

SECTION A – GENERAL GOVERNMENT & TRANSPORTATION

Department of Revenue -

NP 111 – Increase Funding for the Department of Revenue – The Department of Revenue will hire six additional auditors, one additional attorney, and one support person who will concentrate on four areas where other states have found significant non-compliance with personal income tax and corporate license tax. They are

- Abusive tax shelters, where complicated or fraudulent transactions are used to hide or disguise income.
- Income earned in the state by nonresidents that is not reported or taxed. This most often applies to capital gains income.
- Income earned by out-of-state businesses that have enough economic presence in the state to owe corporation license taxes but do not pay.
- Income earned in Montana that flows through one or more pass-through entities to an out-of-state recipient who does not pay Montana income tax.

Personnel and operating costs for this new compliance unit are projected to be \$500,000 general fund each year. One-time-only costs for training and consulting services, including expert witnesses, are projected to be \$40,000 general fund in FY 2006 and \$80,000 general fund in FY 2007. Ultimately, this unit is expected to generate revenue of at least ten times this cost. However, it will take time for the staff to be trained and gain experience and for additional taxes due to be collected. Additional revenue is expected to be \$1.1 million in FY 2006 and \$2.3 million in FY 2007.