

### HB 379 - Penalties & Interest Provisions

- **HB 379 accomplishes 2 goals regarding penalties and interest**
- **First, it treats taxpayers who are trying to comply with Montana's tax code fairly by reducing penalty and interest provisions.**
- **The provisions in the bill designed to help ordinary Montanans include:**
  - **Eliminates the minimum 8% interest rate and simply charges the federal rate (short term investment rate plus 3%)**
  - **Increases the amount of interest that DOR may waive from \$100 to \$500 plus another \$100 if the taxpayer complies with a payment plan**
  - **Grants taxpayers an automatic extension of up to 6 months to file a tax return thus avoiding failure to file penalties**
  - **Reduces the late payment penalty from 1.2% to 0.5% not to exceed 12% of the tax due**
  - **Applies the late payment penalty only to the actual days that the payment is late rather than to the entire month**
  - **Waives the late payment penalty if the taxpayer pays at least 90% of tax when due**
  - **Waives the late payment penalty if the taxpayer demonstrates reasonable cause**
  - **Waives the late payment penalty if the tax and interest due are paid within 30 days of first notice from Department of Revenue**
- **Second, HB 379 imposes additional penalties on bad actors who are trying to game the system. Current Montana law treats bad actors the same as those that are trying to comply with the law.**
- **HB 379 addresses this inequity by following federal law and imposing larger penalties in the following situations:**
  - **Increases the late filing penalty from a maximum of \$50 to \$50 or 5% of the net tax due not to exceed 25%, whichever is greater**
  - **Adds a 20% penalty when a taxpayer substantially understates the amount of tax due unless there is substantial authority for the understatement (an understatement is defined as \$3,000 or 10% of tax due, whichever is greater)**
  - **Adds a 15% penalty for purposely or knowingly failing to file a tax return**
  - **Adds a 75% penalty for filing a fraudulent tax return**
  - **Adds a penalty of \$2,500 for filing a frivolous tax return**