

SENATE BILL NO. 416

INTRODUCED BY C. KAUFMANN

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THE DISCLOSURE OF THE FEDERAL TAX IDENTIFICATION NUMBER OF A BUSINESS ENTITY ON THE ANNUAL REPORT FILED WITH THE OFFICE OF THE SECRETARY OF STATE; LIMITING DISCLOSURE OF THE FEDERAL TAX IDENTIFICATION NUMBER; AUTHORIZING THE DEPARTMENT OF REVENUE TO DISCLOSE CERTAIN INFORMATION FROM TAX RETURNS AND REPORTS TO THE SECRETARY OF STATE; AMENDING SECTIONS 15-30-303, 15-31-511, 15-31-603, 35-1-1104, AND 35-8-208, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-30-303, MCA, is amended to read:

"15-30-303. Confidentiality of tax records. (1) Except as provided in subsections (7) and (8) or in accordance with a proper judicial order or as otherwise provided by law, it is unlawful to divulge or make known in any manner:

(a) the amount of income or any particulars set forth or disclosed in any individual report or individual return required under this chapter or any other information secured in the administration of this chapter; or

(b) any federal return or federal return information disclosed on any return or report required by rule of the department or under this chapter.

(2) (a) The officers charged with the custody of the reports and returns may not be required to produce them or evidence of anything contained in them in an action or proceeding in a court, except in an action or proceeding:

(i) to which the department is a party under the provisions of this chapter or any other taxing act; or

(ii) on behalf of a party to any action or proceedings under the provisions of this chapter or other taxes when the reports or facts shown by the reports are directly involved in the action or proceedings.

(b) The court may require the production of and may admit in evidence only as much of the reports or of the facts shown by the reports as are pertinent to the action or proceedings.

(3) This section does not prohibit:

(a) the delivery to a taxpayer or the taxpayer's authorized representative of a certified copy of any return

1 or report filed in connection with the taxpayer's tax;

2 (b) the publication of statistics classified to prevent the identification of particular reports or returns and
3 the items of particular reports or returns; ~~or~~

4 (c) the inspection by the attorney general or other legal representative of the state of the report or return
5 of any taxpayer who brings an action to set aside or review the tax based on the report or return or against whom
6 an action or proceeding has been instituted in accordance with the provisions of 15-30-311; or

7 (d) the delivery to the secretary of state, pursuant to 15-31-603, of the name, address, and business
8 activity code of any corporation, business trust, limited partnership, limited liability company, or limited liability
9 partnership that filed a tax return or report required by this chapter.

10 (4) Reports and returns must be preserved for at least 3 years and may be preserved until the
11 department orders them to be destroyed.

12 (5) Any offense against subsections (1) through (4) is punishable by a fine not exceeding \$1,000 or by
13 imprisonment in the county jail for a term not exceeding 1 year, or both. If the offender is an officer or employee
14 of the state, the offender must be dismissed from office and may not hold any public office in this state for a period
15 of 1 year after dismissal.

16 (6) This section may not be construed to prohibit the department from providing taxpayer return
17 information and information from employers' payroll withholding reports to:

18 (a) the department of labor and industry to be used for the purpose of investigation and prevention of
19 noncompliance, tax evasion, fraud, and abuse under the unemployment insurance laws; or

20 (b) the state fund to be used for the purpose of investigation and prevention of noncompliance, fraud,
21 and abuse under the workers' compensation program.

22 (7) The department may permit the commissioner of internal revenue of the United States or the proper
23 officer of any state imposing a tax upon the incomes of individuals or the authorized representative of either officer
24 to inspect the return of income of any individual or may furnish to the officer or an authorized representative an
25 abstract of the return of income of any individual or supply the officer with information concerning an item of
26 income contained in a return or disclosed by the report of an investigation of the income or return of income of
27 an individual, but the permission may be granted or information furnished only if the statutes of the United States
28 or of the other state grant substantially similar privileges to the proper officer of this state charged with the
29 administration of this chapter.

30 (8) The department shall furnish:

1 (a) to the department of justice all information necessary to identify those persons qualifying for the
2 additional exemption for blindness pursuant to 15-30-112(4), for the purpose of enabling the department of justice
3 to administer the provisions of 61-5-105;

4 (b) to the department of public health and human services information acquired under 15-30-301,
5 pertaining to an applicant for public assistance, reasonably necessary for the prevention and detection of public
6 assistance fraud and abuse, provided notice to the applicant has been given;

7 (c) to the department of labor and industry for the purpose of prevention and detection of fraud and
8 abuse in and eligibility for benefits under the unemployment compensation and workers' compensation programs
9 information on whether a taxpayer who is the subject of an ongoing investigation by the department of labor and
10 industry is an employee, an independent contractor, or self-employed;

11 (d) to the department of fish, wildlife, and parks specific information that is available from income tax
12 returns and required under 87-2-102 to establish the residency requirements of an applicant for hunting and
13 fishing licenses;

14 (e) to the board of regents information required under 20-26-1111;

15 (f) to the legislative fiscal analyst and the office of budget and program planning individual income tax
16 information as provided in 5-12-303. The information provided to the office of budget and program planning must
17 be the same as the information provided to the legislative fiscal analyst.

18 (g) to the department of transportation farm income information based on the most recent income tax
19 return filed by an applicant applying for a refund under 15-70-223 or 15-70-362, provided that notice to the
20 applicant has been given as provided in 15-70-223 and 15-70-362. The information obtained by the department
21 of transportation is subject to the same restrictions on disclosure as are individual income tax returns.

22 (h) to the commissioner of insurance's office all information necessary for the administration of the small
23 business health insurance tax credit provided for in Title 33, chapter 22, part 20."

24
25 **Section 2.** Section 15-31-511, MCA, is amended to read:

26 **"15-31-511. Confidentiality of tax records.** (1) Except as provided in this section in accordance with
27 a proper judicial order or as otherwise provided by law, it is unlawful to divulge or make known in any manner:

28 (a) the amount of income or any particulars set forth or disclosed in any return or report required under
29 this chapter or any other information relating to taxation secured in the administration of this chapter; or

30 (b) any federal return or information in or disclosed on a federal return or report required by law or rule

1 of the department of revenue under this chapter.

2 (2) (a) An officer or employee charged with custody of returns and reports required by this chapter may
3 not be ordered to produce any of them or evidence of anything contained in them in any administrative
4 proceeding or action or proceeding in any court, except:

5 (i) in an action or proceeding in which the department is a party under the provisions of this chapter; or

6 (ii) in any other tax proceeding or on behalf of a party to an action or proceeding under the provisions of
7 this chapter when the returns or reports or facts shown in them are directly pertinent to the action or proceeding.

8 (b) If the production of a return, report, or information contained in them is ordered, the court shall limit
9 production of and the admission of returns, reports, or facts shown in them to the matters directly pertinent to the
10 action or proceeding.

11 (3) This section does not prohibit:

12 (a) the delivery of a certified copy of any return or report filed in connection with a return to the taxpayer
13 who filed the return or report or to the taxpayer's authorized representative;

14 (b) the publication of statistics prepared in a manner that prevents the identification of particular returns,
15 reports, or items from returns or reports;

16 (c) the inspection of returns and reports by the attorney general or other legal representative of the state
17 in the course of an administrative proceeding or litigation under this chapter;

18 (d) access to information under subsection (4);

19 (e) the director of revenue from permitting a representative of the commissioner of internal revenue of
20 the United States or a representative of a proper officer of any state imposing a tax on the income of a taxpayer
21 to inspect the returns or reports of a corporation. The department may also furnish those persons abstracts of
22 income, returns, and reports; information concerning any item in a return or report; and any item disclosed by an
23 investigation of the income or return of a corporation. The director of revenue may not furnish that information
24 to a person representing the United States or another state unless the United States or the other state grants
25 substantially similar privileges to an officer of this state charged with the administration of this chapter.

26 (f) the disclosure of information to the commissioner of insurance's office that is necessary for the
27 administration of the small business health insurance tax credit provided for in Title 33, chapter 22, part 20; or

28 (g) the delivery to the secretary of state, pursuant to 15-31-603, of the name, address, and business
29 activity code of any corporation, business trust, limited partnership, limited liability company, or limited liability
30 partnership that filed a tax return or report required by this chapter.

(4) The department shall on request:

(a) allow the inspection of returns and reports by the legislative auditor, but the information furnished to the legislative auditor is subject to the same restrictions on disclosure outside that office as provided in subsection (1); and

(b) deliver corporation income tax data to the legislative fiscal analyst and the office of budget and program planning, but the information furnished to the legislative fiscal analyst and the office of budget and program planning is subject to the same restrictions on disclosure outside those offices as provided in subsection (1).

(5) A person convicted of violating this section shall be fined not to exceed \$1,000 or be imprisoned in the county jail for a term not to exceed 1 year, or both. If a public servant, as defined in 45-2-101, is convicted of violating this section, the person forfeits office and may not hold any public office or public employment in the state for a period of 1 year after conviction."

Section 3. Section 15-31-603, MCA, is amended to read:

"15-31-603. List of entities furnished by and to secretary of state. (1) On or before the 15th day of each month, the secretary of state shall provide a list of all new corporations, business trusts, limited partnerships, limited liability companies, and limited liability partnerships, foreign and domestic, subject to the terms of Title 35, chapters 1, 4, 5, 8 through 10, and 12, to the department ~~of revenue~~. The list must include the following information:

~~(1)~~(a) the name of the entity;

~~(2)~~(b) the principal office of the entity;

~~(3)~~(c) the name and address of the registered agent of the entity in Montana, if applicable; ~~and~~

(d) the federal tax identification number of the entity, if applicable; and

~~(4)~~(e) other information that the director of the department ~~of revenue~~ may require.

(2) On or before December 15 of each year, the department shall furnish to the secretary of state a list of all corporations, business trusts, limited partnerships, limited liability companies, and limited liability partnerships that have filed a tax return or report required by chapter 30 or 31. The list must include the following information:

(a) the name of the entity;

(b) the address of the entity; and

1 (c) the business activity code of the entity, if available."

2
3 **Section 4.** Section 35-1-1104, MCA, is amended to read:

4 **"35-1-1104. Annual report for secretary of state.** (1) Each domestic corporation and each foreign
5 corporation authorized to transact business in this state shall deliver to the secretary of state, for filing, an annual
6 report that sets forth:

7 (a) the name of the corporation and the state or country under whose law it is incorporated;

8 (b) the mailing address and, if different, street address of its registered office and the name of its
9 registered agent at that office in this state;

10 (c) the address of its principal office;

11 (d) the names and business addresses of its directors and principal officers;

12 (e) a brief description of the nature of its business;

13 (f) the total number of authorized shares, itemized by class and series, if any, within each class; ~~and~~

14 (g) the total number of issued and outstanding shares, itemized by class and series, if any, within each
15 class; and

16 (h) the corporation's federal tax identification number.

17 (2) Information in the annual report must be current as of the date the annual report is executed on behalf
18 of the corporation.

19 (3) The first annual report must be delivered to the secretary of state between January 1 and April 15
20 of the year following the calendar year in which a domestic corporation was incorporated or a foreign corporation
21 was authorized to transact business. Subsequent annual reports must be delivered to the secretary of state
22 between January 1 and April 15.

23 (4) If an annual report does not contain the information required by this section, the secretary of state
24 shall promptly notify the reporting domestic or foreign corporation in writing and return the report to it for
25 correction. If the report is corrected to contain the information required by this section and delivered to the
26 secretary of state within 30 days after the effective date of notice, it is considered to be timely filed.

27 (5) The tax identification number of the corporation may not be disclosed except to the department of
28 revenue pursuant to 15-31-603."

29
30 **Section 5.** Section 35-8-208, MCA, is amended to read:

1 **"35-8-208. Annual report for secretary of state.** (1) A limited liability company or a foreign limited
2 liability company authorized to transact business in this state shall deliver to the secretary of state, for filing, an
3 annual report that sets forth:

4 (a) the name of the limited liability company and the state or country under whose law it is organized;

5 (b) the mailing address and, if different, street address of its registered office and the name of its
6 registered agent at that office in this state;

7 (c) the address of its principal office;

8 (d) (i) if the limited liability company is managed by a manager or managers, a statement that the
9 company is managed in that fashion and the names and street addresses of the managers;

10 (ii) if the management of a limited liability company is reserved to the members, a statement to that
11 effect;

12 (e) if the limited liability company is a professional limited liability company, a statement that all of its
13 members and not less than one-half of its managers are qualified persons with respect to the limited liability
14 company; and

15 (f) the limited liability company's tax identification number.

16 (2) Information in the annual report must be current as of the date the annual report is executed on behalf
17 of the limited liability company.

18 (3) The first annual report must be delivered to the secretary of state between January 1 and April 15
19 of the year following the calendar year in which a domestic limited liability company is organized or a foreign
20 limited liability company is authorized to transact business. Subsequent annual reports must be delivered to the
21 secretary of state between January 1 and April 15.

22 (4) If an annual report does not contain the information required by this section, the secretary of state
23 shall promptly notify the reporting domestic or foreign limited liability company in writing and return the report to
24 it for correction.

25 (5) The annual report must be executed by at least one member of the limited liability company and must
26 include the street address of the member.

27 (6) A domestic professional limited liability company or a foreign professional limited liability company
28 authorized to transact business in this state shall annually file before April 15, with each licensing authority having
29 jurisdiction over a professional service of a type described in its articles of organization, a statement of
30 qualification setting forth the names and addresses of the members and managers of the company and additional

1 information that the licensing authority may by rule prescribe as appropriate in determining whether the company
2 is complying with the provisions of part 13 of this chapter and rules promulgated under part 13 of this chapter.
3 The licensing authority may charge a fee to cover the cost of filing a statement of qualification.

4 (7) The tax identification number of the limited liability company may not be disclosed except to the
5 department of revenue pursuant to 15-31-603."

6
7 NEW SECTION. **Section 6. Effective date.** [This act] is effective January 1, 2008.

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