An individual, corporation, partnership, or small business corporation may receive a credit against taxes imposed by Title 15, chapter 30 or 31, for investments in depreciable property in Montana to crush oilseed crops for purposes of biodiesel production. A taxpayer qualifying for a credit under this section is entitled to claim a credit, as provided, for the cost of each item of property purchased to crush oilseed only in the year in which the property was purchased. The amount of the credit that may be claimed under this section for investments in depreciable property is 15% of the cost of the property, up to a total of \$500,000 for property invested in a facility. The credit must be claimed in the tax year in which the facility begins processing oilseed or manufacturing a product from oilseed. The investment must be for depreciable property used primarily to crush oilseed or to manufacture a product from oilseed and must be operating before January 1, 2010.

**Credit:** **Biodiesel Production – Facility - enacted 2005**  
**Statute:** 15-32-702, MCA  
**Procedure:** An individual, corporation, partnership, or small business corporation, may receive a credit against taxes imposed by Title 15, chapter 30 or 31, for the cost of constructing and equipping a facility in Montana to be used for biodiesel production. A taxpayer qualifying for a credit under this section is entitled to claim a credit, as provided, for the cost of construction of the facility and for each item of property purchased to produce biodiesel only in the year in which the facility is in production. The amount of the credit that may be claimed under this section for investments in depreciable property is 15% of the cost of the facility or the property installed in the facility. The credit must be claimed in the tax year in which the facility begins production. The investment must be for depreciable property used primarily to manufacture biodiesel and must be operating before January 1, 2010.

**Credit:** **Biodiesel Production – Blending and Storage - enacted 2005**  
**Statute:** 15-32-703, MCA  
**Procedure:** An individual, corporation, partnership, or small business corporation, as defined in [15-30-1101](#), may receive a credit against taxes imposed by Title 15, chapter 30 or 31, for the cost of storage and blending equipment to be used for blending biodiesel with petroleum diesel. A special fuel distributor or an owner or operator of a motor fuel outlet qualifying for a credit under this section is entitled to claim a credit, as provided, for the cost of installing storage and blending equipment only in the year in which the taxpayer begins blending biodiesel fuel. The amount of the credit that may be claimed by a distributor under this section for investments in depreciable property is 15% of the cost of the storage and blending equipment. The amount of the credit may not exceed \$52,500. The credit must be claimed in the tax year in which the distributor begins blending biodiesel for sale. The amount of the credit that may be claimed by an owner or operator of a motor fuel outlet under this section for investments in depreciable property is 15% of the cost of the storage and blending equipment. The amount of the credit may not exceed \$7,500. The credit must be claimed in the tax year in which the retailer begins blending of biodiesel for fuel. The investment must be for depreciable property used primarily to blend biodiesel made entirely from Montana-produced ingredients with petroleum diesel. Sales of biodiesel must be at least 2% of the taxpayer's total diesel sales by the end of the third year following the tax year in which the credit is claimed.

**Credit:** **Energy-Conserving Expenditure – enacted 1981**  
**Statute:** 15-32-109, MCA. ARM 42.4.203 and 204.  
**Procedure:** Resident individual taxpayers may take a credit against the taxpayer's tax liability for 25% of the taxpayer's expenditures for capital investments in the physical attributes of a building or the installation of a water, heating, or cooling system in the building, so long as either type of investment is for an energy conservation purpose. The maximum credit may not exceed \$500 of your tax liability. If married and the property is owned by both spouses, the spouse may also qualify for the credit.

**Credit:** **Geothermal System – enacted 1991**  
**Statute:** 15-32-115, MCA. ARM 42.4.104 – 106 and 42.4.118.  
**Procedure:** A resident individual taxpayer or a person constructing a new residence who completes installation of a geothermal system in the taxpayer's principal dwelling is entitled to claim a tax credit for a portion of the installation costs of the system, not to exceed \$1,500. Only one credit may be claimed for a residence. The amount of the credit not used in the year in which the installation is made may be carried forward for the 7 succeeding tax years. The entire amount of the credit not used in the year that it was earned must be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year. Installation costs include the cost of trenching, well drilling, casing, and downhole heat exchangers; piping, control devices, and pumps that move heat from the earth to heat or cool the building; ground source or ground coupled heat pumps; liquid-to-air heat exchanger, ductwork, and fans installed with a ground heat well that pump heat from a well into a building; and design and labor.

**Credit:** **Installation of Alternative Energy System – enacted 1977**  
**Statute:** Title 15, Chapter 32, Part 2, MCA. ARM Title 42, Chapter 4 and 42.15.511-512.  
**Procedure:** A resident individual taxpayer who completes installation of an energy system using a recognized nonfossil form of energy generation in the taxpayer's principal dwelling after December 31, 2001, is entitled to claim a tax credit in an amount equal to the cost of the system, including installation costs, less grants received, not to exceed \$500, against the income tax liability imposed against the taxpayer. A resident individual taxpayer who completes installation of an energy system using a low emission wood or biomass combustion device in the taxpayer's principal dwelling after December 31, 2001, is entitled to claim a tax credit in an amount equal to the cost of the system, including the installation costs, not to exceed \$500. If the amount of the tax credit exceeds the taxpayer's income tax liability for the taxable year, the amount which exceeds the tax liability may be carried over for deduction from the taxpayer's income tax liability in the next succeeding taxable year or years until the total amount of the tax credit has been deducted from tax liability. No tax credit may be carried over for deduction after the fourth taxable year succeeding the taxable year in which the energy system was acquired.

**Credit:** **Interest Differential – enacted 1975**  
**Statute:** 15-32-107, MCA.  
**Procedure:** A public utility or a financial institution that lent money or made qualifying installations prior to July 1, 1995, may compute the difference between interest it actually receives on the transactions and the interest that would have been received at the prevailing average interest rate for home improvement loans, as prescribed in rules made by the public service commission. The utility may apply the difference as a credit against its tax liability for the electrical energy producer's license tax or for the corporation license tax. The public service commission shall regulate rates in such a manner that a utility making loans under this section may not make a profit as the result of this section. The financial institution may apply the difference so computed as a credit against its tax liability for the corporation license tax. A utility may not claim a tax credit under this section exceeding \$750,000 in any tax year. A financial institution may not claim a tax credit under this section exceeding \$2,000 in any tax year.

**Credit:** **Mineral Exploration Incentive – enacted 1999**  
**Statute:** Title 15, Chapter 32, Part 5, MCA.  
**Procedure:** A credit against tax liability for the certified expenditures of each of the following exploration activities that are performed on land in the state for the purpose of determining the existence, location, extent, or quality of a mineral or coal deposit, regardless of land ownership: surveying by geophysical or geochemical methods; drilling exploration holes; conducting underground exploration; surface trenching and bulk sampling; or performing other exploratory work, including aerial photographs, geological and geophysical logging, sample analysis, and metallurgical testing. Credit may not be granted for exploration activity that occurs after the construction commencement date of a new mine. A credit may be granted for exploration activity for a mine that had previously operated, that has ceased to operate, and for which all previous mining approvals, permits, licenses, and certificates that allowed the previous operation are no longer in effect. However, a credit may not be granted for exploration activity that occurs after the mine reopening date. The credit for a specific exploration activity may not exceed \$20 million and accrues at the rate of 50% of the certified expenditures each year. The credit must be applied within 15 tax years after the taking of the credit is approved. However, the tax year or years in which the credit is applied need not be: the tax year in which the person first incurs liability for payment of tax based on the person's activity that is the basis of the claim for the credit; or consecutive tax years.

**Credit:** **Recycling Tax – enacted 1991**  
**Statute:** Title 15, Chapter 32, Part 6, MCA. ARM 42.4.2604 and 2605.  
**Procedure:** Taxpayers are allowed a credit for the cost of each item of property purchased to collect or process reclaimable material or to manufacture a product from reclaimed material only in the year in which the property was purchased. The amount of the credit that may be claimed is 25% of the cost of the property on the first \$250,000 invested; 15% of the cost of the property on the next \$250,000 invested; and 5% of the cost of the property on the next \$500,000 invested. A credit may not be claimed for investments in depreciable property in excess of \$1 million. The credit may be applied either to individual income or corporation license tax.

## SECTION 6

### Tax Incentives - Property Tax

Property tax incentives can generally be divided into two categories: property tax *exemptions* and property tax *abatements*. Property tax exemptions exclude part or all of the entire value of property from taxation. A property tax abatement results in a reduction in the taxable value of the property. This is accomplished by directly reducing the taxable value of property or by applying a reduced tax rate to the property's assessed value. A third type of incentive available is the *suspension and cancellation of delinquent property taxes* to facilitate the purchase and continued operation of a business or reductions due to erroneous assessments, natural disasters and migratory property. Application and approval by the department of revenue or local government is required for many of the incentives.

### State Approved Exemptions / Abatements / Reductions

#### **Exemptions: General Exemption Categories from Property Tax**

**Statute:** 15-6-201 – 15-6-226, MCA. ARM Title 42, Chapters 4, 19, 20, 21, 22 and 25.

**Procedure:** Government Property of the United States (except as provided in 15-24-1203, privilege tax); state, counties, cities towns, and school districts; irrigation districts; municipal corporations; public libraries; rural fire districts (15-6-201, MCA).

Religious buildings, with land that they occupy and furnishings in the buildings, that are owned by a church and used for actual religious worship or for residences of the clergy, together with adjacent land reasonably necessary for convenient use of the buildings (15-6-201, MCA).

Certain Institutions Agricultural and horticultural societies; nonprofit health care facilities; certain nonprofit; not for profit cemeteries; purely public charities – 160 acre max.; nonprofit educational institutions – 80 acre max.; public museums, art galleries and zoos (15-6-201, MCA).

Agriculture Farm buildings with a market value of less than \$500 and ag implements and machinery with a market value of less than \$100 (15-6-207, MCA); harness saddlery, and other tack (15-6-207, MCA); irrigation and drainage facilities and sprinkler irrigation systems (15-6-206, MCA); livestock (all livestock is exempt beginning Jan. 1, 2003); producer held grain in storage; unprocessed ag products; certain beet production equipment; poultry and the unprocessed products of poultry; bees and the unprocessed product of bees; and biological control insects (15-6-207, MCA).

Personal Property Household goods (15-6-219, MCA); freeport merchandise and business inventories (15-6-202, MCA); first \$15,000 of hand held tools (15-6-219, MCA); space vehicles and associated equipment (15-6-219, MCA); ethanol equipment (10 year exemption, 15-6-220, MCA); equipment (less than \$15,000) intended for rent or lease in the ordinary course of business (15-6-219, MCA); downhole equipment in oil and gas wells (15-6-213, MCA); property used for the exclusive purpose of filming motion pictures or television commercials (15-6-215, MCA); intangible personal property (15-6-218, MCA); moneys and credits (15-6-204, MCA); vehicle exemption for certain health care professionals (15-6-217, MCA); machinery and equipment used in a canola seed oil processing facility and malting barley facility (15-6-220, MCA); industrial dairies (15-6-220, MCA); and the class eight property of a person or business entity that owns an aggregate of \$20,000 or less in market value (15-6-138(5), MCA);

Real Property Homestead (31% of the market value of residential property for tax year 2003; 31.4% for tax year 2004; 32% for tax year 2005; 32.6% for tax year 2006; 33.2% for tax year 2007; 34% for tax year 2008 and succeeding tax years) and Comstead (13% of the market value for commercial real property for tax year 2003; 13.3% for tax year 2004; 13.8% for tax year 2005; 14.2% for tax year 2006; 14.6% for tax year 2007; 15% for tax year 2008 and succeeding tax years)(15-6-222, MCA); veteran's clubhouses (15-6-203, MCA); certain community service buildings (15-6-209, MCA); certain disabled and deceased veterans residences (15-6-211, MCA); value associated with adding disability improvements (15-6-216); certain portions of residential rental property for lower-income persons (15-6-221, MCA); property subject to a registration fee (15-6-228, MCA); property on railroad right-of-way leased by a nonprofit organization (15-6-227, MCA)

Conservation/Energy Capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices: \$20,000 single family residence and \$100,000 multifamily or nonresidential (10 year exemption, 15-6-15-6-224, MCA); machinery and equipment used in qualifying (alternative energy) generation facilities built and operated after July 1, 2001 with a nameplate capacity of less than 1mw (5 year exemption, 15-6-225, MCA); an electrical generation facility and related delivery facilities constructed in the state of Montana after May 5, 2001, and before January 1, 2006, may be exempt from property taxation for a 10-year period (coal) or a 5-year period (gas) (15-24-3001, MCA); small coal or metal mines producer (15-6-208, MCA).

**Abatement: New Industry, Pollution Control, Gasohol Producing, Electrolytic Reduction, Research and Development Firms Reduced Rate – enacted 1979**

**Statute:** 15-6-135, MCA. ARM Title 42, Chapter 19, Subchapter 12.

**Procedure:** A reduced rate of 3% is available to certain qualifying property. The applicant must apply to the department of revenue by January 1.

**Exemption: Disabled or Deceased Veterans' Residence – enacted 1979**

**Statute:** 15-6-211, MCA. ARM Title 42, Chapter 19, Subchapter 5.

**Procedure:** A residence, including the lot on which it is built, that is owned and occupied by a veteran or a veteran's spouse is exempt from property taxation if the veteran: was killed while on active duty or died as a result of a service-connected disability; or if living: was honorably discharged from active service in any branch of the armed services; has been rated 100% disabled because of a service-connected disability by the United States department of veterans affairs or its successor; and has an annual adjusted gross income, as reported on the latest federal income tax return, of not more than \$30,000 for a single person and \$36,000 for a married couple. The property tax exemption under this section remains in effect as long as the property is the primary residence owned and occupied by the veteran or, if the veteran is deceased, by the veteran's spouse and the spouse is the owner and occupant of the house; has an annual adjusted gross income, as reported on the latest federal income tax return, of not more than \$25,000; is unmarried; and has obtained from the United States department of veterans affairs a letter indicating that the veteran was 100% service-connected disabled at the time of death or that the veteran died while on active duty or as a result of a service-connected disability.

**Abatement:** **Property Tax Assistance Program – enacted 1979**  
**Statute:** 15-6-134 and 15-6-191, MCA. ARM Title 42, Chapter 19, Subchapter 4.  
**Procedure:** A reduced rate for the first \$100,000 of market value of any improvements on real property including trailers, manufactured home, or mobile homes and appurtenant land not exceeding 5 acres owned or under contract for deed and occupied for at least 7 months a year as the primary residential dwelling for any person whose total income from all sources is not more than \$18,801 for single taxpayers and \$25,068 for married or head of household for tax year 2002. The amount of reduction is based on a graduated scale based on income increments. Application must be made to the Department of Revenue by March 15 for each tax year.

**Reduction:** **Extended Property Tax Assistance Program – enacted 2003**  
**Statute:** 15-6-193, MCA  
**Procedure:** For the purpose of mitigating extraordinary market value increases during the revaluation cycle that ended December 31, 2002, the rate of taxation of class four residential dwellings and appurtenant land not to exceed 5 acres is adjusted for properties with extraordinary increases in market value with owners that meet income requirements. The increase in taxable value must have been at least 24% and the tax liability must have increased by \$250 or more. If the household income is \$25,000 or less, the taxable value increase is capped at 24% over six years; for income greater than \$25,000 and less than \$50,000 the taxable value is capped at 30%; for incomes greater than \$50,000 and less than \$75,000 the taxable value increase is capped at 36%. Incomes over \$75,000 are not eligible.

An annual application on a form provided by the department is required to receive a tax rate adjustment under this section. The application must be signed under oath. A tax rate adjustment may be granted only for the current tax year and may not be granted for a previous year.

## Locally Approved Exemptions and Abatements

### Abatements

**Abatement:** **Historic Property – enacted 1989**  
**Statute:** Title 15, Chapter 24, Part 16, MCA.  
**Procedure:** Subject to approval by local government, a historic property undergoing rehabilitation, restoration, expansion, or new construction that meets certain criteria may receive a tax abatement during the construction period, not to exceed 12 months, and for up to 5 years following completion of the construction. The tax abatement is limited to 100% of the increase in taxable value caused by the rehabilitation, restoration, expansion, or new construction. The tax abatement applies only to the number of mills levied for high school and elementary school district purposes and by the local governing body approving the abatement. The abatement does not apply to statewide levies.

**Abatement:** **New or Expanding Industry – enacted 1981**  
**Statute:** Title 15, Chapter 24, Part 14, MCA. ARM 42.19.1235.  
**Procedure:** If approved by the local governing body by resolution, qualifying improvements or modernized processes that represent new industry or expansion of an existing industry are taxed at 50% of their taxable value for the first five years after construction or expansion. Each year thereafter, the percentage is increased by equal percentages until the full taxable value is attained in the 10th year. The tax abatement applies only to the number of mills levied for high school and elementary school district purposes and by the local governing body approving the abatement. The abatement does not apply to statewide levies. Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of this section or the resolution adopted.

**Abatement:** **Remodeling of Buildings or Structures – enacted 1981**  
**Statute:** Title 15, Chapter 24, Part 15, MCA. ARM 42.20.102-103.  
**Procedure:** Subject to local government approval, remodeling, reconstruction, or expansion of existing buildings or structures, which increases in taxable value by at least 2 1/2%, may receive tax benefits during the construction period and for the following 5 years. The tax abatement applies only to the number of mills levied for high school and elementary school district purposes and by the local governing body approving the abatement. The abatement does not apply to statewide levies. The percentage of taxable value are: 0% during construction, 1<sup>st</sup> year following construction 20% 2<sup>nd</sup> year 40%, 3<sup>rd</sup> year 60%, 4<sup>th</sup> year 80% and 5<sup>th</sup> and beyond 100%.

If the increase in taxable value is at least 5%, the owner may receive a property tax exemption during the construction period, not to exceed 12 months, and for up to 5 years following completion of construction. The property tax exemption is limited to 100% of the increase in taxable value caused by remodeling, reconstruction, or expansion. In addition to the property tax exemption, the buildings and structures may receive a property tax reduction for 4 years following the exemption period based on percentage reductions described above. To be eligible for the property tax exemption and the property tax reduction, the commercial building or structure may not have been used in a business for at least 6 months immediately preceding the date of application to the governing body. Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of this section or the resolution adopted.

**Abatement:** **Value Added Manufacturing – enacted 1991**  
**Statute:** Title 15, Chapter 24, Part 24, MCA. ARM 42.19.1240  
**Procedure:** Since all class 8 property is now at 3%, this incentive has the same effect as not receiving the incentive.

## Exemptions

**Exemption:** **Business Incubator – enacted 1989**  
**Statute:** Title 15, Chapter 24, Part 18, MCA.  
**Procedure:** A business incubator owned or leased and operated by a local economic development organization is eligible for an exemption from property taxes if approved by the governing body of the county, consolidated government, incorporated city or town, or school district by resolution. The tax exemption applies only to the number of mills levied for high school and elementary school district purposes and by the local governing body approving the abatement and to statewide mill levies. Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of this section or the resolution adopted.

**Exemption:** **Industrial Parks - enacted 1989**  
**Statute:** Title 15, Chapter 24, Part 19, MCA.  
**Procedure:** Subject to approval the governing body of the county, consolidated government, incorporated city or town, or school district, an industrial park owned and operated by a local economic development organization or a port authority may be exemption from property taxes. If the local economic development organization sells, leases, or otherwise disposes of the exempt property to a purchaser or lessee that is not a local economic development organization or a unit of federal, state, or local government, the tax exemption terminates. The tax exemption applies only to the number of mills levied and assessed approving the exemption over which the governing body has sole discretion. If the governing body of a county, consolidated government, or incorporated city or town approves the exemption applies to statewide levies. Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of this section or the resolution adopted.

**Exemption:** **Local Economic Development Organizations – enacted 1991**  
**Statute:** Title 15, Chapter 24, Part 20, MCA.  
**Procedure:** If approved by the governing body of the county, consolidated government, incorporated city or town, or school district, a building and land owned by a local economic development organization that the local economic development organization intends to sell or lease to a profit-oriented, employment-stimulating business are eligible for an exemption from property taxes. The exemption applies only to the number of mills levied and assessed by the governing body approving the exemption over which the governing body has sole discretion. If the governing body of a county, consolidated government, or incorporated city or town approves the exemption, the exemption applies to all levies. Property taxes abated from the reduction in property taxes allowed by this section are subject to recapture by the local governing body if the ownership or use of the property does not meet the requirements of this section or the resolution adopted.

**Cancellation:** **Suspension and Cancellation of Certain Property Taxes - enacted 1989**  
**Statute:** Title 15, Chapter 24, Part 17, MCA.  
**Procedure:** A local governing body may suspend collection of delinquent property taxes on commercial property to facilitate the purchase and continued operation of a business utilizing the commercial property if the property has not been used in a business for 6 months immediately preceding the date of suspension. If a purchaser of the commercial property continuously utilizes the property in a profit-oriented, employment-stimulating business for 3 years from the date of purchase, the governing body may cancel the collection of the suspended delinquent property taxes. The suspension or cancellation of delinquent property taxes applies to all mills levied in the county or otherwise required under state law. It does not apply to assessments made against property for the payment of bonds issued for local government improvement districts.

## Energy Related Exemptions

**Exemption:** **Alternative Energy Equipment – enacted 2001**  
**Statute:** 15-6-225, MCA. ARM 42.4.4105  
**Procedure:** A generation facility powered by an alternative energy source, built and operated after July 1, 2001, that has a nameplate capacity of less than 1 megawatt of electrical energy is exempt from taxation for 5 years after the generation of electricity begins. "Generation facility" includes any combination of a generator or generators, associated prime movers, and other associated machinery and equipment that are normally operated together to produce electric power, but does not include the owner's business improvements and personal property. Alternative renewable energy source means a form of energy or matter that is capable of being converted into forms of energy useful to mankind, including electricity, and the technology necessary to make this conversion when the source is not exhaustible in terms of this planet and when the source or technology is not in general commercial use. The term includes but is not limited to: solar energy; wind energy; geothermal energy; conversion of biomass; fuel cells that do not require hydrocarbon fuel; small hydroelectric generators producing less than 1 megawatt; or methane from solid waste.

**Exemption:** **Capital Investment in Nonfossil Form of Energy Generation**  
**Statute:** 15-6-201(4), MCA. ARM 42.20.102.  
**Procedure:** The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low emission wood or biomass combustion devices, as defined in 15-30-102, are exempt from taxation for a period of 10 years following installation of the property: \$20,000 in the case of a single-family residential dwelling; \$100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

**Exemption:** **Electrical Generation and Transmission Facility – enacted 2001**  
**Statute:** Title 15, Chapter 24, Part 30, MCA. ARM 42.4.4111-4113  
**Procedure:** An electrical generation facility and related delivery facilities constructed in the state of Montana after May 5, 2001, and before January 1, 2006, may be exempt from property taxation for a 10-year period (5years for generation facilities powered by oil or gas turbines). In order to be exempt from property taxation, the owner and operator must offer contracts to sell 50% of that facility's net generating output at a cost-based rate, which includes a rate of return not to exceed 12%, to customers for a 20-year period from the date of the facility's completion. "Electrical generation facility" means any combination of a physically connected generator or generators, associated prime movers, and other associated property, including appurtenant land and improvements and personal property, that are normally operated together to produce 20 average megawatts or more of electric power. The term is limited to generating facilities that produce electricity from coal-fired steam turbines, oil or gas turbines, or turbine generators that are driven by falling water.

If the property is exempt from property taxation, the owner or operator of the facility is subject to an initial local government and local school impact fee. In the first 2 years of construction, the impact fee may not exceed 0.75% of the total cost of constructing the electrical generation facility. In the case of a generation facility powered by oil or gas turbines, the impact fee may not exceed 0.1% of the total construction cost in the remaining 3 years of the tax exemption period. In the case of any other generation facility, the impact fee may not exceed 0.1% of the total construction cost in the subsequent 4 years and may not exceed 0.08% of the total construction cost in the remaining 4 years of the tax exemption period.

**Exemption:** **Noncommercial Electrical Generating Machinery and Equipment – enacted 2001**  
**Statute:** 15-6-226, MCA. ARM 42.4.4108  
**Procedure:** Noncommercial electrical generation machinery and equipment owned or leased by a person used for the production of electrical energy for use by the person in the person's business are exempt from taxation. The exemption applies if more than 80% of the electrical energy generated is used by the person in the person's business even if the person sells a portion of the electrical energy produced to another entity. The amount of the exemption is proportional to the ratio of kilowatt hours used by the person in the person's business to the total kilowatt hours produced. "Electrical generation machinery and equipment" means any combination of a physically connected generator or generators, associated prime movers, and other associated machinery and equipment that has a generating capacity of less than 80 megawatts. The term is limited to electrical generation machinery and equipment that are powered by fossil fuels.

## SECTION 7

### Rebates, Refunds and Other Incentives

**Incentive:** **Alcohol Tax Incentive Program – enacted 1983**  
**Statute:** Title 15 Chapter 70, Part 5, MCA. ARM Title 18, Chapter 9.  
**Basis:** Incentive for each gallon of alcohol produced in Montana using Montana products.  
**Measure:** Incentive amount is for each gallon of alcohol that is 100% produced from MT products otherwise it is reduced proportionately by the amount of non-MT products that is used in production of the alcohol.  
**Incentive Rate:** 20 cents a gallon of alcohol produced with a cap of \$2 million per year per alcohol distributor and the total payments made for the incentive may not exceed \$6 million in a consecutive 12-month period.  
**Administration:** Department of Transportation  
**Report:** No later than the 25<sup>th</sup> day of each calendar month.  
**Purpose:** The purpose of the alcohol tax incentive program is to stimulate the development of alcohol fuel production in Montana while limiting the cost to the state of the tax incentive to amounts that are reasonable in relation to the highway revenue needs of Montana.

**Incentive:** **Biodiesel Production – enacted 2005**  
**Statute:** 15-70-601, MCA ARM  
**Basis:** Incentive to biodiesel producers for increases in annual production the first three years of production.  
**Incentive Rate:** The tax incentive on each gallon of increased biodiesel production over the previous year, is 10 cents a gallon for each gallon of increased production. Beginning July 1, 2010, there is no tax incentive.  
**Administration:** Department of Transportation

**Incentive: Refund for taxes paid on Montana Biodiesel**

**Statute:** 15-70-369, MCA

**Basis:** Incentive to distributors and retailers for refunds of the special fuel tax for biodiesel produced entirely from biodiesel products produced in Montana.

**Measure:** A licensed distributor who pays the special fuel tax on biodiesel may claim a refund equal to 2 cents a gallon on biodiesel sold during the previous calendar quarter if the biodiesel is produced entirely from biodiesel ingredients produced in Montana. The owner or operator of a retail motor fuel outlet may claim a refund equal to 1 cent a gallon on biodiesel on which the special fuel tax has been paid and that is purchased from a licensed distributor if the biodiesel is produced entirely from biodiesel ingredients produced in Montana.

**Rebate: Foreign Capital Depository Income Tax Relief – enacted 1999**

**Statute:** 15-30-192, MCA. – Repealed 2005, Chapter 163).

## SECTION 8

### Licenses and Permits

#### Motor Vehicle and Drivers

**License:** **Drivers License – enacted 1947**

**Statute:** Title 61, Section 5, Part 1, MCA. ARM Title 23, Chapter 3, Part 1.

**Basis of License:** A person may not drive a motor vehicle upon a highway in this state unless the person has a valid Montana driver's license. A license is required for the operation of a motorcycle or quadricycle.

**License Provisions:** A license expires on the anniversary of the licensee's birthday 8 years or less after the date of issue, on the licensee's 75<sup>th</sup> birthday and on licensees on their 21<sup>st</sup> birthday. A license issued to a person who is 75 years or older expires on the licensee's birthday 4 years or less after date of issue. Examinations are required.

**Rate:** \$5 per year for basic driver's license; \$5 per year for interstate commercial driver's license; intrastate \$3.50 per year. Motorcycle endorsement- 50 cents a year or fraction of a year.

**Exemptions:** Certain armed force members, persons who temporarily moves a road machine, farm tractor, or implement of husbandry, a person who temporarily drives, operates, or moves an off-highway vehicle, a nonresident who is at least 15 years of age and who is in possession of a valid operator's license issue by the nonresident's home state or country, whose home state or country.

**Administration:** Department of Justice Motor Vehicle Division

**Report/Payment:** Payable at the time of license issue - \$40 for an eight-year license, \$20 for a four year license. Duplicate licenses - \$10. In addition, there is a \$0.50 charge for a renewal notice fee.

**Distribution:** Driver's license fee;  
54.5% State general fund;  
20.7% State traffic education;  
22.3% Montana highway patrol officers' retirement.

Commercial driver's license fee;  
62.31% State general fund;  
16.94% State traffic education;  
18.25% Montana highway patrol officers' retirement.

If the fees are collected by a county treasurer, 2.5% of each driver's license fee and commercial license fee and 3.75% of each duplicate driver's license fee must be deposited into the county general fund. If the fees are collected by the department, 2.5% of each basic and commercial drivers license fee and 3.75% of each duplicate license must be deposited into the state general fund.

Motorcycle endorsement:  
63.46% State motorcycle safety account;  
33.2% State general fund.

If the fee is collected by a county treasurer or other agent of the department, the amount of 3.34% of each motorcycle endorsement must be deposited into the county general fund.

**License or Fee:** **Motor Vehicle Licenses and Registration – enacted 1917**  
**Statute:** Title 61, Section 3, Parts 3,4 and 5, MCA. ARM Title 23, Chapter 3, Subchapter 7.

**Basis of License:** All privately and commercially owned motor vehicles must be registered and licensed.

**Procedure:** Motor vehicles are subject to an annual registration fee and, in certain counties, a local option vehicle taxes. Heavy trucks, buses, logging trucks, and motor homes are also subject to an annual registration fee and a fee in lieu of tax

Watercrafts, snowmobiles, street-legal motor cycles and quadricycles, (except those with specialty licenses plates), off-highway vehicles, travel trailers (toys) and trailers pay a one-time permanent registration fee. Whenever a transfer of ownership occurs, the new owner shall pay the one-time registration fee.

**Rate:** Annual Registration Fees for Light Vehicles  
Based on vehicle age

4 year or less	\$217
5-10 years	\$87
11 or more	\$28

Local Option Tax for Light Vehicles  
Up to 0.7% of the depreciated value of the manufacturer’s suggested retail price (MSRP).  
An additional fee of \$4 must be collected for each light vehicle for state parks, fishing access sites and for the operation of state-owned facilities.

Other Annual Registration Fees  
Heavy truck, buses and logging trucks in excess of 1 ton; \$22.75  
Motor homes;  
    Less than two years; \$282.50,  
    2 years old and less than 5 years; \$224.25  
    5 years old and less than 8 years old; \$132.50,  
    8 years and older; \$97.50  
    11 years or older may permanently register; \$237.50

Fees in Lieu of Tax on Buses, Heavy Trucks and Truck Trailers  
Fees vary based on age and weight (see 61-3-529, MCA).

One-Time Registration Fees  
Trailers, semitrailers, or pole trailers  
    less than 6,000 pounds \$61.25;  
    6,000 pounds or more ; \$148.25  
Collector Items Motor Vehicles;  
    Under 2,850; \$5  
    2,850 or more; \$10  
Off highways, \$61.25  
Motorcycles and quadricycles,  
    Public highways; \$53.25  
    Both on and off road; \$114.50  
    (an additional fee of \$16 must be collected as a safety fee)  
Travel Trailers;

Under 16 ft. \$72;  
16 feet and longer; \$152  
Motorboat, sailboat, personal watercraft or motorized pontoon;  
    Less than 16 feet; \$65.50,  
    At least 16 but less than 19 feet; \$125.50,  
    19 feet or longer; \$295.50.  
Snowmobile; \$60.50

A \$5 fee for each light vehicle, trailer, semitrailer, pole trailer, heavy truck, motor home, motorcycle, quadricycle, and travel trailer must be collected and deposited to a special revenue fund to partially fund highway patrol officers’ salaries.

Businesses owning over 100 vehicles that operate intrastate may register and license vehicles as a fleet through the Department of Transportation, Motor Carrier Services Division (61-3-324, MCA).

**Exemptions:** Certain military, qualifying disabled veterans, Native Americans

**Administration:** Department of Justice, Motor Vehicle Division

**Report/Payment:** Annually on the registration anniversary date of the motor vehicle.  
Payable to the local county treasurer.

**Distribution:** All fees to the state general fund unless otherwise specified. Local option taxes to local government.

**License or Fee:** **Prorational Registration of Fleet Vehicles (IRP) – enacted 1963**  
**Statute:** 61-3-716, MCA.

**Basis of License:** All interstate or combined interstate and intrastate privately and commercially owned motor vehicles, trailer, semitrailer, or pole trailer operated must be registered and licensed.

**Procedure:** Owners of vehicles operated in interstate or combined interstate and intrastate commerce in this state may be permitted to pay registration, license fees, taxes, or other fixed fees on an apportionment basis, commensurate with and determined by the miles traveled on and the use made of the highways of this state as compared with the use made of the highways of other jurisdictions or any other equitable basis of apportionment. Each trailer, semitrailer or pole trailer fleet must be permanently registered and assessed a registration fee of \$82.50. Each trailer, semitrailer or pole trailer in the fleet must be issued a permanent license plate and sticker. The fee is a one-time fee except upon transfer of ownership

**Rate:** Determined by multiplying the annual registration fee, license fee or fee in lieu of tax and gross vehicle weight fees for motor vehicles (see prior section) by the ratio from the in-state miles divided by total fleet miles.

**Administration:** Department of Transportation, Motor Services Division

**Report/Payment:** There are four annual registration periods, each of which begins on the first day of a calendar quarter. As used in this subsection, "calendar quarter" means the period of 3 consecutive months ending March 31, June 30, September 30, or December 31.

**Distribution:** Highway nonrestricted account.

## **Fishing and Hunting**

**License or Fee:** **Fishing and Hunting Licenses – enacted 1901**  
**Statute:** 87-2-103, MCA. ARM Title 12, Chapter 3.

**Procedure:** Except as provided, it is unlawful for a person to hunt or trap or attempt to hunt or trap any game animal, any game bird, or any fur-bearing animal or to fish for any fish within this state or possess within this state any game animal, game bird, fur-bearing animal, game fish, or parts of those animals except at the places and during the periods and in the manner defined by law or as defined by the department or without first having obtained a proper license or permit from the department to do so.

Nonresidents must apply for most game animals via drawing application. Residents buy some licenses over the counter at Fish, Wildlife and Parks offices and authorized license agents. Some licenses are applied for through drawings.

**Rate:** Varies by activity.

**Administration:** Department of Fish, Wildlife and Parks

**Distribution:** All money collected or received from the sale of hunting and fishing licenses or permits, from the sale of seized game or hides, from damages collected for violations of the fish and game laws of this state, or from appropriations or received by the department from any other state source must be turned over to the department of revenue and placed in the state special revenue fund to the credit of the department of Fish Wildlife and Parks. Money collected or received from fines or forfeited bonds state general fund.

## **Alcohol and Tobacco**

**License or Fee:** **All Beverage License - enacted 1937**  
**Statute:** 16-4-201, MCA. Title 42, Chapter 12.

**Basis of License:** A license to sell liquor, beer, and table wine at retail (an all-beverages license) in accordance with the provisions of this code and the rules of the department may be issued to any person who is approved by the department as a fit and proper person to sell such beverages, except that the number of all-beverages licenses that the department may issue for premises situated within incorporated cities and incorporated towns and within a distance of 5 miles from the corporate limits of such cities and towns shall be determined on the basis of population. Licenses outside 5 miles from the corporate limits shall also be determined on the basis of population.

Passenger carriers serving Montana may serve alcoholic beverages to passengers in aircraft over or railroad cars in the state of Montana upon the issuance of a retail all-beverages license by the department for that purpose (16-4-302, MCA).

**Fee:** For each license outside of incorporated cities and incorporated towns or in incorporated cities and incorporated towns with a population of less than 2,000, \$250 for a unit of a nationally chartered veterans' organization and \$400 for all other licensees; for each license in incorporated cities with a population of more than 2,000 and less than 5,000 or within a distance of 5 miles, measured in a straight line from the nearest entrance of the premises to be licensed to the nearest boundary of the city, \$350 for a unit of a nationally chartered veterans' organization and \$500 for all other licensees; for each license in incorporated cities with a population of more than 5,000 and less than 10,000 or within a distance of 5 miles, measured in a straight line from the nearest entrance of the premises to be licensed to the nearest boundary of the city, \$500 for a unit of a nationally chartered veterans' organization and \$650 for all other licensees; for each license in incorporated cities with a population of 10,000 or more or within a distance of 5 miles, measured in a straight line from the nearest entrance of the premises to be licensed to the nearest boundary of the city, \$650 for a unit of a nationally chartered veterans' organization and \$800 for all other licensees; passenger licenses \$300, catering \$250 (16-4-205).

**Administration:** Department of Revenue

**Report/Payment:** Annual renewal July 1.

**Distribution:** Department of Revenue Liquor Enterprise Fund.

**License or Fee: Beer and Wine License - enacted 1933****Statute:** 16-4-501, MCA. ARM Title 42, Chapter 12.**Basis of License:** Each beer licensee licensed to sell either beer or table wine only, or both beer and table wine, under the provisions of this code, shall pay a license fee.

<b>Fee:</b>	Brewer	\$ 500
	Brewer less than 20,000 gallons	\$ 200
	Wholesaler	\$ 400
	Wholesaler subwarehouse	\$ 400
	Brewer storage depot	\$ 400
	Beer importer	\$ 500
	Beer retailer	\$ 200
	Beer retail for off-premises consumption	\$ 200
	Catering (16-4-111, MCA)	\$ 200
	Domestic winery (greater than 25,000 gallons)	\$ 400
	Domestic winery (less than 25,000 gallons)	\$ 200
	Table wine distributor	\$ 200
	Table wine (retail amendment to beer license)	\$ 200
	Table wine retail for off-premises consumption	\$ 200
	Nationally chartered veterans' organization	\$ 50
	Passenger carrier licenses	\$ 300
	Resort retail all-beverages licenses	\$2,000

**Administration:** Department of Revenue**Report/Payment:** Annual renewal July 1.**Distribution:** Department of Revenue Liquor Enterprise Fund**License or Fee: Cigarette Dealers and Tobacco Products Retail Sales License – enacted 1969****Statute:** 16-11-120, MCA. ARM Title 42, Chapters 2 and 31.**Basis of License:** Every wholesaler, subjobber, retailer, or cigarette vendor shall obtain a license from the department before engaging in the business of wholesaler, subjobber, retailer, or cigarette vendor. A separate application and a separate license is required for each place of business owned, controlled, or operated by the wholesaler, subjobber, retailer, or cigarette vendor within the state of Montana. Application forms must include the type and general description of applicant organizations, names of all known owners, and other pertinent information as the department may require in regularly promulgated rules.

<b>Fee:</b>	wholesaler's	\$50
	subjobber's	\$50
	retailer's	\$5
	vendor's more than 9 machines	\$50
	Vendor's less than 9 machines	\$5

**Administration:** Department of Revenue**Report/Payment:** Renewed annually on or before the anniversary date established by rule by the board of review.**Distribution:** State general fund. Each biennium, there must be appropriated to the department and the department of justice an amount justified and reasonable to operate the cigarette enforcement responsibilities of each department.**License or Fee: Connoisseur's License - enacted 2001****Statute:** 16-4-901, MCA.**Basis of License:** A person in this state desiring to receive direct shipments of beer only, wine only, or both beer and wine from an out-of-state brewery or winery for the person's own consumption and not for resale shall file with the department an application for a connoisseur's license.**Rate:** \$50 for a beer connoisseur's license(\$25 renewal fee);  
\$50 for a wine connoisseur's license (\$25 renewal fee);  
\$100 for a beer and wine connoisseur's license.**Administration:** Department of Revenue**Report/Payment:** A person holding a connoisseur's license, must pay the beer and wine taxes imposed by Title 16, Chapter 1, part 4 on beer or wine that is received by direct shipment from an out-of state brewery or winery during the previous 6 months on June 30 and December 31.**Distribution:** State General Fund**License or Fee: Restaurant Beer and Wine License – enacted 1997****Statute:** 16-4-420, MCA. Title 42, Chapter 12-13.**Basis of License:** The number of licenses available to sell beer and table wine are determined by a quota method. A license will be granted if: at least 65% of the restaurant's gross income during its first year of operation is expected to be the result of the sale of food; the restaurant beer and wine license will be used in conjunction with that restaurant, that the restaurant will serve beer and wine only to a patron who orders food, and that beer and wine purchases will be stated on the food bill; and the restaurant will serve beer and wine from a service bar, as service bar is defined by the department by rule; the applicant understands and acknowledges in writing on the application that this license prohibits the applicant from being licensed to conduct any gaming or gambling activity.**Rate:** Application must be accompanied by a fee equal to 20% of the initial licensing fee. If the department does not make a decision either granting or denying the license within 4 months of receipt of a complete application, the department shall pay interest on the application fee at the rate of 1% a month until a license is issued or the application is denied.

Upon the issuance of a license, the licensee shall pay the balance of the initial licensing fee.

\$5,000 seating capacity of 60 persons or less;  
\$10,000 seating capacity of 61 to 100 persons;  
\$20,000 seating capacity of 101 persons or more.

Annual renewal fee is \$400.

**Administration:** Department of Revenue

**License or Fee:** **Special Permits to Sell Alcoholic Beverages, Beer, and Table Wine - enacted 1933**

**Statute:** 16-4-301, MCA. Title 42, Chapter 12.

**Basis of License:** Any association or corporation conducting a picnic, convention, fair, civic or community enterprise, or sporting event is, in the discretion of the department, entitled to a special permit to sell beer and table wine to the patrons of that event. The beer and wine must be consumed within the enclosure in which the event is held. A post of a nationally chartered veterans' organization or a lodge of a recognized national fraternal organization not otherwise licensed under this code is, in the discretion of the department, entitled to a special permit to sell beer and table wine or a special permit to sell all alcoholic beverages at the post or lodge to members and their guests only, to be consumed within the hall or building of the post or lodge. A nonprofit arts organization is entitled to a special beer and table wine license to sell beer and table wine to patrons of exhibitions, productions, performances, or programs sponsored or presented by the organization in a specific theatre or other appropriately designated place for on-premises consumption. The proceeds derived from sales of beer and table wine, except for reasonable operating costs, must be used to further the purposes of the organization (16-4-303).

An organization or institution that has a tax-exempt designation under the provisions of section 501(c)(3) of the Internal Revenue Code, 26 U.S.C. 501(c)(3), as amended, that is organized and operated to raise funds for a needy person or that is an accredited Montana postsecondary school and that conducts a special event may receive a special permit to sell beer and table wine to the patrons of that special event. An organization may receive up to three special permits a year.

A civic league or organization that has a tax-exempt designation under section 501(c)(4) of the Internal Revenue Code, 26 U.S.C. 501(c)(4), as amended, or an organization authorized by an accredited Montana postsecondary school to engage in fundraising activities for intercollegiate athletics that has a tax-exempt designation under the provisions of section 501(c)(3) of the Internal Revenue Code, 26 U.S.C. 501(c)(3), as amended, may receive up to 12 special permits a year to sell beer and table wine. For purposes of fundraising activities for intercollegiate athletics, only one organization for each Montana postsecondary school may be authorized to apply for and receive special permits under this section. All net earnings from the sale of beer and table wine must be contributed to the state of Montana or a political subdivision of the state or must be devoted to purposes required of entities under section 501(c)(3) of the Internal Revenue Code, 26 U.S.C. 501(c)(3), as amended.

An association or corporation engaged in professional sporting contests or junior hockey contests may receive one special permit to sell beer and table wine covering the entire season of play if:

- (i) the association or corporation is sanctioned by a sports organization that regulates the specific sport;
- (ii) the season of play of the sport is specified in advance;
- (iii) an admission fee to the contests is charged; and
- (iv) the contest events are held in facilities that provide seating for at least 1,000 patrons.

A chamber of commerce or business league that has a tax-exempt designation under section 501(c)(6) of the Internal Revenue Code, 26 U.S.C. 501(c)(6), as amended, may receive up to 12 special permits a year to sell beer and table wine. A chamber of commerce may not use one of its special permits for an event conducted by a business league, and a business league may not use one of its permits for an event conducted by a chamber of commerce. The chamber of commerce or business league receiving a special permit shall obtain liquor liability insurance for any event it conducts.

**Fee:** The permit fee is computed at the rate of \$10 a day for each day that beer and table wine are sold at those events lasting 2 or more days, but the fee may not exceed \$300 for a series of scheduled sporting events. For chartered veterans or lodges, the permit fee is \$10 for the sale of beer and table wine only or \$20 for the sale of all alcoholic beverages. Annual fee for nonprofit arts associations is \$250.

**Administration:** Department of Revenue

**Report/Payment:** The application of the association or corporation must be presented 3 days in advance and must describe the location of the enclosure where the event is to be held, the nature of the event, and the period during which it is contemplated that the event will be held. The application must be accompanied by the amount of the permit fee and a written statement of approval of the premises where the event is to be held issued by the local law enforcement agency that has jurisdiction over the premises where the event is to be held. The special permit may be issued for a 24-hour period only, ending at 2 a.m., and the department may not issue more than 12 special permits to any post or lodge during a calendar year.

**Distribution:** Department of Revenue Liquor Enterprise Fund.

## Gambling

<b>License or Fee:</b>	<b>Boxing License – enacted 1983</b>
<b>Statute:</b>	23-3-501, MCA. ARM Title 23, Chapter 16.
<b>Basis of License:</b>	The board may issue a renewable license to a professional or semiprofessional boxing or wrestling promoter, whether an individual or organization, for the sole purpose of conducting professional or semiprofessional matches or exhibitions.
<b>Rate:</b>	Set by the board, commensurate with costs related to the particular license.
<b>Administration:</b>	Department of Justice
<b>Report/Payment:</b>	Expires on the date set by department rule and may be renewed upon payment of a fee set by the board.
<b>Distribution:</b>	State Board of Athletics for administration.
<b>License or Fee:</b>	<b>Casino Nights Permit – enacted 1991</b>
<b>Statute:</b>	23-5-705, MCA.
<b>Basis of License:</b>	A nonprofit organization may apply to the department for a casino night permit.
<b>Fee:</b>	\$25
<b>Report:</b>	Limit one per year.
<b>Distribution:</b>	The department shall retain the fee for administrative purposes.
<b>License or Fee:</b>	<b>Distributor and Route Operators License – enacted 1993</b>
<b>Statute:</b>	23-5-128 and 23-5-129, MCA. ARM Title 23, Chapter 16.
<b>Basis of License:</b>	It is a misdemeanor for a person to conduct business as a distributor or a route operator without first obtaining a distributor's license from the department.
<b>Fee:</b>	\$1,000 for issuing or renewing. The department may charge an additional, one-time license application processing fee to cover the actual cost of processing the original license. The department shall refund any amount of the application processing fee not needed to reimburse the department for actual costs or shall collect an amount sufficient to reimburse the department for actual costs not completely covered by the initial fee charged.
<b>Exemptions:</b>	The department may waive the license fee if the applicant is licensed as a manufacturer or route operator and may waive the application processing fee if the applicant is licensed as a manufacturer, route operator, or operator.
<b>Administration:</b>	Department of Justice
<b>Report/Payment:</b>	Expires on June 30 of each year and may not be prorated.
<b>Distribution:</b>	Department of Justice for administration.

<b>License or Fee:</b>	<b>Horseracing License – enacted 1965</b>
<b>Statute:</b>	23-4-201, MCA. ARM Title 23, Chapter 16.
<b>Basis of License:</b>	It is unlawful for a person to hold a race meet, including simulcast race meets under the parimutuel system, in this state without a valid license
<b>Rate:</b>	License fees commensurate with the cost of issuing a license
<b>Administration:</b>	Department of Justice
<b>Report/Payment:</b>	Applications to hold race meets shall be submitted to the department, and the board shall act on the applications within 30 days.
<b>Distribution:</b>	Board of Horseracing for administration.
<b>License or Fee:</b>	<b>Live Bingo or Keno Permit – enacted 1989</b>
<b>Statute:</b>	23-5-407, MCA. ARM Title 23, Chapter 16.
<b>Basis of License:</b>	A person who has been granted an operator's license may be granted an annual permit by the department to conduct live bingo or keno games on specified premises.
<b>Fee:</b>	\$250
<b>Report/Payment:</b>	The permit expires June 30 of each year.
<b>Exemptions:</b>	An organization granted an exemption under 26 U.S.C. 501(c)(3), (c)(4), (c)(8), or (c)(19) on or before January 15, 1989, is exempt. After January 15, 1989, is exempt from taxation and one-half the permit fee imposed by this part if the organization carries on gambling activities for no more than 60 days a calendar year. A long-term care facility or a retirement home is also exempt if they have been issued a license by the department.
<b>Distribution:</b>	The department shall retain the permit fee for administrative purposes.
<b>License or Fee:</b>	<b>Live Card Game Table Permit – enacted 1989</b>
<b>Statute:</b>	23-5-306, MCA. ARM Title 23, Chapter 16.
<b>Basis of License:</b>	A person who has been granted an operator's license and holds an appropriate license to sell alcoholic beverages for consumption on the premises may be granted an annual permit for the placement of live card game tables.
<b>Fee:</b>	\$250 for the first table; \$500 for each additional table; May not be prorated.
<b>Report:</b>	Expires on June 30 of each year and may not be prorated.
<b>Distribution:</b>	The department of justice retains \$100 for administrative purposes. The remaining balance of the fee is sent to the treasurer of the county or the clerk, finance officer, or treasurer of the city or town in which the live card game table is located for deposit to the county or municipal treasury on a quarterly basis.

**License or Fee:** **Operator of Gambling Establishment – enacted 1989**  
**Statute:** 23-5-177 and 23-5-612, MCA. ARM Title 23, Chapter 16.

**Basis of License:** It is a misdemeanor for a person who is not licensed by the department as an operator to make available to the public for play a gambling device or gambling enterprise for which a permit must be obtained from the department.

**Rate:** A one-time license application processing fee is charged to cover the actual cost incurred by the department in determining whether the applicant qualifies for licensure. After making its determination, the department shall refund any overpayment or charge and collect amounts sufficient to reimburse the department for any underpayment of actual costs.

The department shall charge an annual permit fee of \$220 for each video gambling machine permit. The fee must be prorated on a quarterly basis but may not be prorated to allow a permit to expire before June 30. The department may not grant a refund if the video gambling machine ceases operation before the permit expires. If the person holding the gambling operator's license for the premises in which the machine is located changes during the first quarter of the permit year and the new operator has received an operator's license and if a machine transfer processing fee of \$25 per machine is paid to the department, the permit remains valid for the remainder of the permit year.

In addition to the annual permit fee charged the department shall charge a \$10 annual permit surcharge fee for each video gambling machine that is on a licensed premises having fewer than 20 machines and a \$20 annual permit surcharge fee for each machine that is on a licensed premises having 20 machines. The annual permit surcharge fee must be prorated.

**Administration:** Department of Justice

**Report/Payment:** The operator's license must be updated each time a video gambling machine, bingo, keno, or card game table permit is newly issued or the machine or game is removed from the premises.

**Distribution:** The department shall deposit \$120 of the annual permit fee or for a prorated fee shall deposit \$90 for three quarters, \$60 for two quarters, and \$30 for one quarter collected and 100% of the machine transfer processing fee collected in the state special revenue fund for purposes of administering this part and for other purposes provided by law. The balance of the fee collected must be returned on a quarterly basis to the local government jurisdiction in which the gambling machine is located. The local government portion of the fee is statutorily appropriated to the department for deposit in the local government treasury. The annual permit surcharge fee charged under subsection (4)(a) must be deposited in the state general fund.

## SECTION 9

### Other Resources for Individuals

Driver's License, Motor Vehicle Registration

**Department of Justice** - (406) 444-1773

Motor Vehicle Division

Scott Hart Building, Second Floor

303 N. Roberts, P.O. Box 201430

Helena, MT 59620-1430

Internet Web Site: <http://doj.mt.gov/driving/vehicletitleregistration.asp>

Hunting, Fishing and Related Licenses and Permits

**Montana Department of Fish, Wildlife and Parks** - (406) 444-2535

1420 E. Sixth Ave., PO Box 200701

Helena MT 59620-0701

Internet Web Site: <http://fwp.mt.gov/default.html>

### **Registration Procedures and Other Resources for Businesses**

#### **Starting a Business**

Request a copy of the Start a Business Checklist:

**Montana Department of Revenue** - (406) 444-6900

Customer Service Division, PO Box 5805

Helena MT 59604-5805

Internet Web Site: [www.mt.gov/revenue](http://www.mt.gov/revenue)

#### **Business Registration**

A corporation registers with the Office of the Secretary of State. Forms obtained from:

**Secretary of State** - (406) 444-3665

Corporation Bureau, State Capitol

Helena, MT 59620-2801

Internet Web Site: [www.sos.state.mt.us](http://www.sos.state.mt.us)

State Income Tax Withholding

If a business hires employees, it is necessary to withhold state income tax. To register and obtain forms, contact:

**Montana Department of Revenue** – (406) 444-6900

Customer Service Division, PO Box 5805

Helena MT 59604-5805

Internet Web Site: [www.mt.gov/revenue](http://www.mt.gov/revenue)

#### **One-Stop Business Licensing**

The licenses that apply to grocery stores, convenience stores and gasoline stations are available in one central location through One-Stop Business Licensing. Those licenses include: food purveyor; off-premise beer and wine; nurseryman; weighing and measuring devices that include meters and scales; underground storage tank systems; and cigarette and other tobacco products. To register and obtain a master application contact:

**One-Stop Business Licensing** – (406) 444-6900

PO Box 8003

Helena MT 59604-8003

Internet Web Site: [www.mt.gov/revenue](http://www.mt.gov/revenue)

### **Accommodations Tax**

A business required by law to collect the accommodations tax must register with the Department of Revenue. Registration materials and information can be obtained from:

**Montana Department of Revenue** – (406) 444-6900  
Customer Service Division, PO Box 5805  
Helena MT 59604-5805  
Internet Web Site: [www.mt.gov/revenue](http://www.mt.gov/revenue)

### **Employment Laws (Wage and Hour)**

**Montana Department of Labor and Industry** – (406) 444-5600  
Labor Standards Bureau  
Wage and Hour Unit, PO Box 6518  
Helena MT 59604-6518  
Internet Web Site: [www.dli.state.mt.us](http://www.dli.state.mt.us)

### **Gambling/Video Gambling Taxes, Licenses and Fees**

**Montana Department of Justice** – (406) 444-1971  
Gambling Control Division  
PO Box 201424, 2550 Prospect Ave.  
Helena MT 59620  
Internet Web Site: <http://doj.mt.gov/>

### **Gasoline Dealer's Refund Permit Gasoline/Special Fuel Distributor's License Fee**

**Montana Department of Transportation** – (406) 444-3832  
Administrative Services Division  
Accounting Services Bureau, PO Box 5895  
Helena MT 59620-5895  
Internet Web Site: <http://www.mdt.mt.gov/>

### **Special Fuel (i.e. diesel) User Permits and Bonds**

**Montana Department of Transportation** – (406) 444-6130  
Motor Carrier Services Division  
Licensing & Permitting Bureau  
2701 Prospect Avenue, PO Box 4639  
Helena MT 59604-4639  
Internet Web Site: <http://www.mdt.mt.gov/>

### **Directory of State Government Agencies**

#### **State Government Information**

General Number: (406) 444-2511  
Telephone Device for the Deaf (TDD): (406) 444-1421

**Administration**, Department of - (406) 444-2511  
Room 155, Mitchell Building  
125 North Roberts Street, PO Box 200101  
Helena MT 59620-0101  
Internet Web Site: <http://doa.mt.gov/>

**Agriculture**, Department of - (406) 444-3144  
Livestock Building  
303 North Roberts Street, PO Box 200201  
Helena MT 59620-0201  
Internet Web Site: [www.agr.state.mt.us](http://www.agr.state.mt.us)

**Auditor's Office**, State - (404) 444-2040  
840 Helena Avenue  
Helena MT 59601  
Toll Free (800) 332-6148 In-State  
Telephone Device for the Deaf (TDD): (406) 444-3246  
Internet Web Site: <http://sao.mt.gov/>

**Commerce**, Department of - (406) 841-2700  
301 South Park Avenue, PO Box 200501  
Helena MT 59620-0501  
Internet Web Site: [www.commerce.state.mt.us](http://www.commerce.state.mt.us)

**Corrections**, Department of - (406) 444-3930  
1539 11<sup>th</sup> Avenue, PO Box 201301  
Helena MT 59620-1301  
Internet Web Site: [www.cor.state.mt.us](http://www.cor.state.mt.us)

**Environmental Quality**, Department of - (406) 444-2544  
1520 East Sixth Avenue, PO Box 200901  
Helena MT 59620-0901  
Internet Web Site: [www.deq.state.mt.us](http://www.deq.state.mt.us)

**Fish, Wildlife & Parks**, Department of - (406) 444-2535  
1420 East Sixth Avenue, PO Box 200701  
Helena MT 59620-0701  
Internet Web Site: <http://fwp.mt.gov/default.html>

**Governor's Office** - (406) 444-3111  
State Capitol Building, Room 204, PO Box 200801  
Helena MT 59620-0801  
Internet Web Site: <http://governor.mt.gov/>

**Justice**, Department of (Attorney General) - (406) 444-2026  
215 North Sanders Street, Third Floor, PO Box 201401  
Helena MT 59620-1401  
Internet Web Site: <http://doj.mt.gov/>

**Labor and Industry**, Department of - (406) 444-2840  
Walt Sullivan Building  
1327 Lockey, PO Box 1728  
Helena MT 59624-1728  
Internet Web Site: [www.dli.state.mt.us](http://www.dli.state.mt.us)

**Livestock**, Department of - (406) 444-7323  
Scott Hart Building  
301 North Roberts Street, Third Floor, PO Box 202001  
Helena MT 59620-2001  
Internet Web Site: <http://mt.gov/liv/>

**Military Affairs**, Department of (Adjutant General) - (406) 324-3000  
1900 Williams Street, PO Box 4789  
Helena MT 59604-4789  
Internet Web Site: <http://dma.mt.gov/>

**Natural Resources & Conservation**, Department of - (406) 444-2074  
1625 11<sup>th</sup> Avenue, PO Box 201601  
Helena MT 59620-1601  
Internet Web Site: <http://dnrc.mt.gov/>

**Public Health & Human Services**, Department of - (406) 444-5622  
111 North Sanders Street, Room 301/308, PO Box 4210  
Helena MT 59604  
Internet Web Site: <http://www.dphhs.mt.gov/>

**Public Instruction**, Office of - (406) 444-3095  
1227 11<sup>th</sup> Avenue, Second Floor, PO Box 202501  
Helena MT 59620-2501  
Toll Free (888) 231-9393 In-State  
Internet Web Site: [www.opi.state.mt.us](http://www.opi.state.mt.us)

**Revenue**, Department of - (406) 444-6900  
Mitchell Building  
125 North Roberts Street, PO Box 5805  
Helena MT 59604-5805  
Internet Web Site: [www.mt.gov/revenue](http://www.mt.gov/revenue)

**Secretary of State** – (406) 444-2034  
State Capitol Building, Room 260, PO Box 202801  
Helena MT 59620-2801  
Internet Web Site: [www.sos.state.mt.us](http://www.sos.state.mt.us)

**Transportation**, Department of - (406) 444-6200  
2701 Prospect Avenue, PO Box 201001  
Helena MT 59620-1001  
Internet Web Site: <http://www.mdt.mt.gov/>