



# Revenue and Transportation Interim Committee

PO BOX 201706  
Helena, MT 59620-1706  
(406) 444-3064  
FAX (406) 444-3036

## 59th Montana Legislature

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JEFF MARTIN, Lead Staff  
LEE HEIMAN, Staff Attorney  
DAWN FIELD, Secretary

TO: Committee Members  
FROM: Lee Heiman, Staff Attorney  
RE: Administrative Rule Activity  
DATE: February 16, 2006

### Department of Revenue

*All notices are available on the internet at:*

[http://mt.gov/revenue/formsandresources/administrativerules/upcomingevents\\_proposedrulenotices.asp](http://mt.gov/revenue/formsandresources/administrativerules/upcomingevents_proposedrulenotices.asp)

### Notices of Adopted Rules:

Montana Source Income -- Economic Impact Statement. MAR 42-2-754. On February 9, 2006, the Department adopted amendments to ARM 42.2.304 relating to the definition of "Montana source income". The notice of adoption makes two further changes to the definition: "tangible" is inserted before "personal property" and the new material is reoutlined. The Department addressed 19 comments pertaining to the proposed rule. Included in the adoption notice, beginning at Item 8 on page 350, is an Economic Impact Statement requested by legislators pursuant to 2-4-405, MCA, on December 23, 2005. The Economic Impact Statement states that the rule doesn't change present law but performs a taxpayer notification function; that residents and nonresidents should be treated the same; that some nonresidents without the rule would incur additional costs and penalties for failing to comply with existing law; and that because the rule is explanatory and the law remains unchanged, the Department incurs no additional cost in adopting the rule.

### Notices of Proposed Rules:

Montana 1031 Source Income -- Calculation -- Voluntary Disclosure. MAR 42-2-758. A public hearing will be held on March 2, 2006, at 1:30 p.m. in the Director's Office (Fourth East) Conference Room, Mitchell Building, Helena. The Department proposes to adopt two rules relating to gains calculations of 1031 exchange source income and voluntary disclosure. The proposed new rule relating to calculation of gain sets out several examples for allocating gain to Montana under 1031 exchanges. The proposed voluntary disclosure rule is a temporary rule that expires on September 1, 2006. It authorizes persons who failed to meet Montana tax obligations on a 1031 exchange made after December 31, 2001 (when the change in the definition of Montana source income in the MCA became effective), to file between May 1 and August 31, 2006, and the Department will waive all penalties and one-half of any interest owed or \$100 of accrued interest per tax period, whichever is greater (see

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disclosure provisions do not apply if the person is subject to certain Departmental actions.

**Department of Transportation:**

Outdoor Advertising. MAR 18-113. A public hearing will be held on March 17, 2006, at 10 a.m. at the auditorium of the Transportation Building, Helena. The Department proposes two new rules and amendments to seven existing rules relating to outdoor advertising adjacent to public highways. Included are provisions for local government "official signs"; recognition of sponsors on school and nonprofits' signs; changes in sign permit administration; detailed regulation of electronic variable message signs; and governing the content of ranch and rural directional signs.