



Dan Bucks
Director

Montana Department of Revenue



Brian Schweitzer
Governor

EXHIBIT 8

DATE 1.25.07

HB 109

January 22, 2007

TO: Chairman Bob Lake and Members of the House Taxation Committee
FROM: David Hunter, Deputy Director
SUBJECT: Responses to questions asked during House Bill 109 Hearing

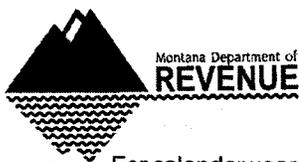
During the hearing on House Bill 109 an opponent raised concerns that this bill would impose additional filing requirements for grantor trusts.

The legislation amends the definition in 15-30-101, MCA to add a grantor trust as a disregarded entity and ties the definition of a grantor trust to the Internal Revenue Code. The legislation simply is intended to close a missing link in the income reporting requirements of grantor trusts. Current Montana statutes are not clear about when grantor trusts and nonresident owners of grantor trusts must file both a trust return and income tax return. This legislation clarifies that reporting requirement.

Although many grantor trusts file a Montana fiduciary return and simply attach the federal forms, this requirement was not clearly set forth in statute. This legislation clarified that the grantor trust, since it would now be included with the definition of "disregarded entity", would file the Montana Disregarded Entity Information Return (DER-1) instead.

That same opponent noted that a return was not necessary because CPA's have a responsibility to notify a taxpayer that when they have Montana source income they are required to file a Montana return. Those same CPA's have a responsibility to notify royalty interest owners of the responsibility to pay Montana taxes, yet 80% fail to do so. CPA's have a responsibility to notify non resident sellers of real property of their responsibility to file a Montana return, yet 73% fail to do so.

HB 79 simply provides the tool to determine whether taxpayers with Montana source income are filing returns as required by current law.



2005 Montana Disregarded Entity Information Return

MONTANA
DER-1
Rev. 2-06

For calendar year 2005 or tax year beginning (MM-DD) ___ - ___ - **05** and ending (MM-DD-YY) ___ - ___ - ___

Check if Applicable: <input type="checkbox"/> Initial Return <input type="checkbox"/> Final Return <input type="checkbox"/> Amended	Name of the disregarded entity	Check box if this is a change of address. <input type="checkbox"/>	FEIN or SSN: _____
	Address		
	City	State	Zip + 4

1. Enter your disregarded entity's business name if different from above _____
2. Enter the date that you incorporated or formed your disregarded entity _____
3. Enter the date that you registered your disregarded entity with the Montana Secretary of State _____
4. Enter the state or country where you incorporated or formed your disregarded entity _____

5. Disregarded Entity Type (Check appropriate entity type)

Single Member Limited Liability Company

You do not have to complete Montana Form DER-1 if your single member limited liability company is owned by a full-year Montana resident during the applicable reporting period.

Check only one single member limited liability company owner type.

- | | |
|--|--|
| <input type="checkbox"/> C. corporation | <input type="checkbox"/> Individual, Estate, or Non-Grantor Trust |
| <input type="checkbox"/> S. corporation | <input type="checkbox"/> Partnership |
| <input type="checkbox"/> Qualified Subchapter S. Subsidiary | <input type="checkbox"/> Real Estate Mortgage Investment Conduit (REMIC) |
| <input type="checkbox"/> Real Estate Investment Trust (REIT) | <input type="checkbox"/> Electing IRC 761 Partnership |
| <input type="checkbox"/> Qualified REIT Subsidiary | <input type="checkbox"/> Any other single member not described above |
- IRC § 761 Partnership..... Enter date of election: _____
- IRC § 1361(b)(3) Qualified Subchapter S Subsidiary..... Enter date of election: _____
- IRC § 856(i)(2) Qualified Real Estate Investment Trust Subsidiary
- IRC § 860D Real Estate Mortgage Investment Conduit (REMIC). Attach a copy of Federal Form 1066.

Payments

6. Enter your late file penalty (see instructions)..... 6. _____

Disregarded Entity Backup Withholding Payment from Schedule I

Enter amounts below if you withheld tax for any owners

7. Enter the total from Column E, Schedule I 7. _____
8. Enter the total from Column F, Schedule I 8. _____
9. Add line 7 and line 8, then enter the results. **This your total disregarded entity backup withholding**..... 9. _____
10. Add line 6 and line 9, then enter the results. **This is your total payment due**..... 10. _____

Declaration

I, the undersigned, declare that I am authorized to sign the disregarded entity return and that the return, including all accompanying attachments, is, to the best of my knowledge and belief, true, correct and complete.

Signature	Title	Telephone Number	Date
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Schedule I

Disregarded entity name _____

Tax period ending _____

SSN/FEIN _____

Disregarded Entity Owner Information

Enter the total number of owners _____ Complete columns E through G for a nonresident individual; foreign C. corporation or second-tier pass-through entity owner.

All Owners		Nonresident individual, foreign C. corporation and second-tier pass-through entity owner information				
A	B	C	D	E	F	G
Name and address of owner (Name Street Address City State Zip Code)	Social Security Number OR Federal Employer Identification Number	Ownership %	Montana source income	C. Corporation Owner Withholding 6.75%	Other Owner Withholding 6.9%	Consent agreement or statement (enter year signed)
1.	SSN FEN					
2.	SSN FEN					
3.	SSN FEN					
4.	SSN FEN					
5.	SSN FEN					
6.	SSN FEN					
7.	SSN FEN					
Column Totals						

Use additional sheets if necessary or you may create your own schedule if you use the exact same format used here.