HOUSE BILL NO. 581
INTRODUCED BY K. HANSEN

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

NEW SECTION. Section 1. Adjustments to federal taxable income to determine Montana taxable income. (1) The items in subsection (2) are added to and the items in subsection (3) are subtracted from federal taxable income to determine Montana taxable income.

(2) The following are added to federal taxable income:

(a) to the extent that it is not exempt from taxation by Montana under federal law, interest from obligations of a territory or another state or any political subdivision of a territory or another state and exempt-interest dividends attributable to that interest except to the extent already included in federal taxable income;

(b) a withdrawal from a medical care savings account provided for in Title 15, chapter 61, used for a purpose other than an eligible medical expense or long-term care of the employee or account holder or a dependent of the employee or account holder;

(c) a nonqualified withdrawal from a family education savings account provided for in Title 15, chapter 62, to the extent that in any tax year beginning before January 1, 2014, it was deducted from income in calculating Montana individual income taxes;

(d) a withdrawal from a first-time home buyer savings account provided for in Title 15, chapter 63, used for a purpose other than for eligible costs for the purchase of a single-family residence; and

(e) an item of income, deduction, or expense to the extent that it was used to calculate federal taxable income if the item was also used to calculate a credit against a Montana income tax liability.

(3) To the extent included as income or gain or not already excluded as a deduction or expense in determining federal taxable income, the following are subtracted from federal taxable income:

(a) if exempt from taxation by Montana under federal law:

(i) interest from obligations of the United States government and exempt-interest dividends attributable
1 to that interest;
2 (ii) railroad retirement benefits;
3 (b) salary received from the armed forces by residents who entered into active duty from Montana and
4 are serving on active duty in the regular armed forces;
5 (c) interest and other income retained in a medical care savings account provided for in Title 15, chapter
6 61, and any withdrawal for payment of eligible medical expenses or for the long-term care of the employee or
7 account holder or a dependent of the employee or account holder;
8 (d) interest and other income related to contributions that were made prior to January 1, 2014, that are
9 retained in a family education savings account provided for in Title 15, chapter 62, and any qualified withdrawal
10 for payment of qualified higher education expenses; and
11 (e) interest and other income retained in a first-time home buyer savings account provided for in Title
12 15, chapter 63, and any withdrawal for payment of eligible costs for the first-time purchase of a single-family
13 residence.

Section 2. Section 2-18-1312, MCA, is amended to read:

"2-18-1312. Tax exemption. Employer contributions into an account, the accumulation of interest or
other earnings in an account, and payments from an account for qualified health care expenses are tax-exempt;
as provided in 15-30-2110 and under applicable federal laws and regulations to the extent that the plan is
qualified under applicable sections of the Internal Revenue Code."

Section 3. Section 7-14-1133, MCA, is amended to read:

"7-14-1133. Bonds and obligations. (1) Except for providing financial support to a private development
organization, including a corporation organized under Title 32, chapter 4, whose purpose is to advance the
economic development of its jurisdiction and of the state and its citizens, an authority may borrow money for any
of its corporate purposes and issue bonds, including refunding bonds, for any of its corporate purposes. The
bonds may be in the form and upon terms as it determines, payable out of any revenue of the authority, including
revenue derived from:

(a) any port or transportation and storage facility;
(b) taxes levied pursuant to 7-14-1131 or 67-10-402;
(c) grants or contributions from the federal government; or
(d) other sources.

(2) The bonds may be issued by resolution of the authority; without an election and without any limitation of amount, except that bonds may not be issued at any time if the total amount of principal and interest to become due in any year on the bonds and on any then-outstanding bonds for which revenue from the same source is pledged exceeds the amount of revenue to be received in that year; as estimated in the resolution authorizing the issuance of the bonds. The authority shall take all action necessary and possible to impose, maintain, and collect rates, charges, and rentals and to request taxes, if any are pledged, sufficient to make the revenue from the pledged source in such year at least equal to the amount of principal and interest due in that year.

(3) The bonds may be sold at public or private sale and may bear interest as provided in 17-5-102. Except as otherwise provided in this part, any bonds issued pursuant to this part by an authority may be payable as to principal and interest solely from revenue of the authority or from particular port, transportation, storage, or other facilities of the authority. The bonds must state on their face the applicable limitations or restrictions regarding the source from which principal and interest are payable.

(4) Bonds issued by an authority, county, or municipality pursuant to the provisions of this part are declared to be issued for an essential public and governmental purpose by a political subdivision within the meaning of 15-30-2110(2)(a).

(5) (a) For the security of bonds, the authority, county, or municipality may by resolution make and enter into any covenant, agreement, or indenture and may exercise any additional powers authorized to be exercised by a municipality under Title 7, chapter 7, parts 44 and 45. The sums required from time to time to pay principal and interest and to create and maintain a reserve for the bonds may be paid from any revenue referred to in this part, prior to the payment of current costs of operation and maintenance of the facilities.

(b) As further security for the bonds, the authority, with the approval of the governing body of the county or municipality that created the authority, may pledge, lease, sell, mortgage, or grant a security interest in all or any portion of its port, transportation, storage, or other facilities, whether or not the facilities are financed by the bonds. The instrument effecting the pledge, lease, sale, mortgage, or security interest may contain any agreements and provisions customarily contained in instruments securing bonds, as the commissioners of the authority consider advisable. The provisions must be consistent with this part and are subject to and must be in accordance with the laws of this state governing mortgages, trust indentures, security agreements, or instruments. The instrument may provide that in the event of a default in the payment of principal or interest on
the bonds or in the performance of any agreement contained in the proceedings authorizing the bonds or instrument, the payment or performance may be enforced by mandamus or by the appointment of a receiver in equity. The receiver may collect charges, rental, or fees and may apply the revenue from the mortgaged property or collateral in accordance with the proceedings or the provisions of the instrument.

(6) Nothing in this section or 7-14-1134 or this section may be construed to limit the use of port authority revenue, including federal and state money as described in 7-14-1136, to make grants and loans or to otherwise provide financial and other support to private development organizations, including corporations organized under the provisions of the development corporation act in Title 32, chapter 4. The credit of the state, county, or municipal governments or their agencies or authorities may not be pledged to provide financial support to the development organizations."

Section 4. Section 7-14-1636, MCA, is amended to read:

"7-14-1636. Bonds and obligations. (1) An authority may borrow money for any of its corporate purposes and issue bonds for its purposes, including refunding bonds, in a form and upon terms as that it determines, payable out of any revenue of the authority, including revenue derived from:

(a) a railroad;
(b) taxes levied pursuant to 7-14-1632;
(c) grants or contributions from the federal government; or
(d) other sources.

(2) The bonds may be issued by resolution of the authority, without an election and without any limitation of amount, except that bonds may not be issued at any time if the total amount of principal and interest to become due in a year on the bonds and on any then-outstanding bonds for which revenue from the same source is pledged exceeds the amount of the revenue to be received in that year, as estimated in the resolution authorizing the issuance of the bonds. The authority shall take all action necessary and possible to impose, maintain, and collect rates, charges, and rentals and to request taxes, if any are pledged, sufficient to make the revenue from the pledged source in the year at least equal to the amount of principal and interest due in that year.

(3) The bonds may be sold at public or private sale and may bear interest as provided in 17-5-102. Bonds issued by an authority pursuant to this part may be payable as to principal and interest solely from revenue of the authority and must state on their face the applicable limitations or restrictions regarding the source from which the principal and interest are payable."
Section 5. Section 7-21-3701, MCA, is amended to read:

"7-21-3701. Purpose of empowerment zone. An empowerment zone is intended to be a tool of economic development that encourages the establishment of businesses in designated areas, which can cause the emergence of industry clusters. Businesses are encouraged to locate in empowerment zones through income tax credits and insurance premium tax credits based upon the number of jobs that the employer has created in the empowerment zone."

Section 6. Section 7-21-3710, MCA, is amended to read:

"7-21-3710. Tax credits for employers in empowerment zone. (1) There is allowed to an employer a credit against taxes imposed under 45-30-2103, 15-31-121, 15-31-122, or 33-2-705 for an increase in net employees as provided in this section.

(2) To be eligible for a credit under this section, the owner of a business located in an empowerment zone:

(a) shall conduct a business in a facility within the empowerment zone in which retail sales of tangible personal property, other than that manufactured in the business facility, are not in excess of 10% of the business conducted in the facility, whether measured by number of employees doing retail sales, by square footage, or by dollar volume; and

(b) shall increase employment in the empowerment zone with employees:

(i) who are employed for at least 1,750 hours a year in permanent employment intended to last at least 3 years;

(ii) who were not employed by the business in the preceding 12 months;

(iii) at least 35% of whom were residents of the county in which the empowerment zone is located at the
time they were hired by the business;

(iv) who are provided a health benefit plan for employees in accordance with 33-22-1811(3)(d) of which
at least 50% of the premium is paid by the business; and

(v) who are paid for job duties performed at the empowerment zone location of the business.

(3) (a) For the purposes of subsection (2)(b)(i), an employee hired in the last 90 days of a year is
considered to be an employee beginning employment in the following year. If an employee terminates
employment, a replacement employee may be hired and the credit for the combined length of time may be
claimed.

(b) For the purposes of subsection (2)(b)(iii), if an employee for whom a credit was claimed and who
counted as an empowerment zone county resident for credit eligibility in either of the immediate 2 preceding years
terminates employment, the replacement employee must have been a resident of the county in which the
empowerment zone is located at the time the replacement employee is hired.

(4) An employer shall apply for certification to claim a credit under the provisions of this section. The
department shall require a report that contains detailed information to determine whether an employer qualifies
under subsections (2) and (3). The information must be detailed enough for auditing purposes. The department
is authorized to inspect employers applying for certification or who have obtained certification.

(5) The department shall certify to the department of revenue or the state auditor's office, as applicable,
whether a business may claim a credit under the provisions of this section as well as how many additional
employees qualify and the year of initial employment of qualifying employees."

Section 7. Section 7-34-2416, MCA, is amended to read:

"7-34-2416. Tax-exempt status of bonds. Bonds issued by a county pursuant to the provisions of
7-34-2411 and 7-34-2413 through 7-34-2418 are declared to be issued for an essential public and governmental
purpose by a political subdivision within the meaning of 15-30-2110(2)(a)."

Section 8. Section 15-1-208, MCA, is amended to read:

"15-1-208. Signature alternatives for electronically filed returns. For purposes of Title 15, chapters
1, 2, 6 through 10, 15 through 18, 23, 24, 30, through 33, 31, 35 through 38, 44, 56, 51, 53, 59 through 61, and
65, and Title 16, chapter 11, the director of revenue, and for the purposes of Title 15, chapter 70, the director of
the department of transportation, may prescribe, by rule, methods for signing, subscribing, or verifying
electronically filed tax returns. Returns electronically filed in accordance with the methods adopted by rule have the same validity and consequences as physical forms signed by a taxpayer."

Section 9. Section 15-6-224, MCA, is amended to read:

"15-6-224. Nonfossil energy generation. (1) The following portions of the appraised value of a capital investment in a recognized nonfossil form of energy generation or low-emission wood or biomass combustion devices, as defined in 15-32-102; are exempt from taxation for a period of 10 years following installation of the property:

(1) (a) $20,000 in the case of a single-family residential dwelling;
(2) (b) $100,000 in the case of a multifamily residential dwelling or a nonresidential structure.

(2) For purposes of this section, the following definitions apply:

(a) "Low-emission wood or biomass combustion device" means:

(i) a wood-burning appliance that is:
(A) certified by the U.S. environmental protection agency pursuant to 40 CFR 60.533; or
(B) qualified for the phase 2 white tag under the U.S. environmental protection agency method 28 OWHH for outdoor hydronic heaters;
(ii) an appliance that uses wood pellets as its primary source of fuel; or
(iii) a masonry heater constructed or installed in compliance with the requirements for masonry heaters in the International Residential Code for One- and Two-Family Dwellings.

(b) "Recognized nonfossil forms of energy generation" means:

(i) a system that captures energy or converts energy sources into usable sources, including electricity, by using:
(A) solar energy, including passive solar systems;
(B) wind;
(C) solid waste;
(D) the decomposition of organic wastes;
(E) geothermal;
(F) fuel cells that do not require hydrocarbon fuel; or
(G) an alternative energy system;
(ii) a system that produces electric power from biomass or solid wood wastes; or
(iii) a small system that uses water power by means of an impoundment that is not over 20 acres in surface area."

Section 10. Section 15-7-102, MCA, is amended to read:

"15-7-102. Notice of classification and appraisal to owners -- appeals. (1) (a) Except as provided in 15-7-138, the department shall mail to each owner or purchaser under contract for deed a notice of the classification of the land owned or being purchased and the appraisal of the improvements on the land only if one or more of the following changes pertaining to the land or improvements have been made since the last notice:

(i) change in ownership;
(ii) change in classification;
(iii) except as provided in subsection (1)(b), change in valuation; or
(iv) addition or subtraction of personal property affixed to the land.
(b) After the first year, the department is not required to mail the notice provided for in subsection (1)(a)(iii) if the change in valuation is the result of an annual incremental change in valuation caused by the phasing in of a reappraisal under 15-7-111 or the application of the exemptions under 15-6-222 or caused by an incremental change in the tax rate.
(c) The notice must include the following for the taxpayer's informational purposes:

(i) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the property tax assistance program under 15-6-134, the extended property tax assistance program under 15-6-193, and the disabled or deceased veterans' residence exemption under 15-6-211, and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341;
(ii) the total amount of mills levied against the property in the prior year; and
(iii) a statement that the notice is not a tax bill.
(d) When the department uses an appraisal method that values land and improvements as a unit, including the comparable sales method for residential condominiums or the income method for commercial property, the notice must contain a combined appraised value of land and improvements.
(e) Any misinformation provided in the information required by subsection (1)(c) does not affect the validity of the notice and may not be used as a basis for a challenge of the legality of the notice.
(2) (a) Except as provided in subsection (2)(c), the department shall assign each assessment to the correct owner or purchaser under contract for deed and mail the notice of classification and appraisal on a
standardized form, adopted by the department, containing sufficient information in a comprehensible manner
designed to fully inform the taxpayer as to the classification and appraisal of the property and of changes over
the prior tax year.

(b) The notice must advise the taxpayer that in order to be eligible for a refund of taxes from an appeal
of the classification or appraisal, the taxpayer is required to pay the taxes under protest as provided in 15-1-402.

(c) The department is not required to mail the notice of classification and appraisal to a new owner or
purchaser under contract for deed unless the department has received the transfer certificate from the clerk and
recorder as provided in 15-7-304 and has processed the certificate before the notices required by subsection
(2)(a) are mailed. The department shall notify the county tax appeal board of the date of the mailing.

(3) (a) If the owner of any land and improvements is dissatisfied with the appraisal as it reflects the
market value of the property as determined by the department or with the classification of the land or
improvements, the owner may request an assessment review by submitting an objection in writing to the
department on forms provided by the department for that purpose. For property other than class three property
described in 15-6-133, class four property described in 15-6-134, and class ten property described in 15-6-143,
the objection must be submitted within 30 days after receiving the notice of classification and appraisal from the
department. For class three property described in 15-6-133, class four property described in 15-6-134, and class
ten property described in 15-6-143, the objection may be made at any time but only once each valuation cycle.

(b) For properties valued using sales price or the capitalization of net income method as an indication
of value, the form must include a provision that the objector agrees to confidentiality requirements for receipt of
comparable sales data from information received from realty transfer certificates under 15-7-308. Within 4 weeks
of submitting an objection, if the objection relates to residential and commercial property, the department shall
provide the objector by posted mail or e-mail, unless the objector waives receiving the information, with:

(i) data from comparable sales used by the department to value the property;

(ii) the methodology and sources of data used by the department in the valuation of the property; and

(iii) if the department uses a blend of evaluations developed from various sources, the reasons that the
methodology was used.

(c) For properties valued using the capitalization of net income method as one approximation of market
value, notice must be provided that the taxpayer will be given a form to acknowledge confidentiality requirements
for the receipt of all aggregate model output that the department used in the valuation model for the property.

(d) The review must be conducted informally and is not subject to the contested case procedures of the
Montana Administrative Procedure Act. As a part of the review, the department may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer in support of the taxpayer's opinion as to the market value of the property. The department shall give reasonable notice to the taxpayer of the time and place of the review.

(e) After the review, the department shall determine the correct appraisal and classification of the land or improvements and notify the taxpayer of its determination. The department may not determine an appraised value that is higher than the value that was the subject of the objection unless the reason for an increase was the result of a physical change in the property or caused by an error in the description of the property that is kept by the department and used for calculating the appraised value. In the notification, the department shall state its reasons for revising the classification or appraisal. When the proper appraisal and classification have been determined, the land must be classified and the improvements appraised in the manner ordered by the department.

(4) Whether a review as provided in subsection (3) is held or not, the department may not adjust an appraisal or classification upon the taxpayer's objection unless:

(a) the taxpayer has submitted an objection in writing; and

(b) the department has stated its reason in writing for making the adjustment.

(5) A taxpayer's written objection to a classification or appraisal and the department's notification to the taxpayer of its determination and the reason for that determination are public records. The department shall make the records available for inspection during regular office hours.

(6) If any property owner feels aggrieved by the classification or appraisal made by the department after the review provided for in subsection (3), the property owner has the right to first appeal to the county tax appeal board and then to the state tax appeal board, whose findings are final subject to the right of review in the courts. The appeal to the county tax appeal board must be filed within 30 days after notice of the department's determination is mailed to the taxpayer. A county tax appeal board or the state tax appeal board may consider the actual selling price of the property, independent appraisals of the property, and other relevant information presented by the taxpayer as evidence of the market value of the property. If the county tax appeal board or the state tax appeal board determines that an adjustment should be made, the department shall adjust the base value of the property in accordance with the board's order."

Section 11. Section 15-16-101, MCA, is amended to read:
"15-16-101. Treasurer to publish notice -- manner of publication. (1) Within 10 days after the receipt of the property tax record, the county treasurer shall publish a notice specifying:

(a) that one-half of all taxes levied and assessed will be due and payable before 5 p.m. on the next November 30 or within 30 days after the notice is postmarked and that unless paid prior to that time the amount then due will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty;

(b) that one-half of all taxes levied and assessed will be due and payable on or before 5 p.m. on the next May 31 and that unless paid prior to that time the taxes will be delinquent and will draw interest at the rate of 5/6 of 1% a month from the time of delinquency until paid and 2% will be added to the delinquent taxes as a penalty; and

(c) the time and place at which payment of taxes may be made.

(2) (a) The county treasurer shall send to the last-known address of each taxpayer a written notice, postage prepaid, showing the amount of taxes and assessments due for the current year and the amount due and delinquent for other years. The written notice must include:

(i) the taxable value of the property;

(ii) the total mill levy applied to that taxable value;

(iii) itemized city services and special improvement district assessments collected by the county;

(iv) the number of the school district in which the property is located;

(v) the amount of the total tax due that is levied as city tax, county tax, state tax, school district tax, and other tax; and

(vi) a notice of the availability of all the property tax assistance programs available to property taxpayers, including the property tax assistance program under 15-6-134, the extended property tax assistance program under 15-6-193, and the disabled or deceased veterans' residence exemption under 15-6-211, and the residential property tax credit for the elderly under 15-30-2337 through 15-30-2341.

(b) If the property is the subject of a tax lien sale for which a tax lien sale certificate has been issued under 15-17-212, the notice must also include, in a manner calculated to draw attention, a statement that the property is the subject of a tax lien sale and that the taxpayer may contact the county treasurer for complete information.

(3) The municipality shall, upon request of the county treasurer, provide the information to be included under subsection (2)(a)(iii) ready for mailing.
4. The notice in every case must be published once a week for 2 weeks in a weekly or daily newspaper published in the county, if there is one, or if there is not, then by posting it in three public places. Failure to publish or post notices does not relieve the taxpayer from any tax liability. Any failure to give notice of the tax due for the current year or of delinquent tax will not affect the legality of the tax.

5. If the department revises an assessment that results in an additional tax of $5 or less, an additional tax is not owed and a new tax bill does not need to be prepared.

Section 12. Section 15-30-2101, MCA, is amended to read:

"15-30-2101. Definitions. For the purpose of this chapter, unless otherwise required by the context, the following definitions apply:

(1) "Base year structure" means the following elements of the income tax structure:
   (a) the tax brackets established in 15-30-2103, but unadjusted by 15-30-2103(2), in effect on June 30 of the taxable year;
   (b) the exemptions contained in 15-30-2114, but unadjusted by 15-30-2114(6), in effect on June 30 of the taxable year;
   (c) the maximum standard deduction provided in 15-30-2132, but unadjusted by 15-30-2132(2), in effect on June 30 of the taxable year.

(2) "Consumer price index" means the consumer price index, United States city average, for all items, for all urban consumers (CPI-U), using the 1982-84 base of 100, as published by the bureau of labor statistics of the U.S. department of labor.

(3) "Corporation" or "C. corporation" means a corporation, limited liability company, or other entity:
   (a) that is treated as an association for federal income tax purposes;
   (b) for which a valid election under section 1362 of the Internal Revenue Code, (26 U.S.C. 1362), is not in effect; and
   (c) that is not a disregarded entity.

(4) "Department" means the department of revenue.

(5) "Disregarded entity" means a business entity:
   (a) that is disregarded as an entity separate from its owner for federal tax purposes, as provided in United States treasury regulations 301.7701-2 or 301.7701-3, 26 CFR 301.7701-2 or 26 CFR 301.7701-3, or as those regulations may be labeled or amended; or
(b) that is a qualified subchapter S. subsidiary that is not treated as a separate corporation, as provided in section 1361(b)(3) of the Internal Revenue Code, 26 U.S.C. 1361(b)(3).

(6)(5) “Dividend” means:
(a) any distribution made by a C. corporation out of its earnings and profits to its shareholders or members, whether in cash or in other property or in stock of the corporation, other than stock dividends; and
(b) any distribution made by an S. corporation treated as a dividend for federal income tax purposes.


(7) “Federal taxable income”, when referring to an individual, means taxable income as defined and described in section 63 of the Internal Revenue Code, 26 U.S.C. 63, and, when referring to a trust or estate, means taxable income as defined and described in Subtitle A, Chapter 1, Subchapter J., of the Internal Revenue Code.

(7)(8) “Fiduciary” means a guardian, trustee, executor, administrator, receiver, conservator, or any person, whether individual or corporate, acting in any fiduciary capacity for any person, trust, or estate.

(8)(9) “Foreign C. corporation” means a corporation that is not engaged in or doing business in Montana, as provided in 15-31-101.

(9)(10) “Foreign government” means any jurisdiction other than the one embraced within the United States, its territories, and its possessions.

(10) “Gross income” means the taxpayer’s gross income for federal income tax purposes as defined in section 61 of the Internal Revenue Code (26 U.S.C. 61) or as that section may be labeled or amended, excluding unemployment compensation included in federal gross income under the provisions of section 85 of the Internal Revenue Code (26 U.S.C. 85) as amended.

(11) “Head of household” means a head of household as defined and described in section 2(b) of the Internal Revenue Code, 26 U.S.C. 2(b).

(12) “Inflation factor” means a number determined for each tax year by dividing the consumer price index for June of the tax year by the consumer price index for June 2005.

(13) “Information agents” includes all individuals and entities acting in whatever capacity, including lessees or mortgagors of real or personal property, fiduciaries, brokers, real estate brokers, employers, and all officers and employees of the state or of any municipal corporation or political subdivision of the state, having the control, receipt, custody, disposal, or payment of interest, rent, salaries, wages, premiums, annuities,
compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income with respect to which any person or fiduciary is taxable under this chapter.

(13) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or as it may be labeled or further amended. References to specific provisions of the Internal Revenue Code mean those provisions as they may be otherwise labeled or further amended.

(14) "Joint return" means a single return made jointly by a married individual with that individual's spouse.

(15) "Knowingly" is as defined in 45-2-101.

(16) "Limited liability company" means a limited liability company, a domestic limited liability company, or a foreign limited liability company as defined in 35-8-102.

(17) "Limited liability partnership" means a limited liability partnership as defined in 35-10-102.

(18) "Lottery winnings" means income paid either in lump sum or in periodic payments to:

(a) a resident taxpayer on a lottery ticket; or

(b) a nonresident taxpayer on a lottery ticket purchased in Montana.

(19) "Married individual" means a married individual as defined and described in section 7703 of the Internal Revenue Code, 26 U.S.C. 7703.

(20) "Montana source income" means:

(i) wages, salary, tips, and other compensation for services performed in the state or while a resident of the state;

(ii) gain attributable to the sale or other transfer of tangible property located in the state, sold or otherwise transferred while a resident of the state, or used or held in connection with a trade, business, or occupation carried on in the state;

(iii) gain attributable to the sale or other transfer of intangible property received or accrued while a resident of the state;

(iv) interest received or accrued while a resident of the state or from an installment sale of real property or tangible commercial or business personal property located in the state;

(v) dividends received or accrued while a resident of the state;

(vi) net income or loss derived from a trade, business, profession, or occupation carried on in the state or while a resident of the state;

(vii) net income or loss derived from farming activities carried on in the state or while a resident of the state;
(viii) net rents from real property and tangible personal property located in the state or received or accrued while a resident of the state;

(ix) net royalties from real property and from tangible real property to the extent the property is used in the state or the net royalties are received or accrued while a resident of the state. The extent of use in the state is determined by multiplying the royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the royalty period in the tax year and the denominator of which is the number of days of physical location of the property everywhere during all royalty periods in the tax year. If the physical location is unknown or unascertainable by the taxpayer, the property is considered used in the state in which it was located at the time the person paying the royalty obtained possession.

(x) patent royalties to the extent the person paying them employs the patent in production, fabrication, manufacturing, or other processing in the state, a patented product is produced in the state, or the royalties are received or accrued while a resident of the state;

(xi) net copyright royalties to the extent printing or other publication originates in the state or the royalties are received or accrued while a resident of the state;

(xii) partnership income, gain, loss, deduction, or credit or item of income, gain, loss, deduction, or credit:

(A) derived from a trade, business, occupation, or profession carried on in the state;

(B) derived from the sale or other transfer or the rental, lease, or other commercial exploitation of property located in the state; or

(C) taken into account while a resident of the state;

(xiii) an S. corporation's separately and nonseparately stated income, gain, loss, deduction, or credit or item of income, gain, loss, deduction, or credit:

(A) derived from a trade, business, occupation, or profession carried on in the state;

(B) derived from the sale or other transfer or the rental, lease, or other commercial exploitation of property located in the state; or

(C) taken into account while a resident of the state;

(xiv) social security benefits received or accrued while a resident of the state;

(xv) taxable individual retirement account distributions, annuities, pensions, and other retirement benefits received while a resident of the state;

(xvi) any other income attributable to the state, including but not limited to lottery winnings, state and federal tax refunds, nonemployee compensation, recapture of tax benefits, and capital loss addbacks; and
(xvii) in the case of a nonresident who sells the nonresident's interest in a publicly traded partnership doing business in Montana, the gain described in section 751 of the Internal Revenue Code, 26 U.S.C. 751, multiplied by the Montana apportionment factor. If the net gain or loss resulting from the use of the apportionment factor as provided in this subsection (18)(a)(xvii) (21)(a)(xvii) does not fairly and equitably represent the nonresident taxpayer's business activity interest, then the nonresident taxpayer may petition for, or the department may require with respect to any and all of the partnership interest, the employment of another method to effectuate an equitable allocation or apportionment of the nonresident's income. This subsection (18)(a)(xvii) (21)(a)(xvii) is intended to preserve the rights and privileges of a nonresident taxpayer and align those rights with taxpayers who are afforded the same rights under 15-1-601 and 15-31-312.

(b) The term does not include:

(i) compensation for military service of members of the armed services of the United States who are not Montana residents and who are residing in Montana solely by reason of compliance with military orders and does not include income derived from their personal property located in the state except with respect to personal property used in or arising from a trade or business carried on in Montana; or

(ii) interest paid on loans held by out-of-state financial institutions recognized as such in the state of their domicile, secured by mortgages, trust indentures, or other security interests on real or personal property located in the state, if the loan is originated by a lender doing business in Montana and assigned out-of-state and there is no activity conducted by the out-of-state lender in Montana except periodic inspection of the security.

(22) "Montana taxable income" means federal taxable income as determined for federal income tax purposes and adjusted as provided in [section 1].

(19) "Net income" means the adjusted gross income of a taxpayer less the deductions allowed by this chapter.

(20)(23) "Nonresident" means a natural person who is not a resident.

(24)(24) "Paid", for the purposes of the deductions and credits under this chapter, means paid or accrued or paid or incurred, and the terms "paid or accrued" and "paid or incurred" must be construed according to the method of accounting upon the basis of which the used to compute federal taxable income is computed under this chapter.

(22)(25) "Partner" means a member of a partnership or a manager or member of any other entity; if treated as a partner for federal income tax purposes.

(23)(26) "Partnership" means a general or limited partnership, limited liability partnership, limited liability
company, or other entity, if treated as a partnership for federal income tax purposes.

(24) "Pass-through entity" means a partnership, an S. corporation, or a disregarded entity.

(25) "Pension and annuity income" means:

(a) systematic payments of a definitely determinable amount from a qualified pension plan, as that term is used in section 401 of the Internal Revenue Code \( (26 \text{ U.S.C. } 401) \), or systematic payments received as the result of contributions made to a qualified pension plan that are paid to the recipient or recipient's beneficiary upon the cessation of employment;

(b) payments received as the result of past service and cessation of employment in the uniformed services of the United States;

(c) lump-sum distributions from pension or profit-sharing plans to the extent that the distributions are included in federal adjusted gross income;

(d) distributions from individual retirement, deferred compensation, and self-employed retirement plans recognized under sections 401 through 408 of the Internal Revenue Code \( (26 \text{ U.S.C. } 401 \text{ through } 408) \) to the extent that the distributions are not considered to be premature distributions for federal income tax purposes; or

(e) amounts received from fully matured, privately purchased annuity contracts after cessation of regular employment.

(26) "Purposely" is as defined in 45-2-101.

(27) "Received", for the purpose of computation of taxable income under this chapter, means received or accrued, and the term "received or accrued" must be construed according to the method of accounting upon the basis of which the used to compute federal taxable income is computed under this chapter.

(28) "Resident" applies only to natural persons and includes, for the purpose of determining liability to the tax imposed by this chapter with reference to the income of any taxable year, any person domiciled in the state of Montana and any other person who maintains a permanent place of abode within the state even though temporarily absent from the state and who has not established a residence elsewhere.

(29) "S. corporation" means an incorporated entity for which a valid election under section 1362 of the Internal Revenue Code \( (26 \text{ U.S.C. } 1362) \) is in effect.

(30) "Stock dividends" means new stock issued, for surplus or profits capitalized, to shareholders in proportion to their previous holdings.

(31) "Surviving spouse" means a surviving spouse as defined and described in section 2(a) of the Internal Revenue Code, 26 U.S.C. 2(a).
(35) "Tax year" means the taxpayer's taxable year for federal income tax purposes.

(32) "Taxable income" means the adjusted gross income of a taxpayer less the deductions and exemptions provided for in this chapter.

(36) "Taxpayer" includes any person, entity, or fiduciary, resident or nonresident, subject to a tax or other obligation imposed by this chapter and unless otherwise specifically provided does not include a C corporation.

Section 13. Section 15-30-2102, MCA, is amended to read:

"15-30-2102. Construction of net income. For the purpose of raising revenue, the net income required to be shown on returns under this chapter and taken as the basis for determining the tax hereunder may not be classified or held or construed to be property. All income except what has been expressly exempted under the provisions of the Internal Revenue Code or this chapter and income not permitted to be taxed under the constitution of this state or the constitution or laws of the United States shall be included and considered in determining the net income of taxpayers subject to tax within the provisions of this chapter."

Section 14. Section 15-30-2103, MCA, is amended to read:

"15-30-2103. Rate of tax. (1) There must be levied, collected, and paid for each tax year upon the Montana taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of Montana taxable income as follows:

(a) on the first $2,300 of taxable income or any part of that income, 1%;
(b) on the next $1,800 of taxable income or any part of that income, 2%;
(c) on the next $2,100 of taxable income or any part of that income, 3%;
(d) on the next $2,200 of taxable income or any part of that income, 4%;
(e) on the next $2,400 of taxable income or any part of that income, 5%;
(f) on the next $3,100 of taxable income or any part of that income, 6%;
(g) on any taxable income in excess of $13,900 or any part of that income, 6.9%.

(a) for every married individual who makes a joint return and for every surviving spouse:
(i) on the first $4,000 of Montana taxable income or any part of that income, 1%;
(ii) on the next $13,000 of Montana taxable income or any part of that income, 3%;
(iii) on any Montana taxable income in excess of $17,000 or any part of that income, 6%;
(b) for every head of household:

(i) on the first $3,000 of Montana taxable income or any part of that income, 1%;

(ii) on the next $9,750 of Montana taxable income or any part of that income, 3%;

(iii) on any Montana taxable income in excess of $12,750 or any part of that income, 6%;

(c) for every individual other than a surviving spouse or head of household who is not a married individual:

(i) on the first $2,000 of Montana taxable income or any part of that income, 1%;

(ii) on the next $6,500 of Montana taxable income or any part of that income, 3%;

(iii) on any Montana taxable income in excess of $8,500 or any part of that income, 6%;

(d) for every married individual who does not make a joint return and for every estate or trust not exempt from taxation under the Internal Revenue Code:

(i) on the first $2,000 of Montana taxable income or any part of that income, 1%;

(ii) on the next $6,500 of Montana taxable income or any part of that income, 3%;

(iii) on any Montana taxable income in excess of $8,500 or any part of that income, 6%.

(2) By November 1 of each year, the department shall multiply the bracket amounts contained in subsection (1) by the inflation factor for that tax year and round the cumulative brackets to the nearest $100. The resulting adjusted brackets are effective for that tax year and must be used as the basis for imposition of the tax in subsection (1) of this section.

Section 15. Section 15-30-2104, MCA, is amended to read:

"15-30-2104. Tax on nonresident. (1) (a) A tax is imposed upon each nonresident individual, estate, or trust equal to the tax computed under 15-30-2103 as if the nonresident individual, estate, or trust were a resident during the entire tax year, multiplied by the ratio of Montana source income to total income from all sources.

(b) This subsection (1) does not permit any items of income, gain, loss, deduction, expense, or credit to be counted more than once in determining the amount of Montana source income, and the department may adopt rules that are reasonably necessary to prevent duplication or to provide for allocation of particular items of income, gain, loss, deduction, expense, or credit.

(2) Pursuant to the provisions of Article III, section 2, of the Multistate Tax Compact, each nonresident taxpayer required to file a return and whose only activity in Montana consists of making sales and who does not
own or rent real estate or tangible personal property within Montana and whose annual gross volume of sales made in Montana during the taxable year does not exceed $100,000 may elect to pay an income tax of 1/2 of 1% of the dollar volume of gross sales made in Montana during the taxable year. The tax is in lieu of the tax imposed under 15-30-2103 and subsection (1)(a) of this section. The gross volume of sales made in Montana during the tax year must be determined according to the provisions of Article IV, sections 16 and 17, of the Multistate Tax Compact."

Section 16. Section 15-30-2113, MCA, is amended to read:

"15-30-2113. Determination of status -- effect of federal marital status elections. For purposes of this chapter:

(1) the determination of whether an individual is married must be made as of the close of the individual's tax year, except that if the individual's spouse dies during the individual's tax year, the determination must be made as of the time of death marital status, dependent status, status as an association, partnership, or individual, and any other status must be made as provided in the Internal Revenue Code; and

(2) an individual legally separated from the individual's spouse under a decree of divorce or of separate maintenance may not be considered as married:

(2) the status that a taxpayer claims or elects in a federal income tax return with respect to the taxpayer or another individual or that the taxpayer or other individual is determined to have for federal income tax purposes conclusively determines the status of that individual; and

(3) a joint Montana individual income tax return must be filed for any tax year for which a joint federal income tax return is filed unless one of the individuals is a nonresident for any part of the tax year."

Section 17. Section 15-30-2151, MCA, is amended to read:

"15-30-2151. Tax on beneficiaries or fiduciaries of estates or trusts. (1) A tax must be imposed upon either on the fiduciaries or and the beneficiaries of estates and trusts as provided in this section, except to the extent that estates and trusts must be held for educational, charitable, or religious purposes. The tax must be levied, collected, and paid annually with respect to the income of estates or of any kind of property held in trust, including:

(a) income received by estates of deceased persons during the period of administration or settlement of the estate;"
(b) income accumulated in trust for the benefit of unborn or unascertained persons or persons with
contingent interests;
(c) income held for future distribution under the terms of the will or trust; and
(d) income that is to be distributed to the beneficiaries periodically, whether or not at regular intervals,
and the income collected by a guardian of a minor, to be held or distributed as the court may direct in the same
manner and to the same extent as federal income tax is imposed on them under the Internal Revenue Code.
(2) The fiduciary is responsible for making the return of income for the estate or trust for which the
fiduciary acts, whether the fiduciary or the beneficiaries are taxable responsible for the payment of the tax
with reference to the income of the estate or trust. In cases under subsections (1)(a) and (1)(d), the fiduciary shall
include in the return a statement of each beneficiary's distributive share of net income, whether or not distributed
before the close of the tax year for which the return is made, and at the request of the department shall furnish
a copy of the federal income tax return for the estate or trust as provided in 15-30-2619. The department may
require a fiduciary of an estate or trust to provide a copy of the federal schedule of the beneficiary's share of
income, deductions, and credits.
(3) In cases under subsections (1)(a), (1)(b), and (1)(c), the tax must be imposed upon on the
fiduciary of the estate or trust with respect to the net income of the estate or trust and must be paid by the
fiduciary. If the taxpayer's net income for the tax year of the estate or trust is computed upon the basis of a period
different from that upon the basis of which the net income of the estate or trust is computed, then the taxpayer's
distributive share of the net income of the estate or trust for any accounting period of the estate or trust ending
within the fiscal or calendar year must be computed upon the basis on which the beneficiary's net income is
computed. In those cases, a beneficiary who is not a resident must be taxable with respect to the beneficiary's
income derived through the estate or trust only to the extent provided in 15-30-2111 for individuals other than
residents.
(4) The fiduciary of a trust created by an employer as a part of a stock bonus, pension, or profit-sharing
plan for the exclusive benefit of some or all of the employer's employees, to which contributions are made by the
employer or employees, or both, for the purpose of distributing to the employees the earnings and principal of
the fund accumulated by the trust in accordance with the plan, are not taxable under this section, but any amount
contributed to the fund by the employer and all earnings of the fund must be included in computing the income
of the distributee in the year in which distributed or made available to the distributee.
(5) Where any part of the income of a trust other than a testamentary trust is or may be applied to the
payment of premiums upon policies of insurance on the life of the grantor, except policies of insurance irrevocably
payable for the purposes and in the manner specified relating to the so-called "charitable contribution" deduction, or to the payment of premiums upon policies of life insurance under which the grantor is the beneficiary, the part of the income of the trust must be included in computing the net income of the grantor."

Section 18. Section 15-30-2153, MCA, is amended to read:

"15-30-2153. Determination of tax of estates and trusts. The amount of tax must be determined from Montana taxable income of an estate or trust in the same manner as the tax on taxable income of individuals; by applying the rates contained in 15-30-2103(1)(d). Credits allowed to individuals under Title 15, chapter 30, also apply to estates and trusts when applicable."

Section 19. Section 15-30-2328, MCA, is amended to read:

"15-30-2328. (Temporary) Credit for contributions to qualified endowment -- recapture of credit -- deduction included as income. (1) A taxpayer is allowed a tax credit against the taxes imposed by 15-30-2103 or 15-31-101 in an amount equal to 40% of the present value of the aggregate amount of the charitable gift portion of a planned gift made by the taxpayer during the year to any qualified endowment. The maximum credit that may be claimed by a taxpayer for contributions made from all sources in a year is $10,000. The credit allowed under this section may not exceed the taxpayer's income tax liability.

(2) The credit allowed under this section may not be claimed by an individual taxpayer if the taxpayer has included the full amount of the contribution upon which the amount of the credit was computed as a deduction under 15-30-2131(1) or 15-30-2152(2).

(3) There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made.

(4) If during any tax year a charitable gift is recovered by the taxpayer, the taxpayer shall:

(a) include as income the amount deducted in any prior year that is attributable to the charitable gift to the extent that the deduction reduced the taxpayer's individual income tax or corporation license tax; and

(b) increase the amount of tax due under 15-30-2103 or 15-31-101 by the amount of the credit allowed in the tax year in which the credit was taken. (Terminates December 31, 2013--sec. 7, Ch. 4, L. 2005; secs. 2, 3, 4, 7(2), Ch. 208, L. 2007.)"
Section 20. Section 15-30-2329, MCA, is amended to read:

"15-30-2329. (Temporary) Beneficiaries of estates -- credit for contribution to qualified endowment. A contribution to a qualified endowment, as defined in 15-30-2327, by an estate qualifies for the credit provided in 15-30-2328 if the contribution is a planned gift or in 15-31-161 if the contribution is an outright gift to a qualified endowment. Any credit not used by the estate may be attributed to each beneficiary of the estate in the same proportion used to report the beneficiary's income from the estate for Montana income tax purposes. The maximum amount of credit that a beneficiary may claim is $10,000, subject to the limitation in 15-30-2328(2), and the credit must be claimed in the year in which the contribution is made. The credit may not be carried forward or carried back. (Terminates December 31, 2013--secs. 2, 3, Ch. 208, L. 2007.)"

Section 21. Section 15-30-2501, MCA, is amended to read:

"15-30-2501. Definitions. When used in 15-30-2501 through 15-30-2509, the following definitions apply:

(1) (a) "Employee" means:

(i) an individual who performs services for another individual or an organization having the right to control the employee as to the services to be performed and as to the manner of performance;

(ii) an officer, employee, or elected public official of the United States, the state of Montana, or any political subdivision of the United States or Montana or any agency or instrumentality of the United States, the state of Montana, or a political subdivision of the United States or Montana;

(iii) an officer of a corporation;

(iv) all classes, grades, or types of employees including minors and aliens, superintendents, managers, and other supervisory personnel.

(b) The term does not include a sole proprietor performing services for the sole proprietorship.

(2) "Employer" means:

(a) the person for whom an individual performs or performed any service, of whatever nature, as an employee of the person or, if the person for whom the individual performs or performed the services does not have control of the payment of wages for the services, the person having control of the payment of wages;

(b) any individual or organization that has or had in its employ one or more individuals performing services for it within this state, including:

(i) a state government and any of its political subdivisions or instrumentalities;

(ii) a partnership, association, trust, estate, joint-stock company, insurance company, limited liability
company, or domestic or foreign corporation;

(iii) a receiver, trustee, including a trustee in bankruptcy, or the trustee's successor; or

(iv) a legal representative of a deceased person; or

(c) any person found to be an employer under Title 39, chapter 51, for unemployment insurance purposes, or under Title 39, chapter 71, for workers' compensation purposes.

(3) "Lookback period" means the 12-month period ending the preceding June 30.

(4) "Sole proprietor" means an individual doing business in a noncorporate form and includes the member of a single-member limited liability company that is a disregarded entity if the member is an individual.

(5) (a) Except as provided in subsection (5)(b), "wages" has the meaning provided in section 3401 of the Internal Revenue Code, 26 U.S.C. 3401.

(b) The term does not include:

(i) tips and gratuities exempt from taxation under 15-30-2110;

(ii) health insurance premiums attributed as income to an employee under federal law that are exempt from taxation under 15-30-2110;

(iii) unemployment compensation, including supplemental unemployment compensation treated as wages under section 3402 of the Internal Revenue Code, 26 U.S.C. 3402, that is excluded from gross income as provided in 15-30-2101; or

(iv) any amount paid to a sole proprietor."

Section 22. Section 15-30-2512, MCA, is amended to read:

"15-30-2512. Estimated tax -- payment -- exceptions -- interest. (1) (a) Each individual subject to tax under this chapter, except farmers or ranchers as defined in subsection (6), shall pay for the tax year, through employer withholding, as provided in 15-30-2502, through payment of estimated tax in four installments, as provided in subsection (2) of this section, or through a combination of employer withholding and estimated tax payments, at least:

(i) 90% of the tax for the current tax year, less tax credits and withholding allowed the taxpayer; or

(ii) an amount equal to 100% of the individual's tax liability for the preceding tax year, if the preceding tax year was a period of 12 months and if the individual filed a return for the tax year.

(b) Payment of estimated taxes under this section is not required if:

(i) the combined tax liability of employer withholding and estimated tax for the current year is less than
$500 after reductions for credits and withholding;

(ii) the individual did not have any tax liability for the preceding tax year, which was a tax year of 12 months, and if the individual was a citizen or resident of the United States throughout that tax year;

(iii) the underpayment was caused by reason of casualty, disaster, or other unusual circumstances that the department determines to constitute good cause; or

(iv) the individual retired in the tax year after having attained the age of 62 or if the individual became disabled in the tax year. In addition, payment of estimated taxes under this section is not required in the tax year following the tax year in which the individual retired or became disabled.

(2) Estimated taxes must be paid in four installments according to one of the following schedules:

(a) Subject to the due date provision in 15-30-2604(1)(b), for each taxpayer whose tax year begins on January 1, estimated tax payments are due on the following dates:

<table>
<thead>
<tr>
<th>Installment</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>April 15</td>
</tr>
<tr>
<td>Second</td>
<td>June 15</td>
</tr>
<tr>
<td>Third</td>
<td>September 15</td>
</tr>
<tr>
<td>Fourth</td>
<td>January 15 of the following tax year</td>
</tr>
</tbody>
</table>

(b) Subject to the due date provision in 15-30-2604(1)(b), for each taxpayer whose tax year begins on a date other than January 1, estimated tax payments are due on the following dates:

<table>
<thead>
<tr>
<th>Installment</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>15th day of the 4th month following the beginning of the tax year</td>
</tr>
<tr>
<td>Second</td>
<td>15th day of the 6th month following the beginning of the tax year</td>
</tr>
<tr>
<td>Third</td>
<td>15th day of the 9th month following the beginning of the tax year</td>
</tr>
<tr>
<td>Fourth</td>
<td>15th day of the month following the close of the tax year</td>
</tr>
</tbody>
</table>

(3) (a) Except as provided in subsection (4), each installment must be 25% of the required annual payment determined pursuant to subsection (1). If the taxpayer's tax situation changes, each succeeding installment must be proportionally changed so that the balance of the required annual payment is paid in equal installments over the remaining period of time.

(b) If the taxpayer's tax situation changes after the date for the first installment or any subsequent installment, as specified in subsection (2)(a) or (2)(b), so that the taxpayer is required to pay estimated taxes, the taxpayer shall pay 25% for each succeeding installment except for the first one in which a payment is required.
For estimated taxes required to be paid beginning with the second installment provided for in subsection (2)(a)
or (2)(b), the taxpayer shall pay 50% for that installment and 25% for the third and fourth installments, respectively. For estimated taxes required to be paid beginning with the third installment provided for in subsection (2)(a) or (2)(b), the taxpayer shall pay 75% for that installment and 25% for the fourth installment.

(4) (a) If for any required installment the taxpayer determines that the installment payment is less than the amount determined under subsection (3)(a), the lower amount may be paid as an annualized income installment.

(b) For any required installment, the annualized income installment is the applicable percentage described in subsection (4)(c) applied to the tax computed on the basis of annualized Montana taxable income in the tax year for the months ending before the due date for the installment less the total amount of any prior required installments for the tax year.

(c) For the purposes of this subsection (4), the applicable percentage is determined according to the following schedule:

<table>
<thead>
<tr>
<th>Required Installment</th>
<th>Applicable Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>22.5%</td>
</tr>
<tr>
<td>Second</td>
<td>45%</td>
</tr>
<tr>
<td>Third</td>
<td>67.5%</td>
</tr>
<tr>
<td>Fourth</td>
<td>90%</td>
</tr>
</tbody>
</table>

(d) A reduction in a required installment resulting from the application of an annualized income installment must be recaptured by increasing the amount of the next required installment, determined under subsection (3)(a), by the amount of the reduction. Any subsequent installment must be increased by the amount of the reduction until the amount has been recaptured.

(5) (a) If an estimated tax, an employer withholding tax, or a combination of estimated tax and employer withholding tax is underpaid, there must be added to the amount due under this chapter interest on the amount of the underpayment as provided in 15-1-216. The interest is computed on the amount of the underpayment, as determined in subsection (5)(b), for the period from the time the payment was due to the date payment was made or to the 15th day of the 4th month of the year following the tax year in which the payment was to be made, whichever is earlier.

(b) For the purpose of determining the amount of interest due in subsection (5)(a), the amount of the underpayment is the required installment amount less the installment amount paid, if any, on or before the due date.
date for the installment.

(c) For the purpose of determining the amount of interest due in subsection (5)(a), an estimated payment must be credited against unpaid required installments in the order in which those installments are required to be paid.

(d) For a married taxpayer filing separately on the same form, the interest provided for in subsection (5)(a) must be computed on the combined tax liability after reductions for credits and withholding, as shown on the taxpayer's return:

(e)(d) Interest may not be charged with respect to any underpayment of the fourth installment of estimated taxes if:

(i) the taxpayer pays in full the amount computed on the return as payable; and

(ii) the taxpayer files a return on or before the last day of the month following the close of the tax year referred to in subsection (2)(a) or (2)(b).

(6) For the purposes of this section, "farmer or rancher" means a taxpayer who derives at least 66 2/3% of the taxpayer's gross income, as defined in 15-30-2104 determined for federal income tax purposes, from farming or ranching operations, or both.

(7) The department shall promulgate rules governing reasonable extensions of time for paying the estimated tax. An extension may not be for more than 6 months."

Section 23. Section 15-30-2602, MCA, is amended to read:

"15-30-2602. Returns and payment of tax -- penalty and interest -- refunds -- credits -- inflation adjustment. (1) (a) For both resident and nonresident taxpayers, each single individual, including each nonresident with Montana source income, and each estate or trust shall file each married individual not filing a joint return with a spouse and having a gross income for the tax year of more than $3,560, as adjusted under the provisions of subsection (6), and married individuals not filing separate returns and having a combined gross income for the tax year of more than $7,120, as adjusted under the provisions of subsection (6), are liable for a return to be filed on forms and according to rules that the department may prescribe. The gross income amounts referred to in this subsection (1) must be increased by $1,900, as adjusted under the provisions of 15-30-2114(6), for each additional personal exemption allowance that the taxpayer is entitled to claim for the taxpayer and the taxpayer's spouse under 15-30-2114(3) and (4)."
(b) A taxpayer that is not required to file a federal income tax return shall file a return if the taxpayer has Montana taxable income after taking into consideration the additions and subtractions to federal taxable income in [section 1].

(2) In accordance with instructions set forth by the department, each taxpayer who is married and living with a husband or wife and is required to file a return may, at the taxpayer's option, file a joint return with the husband or wife even though one of the spouses has neither gross income nor deductions. If a joint return is made, the tax must be computed on the aggregate taxable income and, subject to 15-30-2646, the liability with respect to the tax is joint and several. If a joint return has been filed for a tax year, the spouses may not file separate returns after the time for filing the return of either has expired unless the department consents.

(3) If a taxpayer is unable to make the taxpayer's own return, the return must be made by an authorized agent or by a guardian or other person charged with the care of the person or property of the taxpayer.

(4) All taxpayers, including but not limited to those subject to the provisions of 15-30-2502 and 15-30-2512, shall compute the amount of income tax payable and shall, on or before the date required by this chapter for filing a return, pay to the department any balance of income tax remaining unpaid after crediting the amount withheld, as provided by 15-30-2502, and any payment made by reason of an estimated tax return provided for in 15-30-2512. However, the tax computed must be greater by $1 than the amount withheld and paid by estimated return as provided in this chapter. If the amount of tax withheld and the payment of estimated tax exceed by more than $1 the amount of income tax as computed, the taxpayer is entitled to a refund of the excess.

(5) If the department determines that the amount of tax due is greater than the amount of tax computed by the taxpayer on the return, the department shall mail a notice to the taxpayer as provided in 15-30-2642 of the additional tax proposed to be assessed, including penalty and interest as provided in 15-1-216.

(6) By November 1 of each year, the department shall multiply the minimum amount of gross income necessitating the filing of a return by the inflation factor for the tax year. These adjusted amounts are effective for that tax year, and persons who have gross incomes less than these adjusted amounts are not required to file a return.

(7) Individual income tax forms distributed by the department for each tax year must contain instructions and tables based on the adjusted base year Montana income tax structure for that tax year.

(6) For ease of reporting, the individual income tax form must list federal taxable income as the starting point in the calculation of tax, followed by the additions and subtractions to federal taxable income in [section 1]. Each taxpayer shall, upon request of the department, furnish a copy of the federal return as provided in
Section 24. Section 15-30-2605, MCA, is amended to read:

"15-30-2605. Revision of return by department -- statute of limitations -- examination of records and persons. (1) If, in the opinion of the department, any return of a taxpayer is in any essential respect incorrect, it may revise the return.

(2) If a taxpayer does not file a return as required under this chapter, the department may, at any time, audit the taxpayer or estimate the Montana taxable income of the taxpayer from any information in its possession and, based upon the audit or estimate, assess the taxpayer for the taxes, penalties, and interest due the state.

(3) Except as provided in subsections (2) and (4), the amount of tax due under any return may be determined by the department within 5 years after the return was filed, regardless of whether the return was filed on or after the last day prescribed for filing. For the purposes of 15-30-2607 and this section, a tax return due under this chapter and filed before the last day prescribed by law or rule is considered to be filed on the last day prescribed for filing.

(4) If a taxpayer, with intent to evade the tax, purposely or knowingly files a false or fraudulent return that violates a provision of this chapter, the amount of tax due may be determined at any time after the return is filed and the tax may be collected at any time after it becomes due.

(5) The department, for the purpose of ascertaining the correctness of any return or for the purpose of making an estimate of Montana taxable income of any person where information has been obtained, may also examine or cause to have examined by any agent or representative designated by it for that purpose any books, papers, or records of memoranda bearing upon the matters required to be included in the return and may require the attendance of the person rendering the return or any officer or employee of the person or the attendance of any person having knowledge in the premises and may take testimony and require proof material for its information, with power to administer oaths to the person or persons."

Section 25. Section 15-30-2606, MCA, is amended to read:

"15-30-2606. Tolling of statute of limitations. The running of the statute of limitations provided for under 15-30-2605 must be suspended during any period that the federal statute of limitations for collection of federal income tax has been suspended by written agreement signed by the taxpayer or when the taxpayer has instituted an action that has the effect of suspending the running of the federal statute of limitations and for 1
additional year. If the taxpayer fails to file an amended Montana return as required by 15-30-2619, the statute of
limitations does not apply until 5 years from the date the federal changes become final or the amended federal
return was filed. If the taxpayer omits from federal gross income, as defined and described in section 61 of the
Internal Revenue Code, 26 U.S.C. 61, an amount properly includable as federal gross income and the amount
is in excess of 25% of the amount of adjusted gross income stated in the return, the statute of limitations does
not apply for 2 additional years from the time specified in 15-30-2605."

Section 26. Section 15-30-2618, MCA, is amended to read:

"15-30-2618. Confidentiality of tax records. (1) Except as provided in 5-12-303, 15-1-106, 17-7-111, and subsections (7) and (8) of this section, 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 or report filed in connection with the taxpayer's tax;

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

(c) the inspection by the attorney general or other legal representative of the state of the report or return of any taxpayer who brings an action to set aside or review the tax based on the report or return or against whom
an action or proceeding has been instituted in accordance with the provisions of 15-30-2630.

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

(5) Any offense against subsections (1) through (4) is punishable by a fine not exceeding $500. If the offender is an officer or employee of the state, the offender must be dismissed from office or employment and may not hold any public office or public employment in this state for a period of 1 year after dismissal or, in the case of a former officer or employee, for 1 year after conviction.

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

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

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

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

(8) On written request to the director or a designee of the director, the department shall furnish:

(a) to the department of justice all information necessary to identify those persons qualifying for the additional exemption for blindness pursuant to 15-30-2114(4), for the purpose of enabling the department of justice to administer the provisions of 61-5-105;

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

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

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

f) to the legislative fiscal analyst and the office of budget and program planning individual income tax
information as provided in 5-12-303, 15-1-106, and 17-7-111. The information provided to the office of budget
and program planning must be the same as the information provided to the legislative fiscal analyst.

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

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

Section 27. Section 15-30-3003, MCA, is amended to read:

"15-30-3003. (Temporary) Montana farm and ranch risk management account -- deposits --
exclusion from income. (1) An individual or a family farm corporation engaged in an eligible agricultural
business may create hold a Montana farm and ranch risk management account that is composed of contributions
that were made to the account prior to January 1, 2014, as provided in this part, to use as a risk management
tool for the individual's or family farm corporation's agricultural business. The number of risk management
accounts that may be created held is limited to one for each individual or family farm corporation.

(2) Deposits to the account may be excluded from adjusted gross income as provided in 15-30-2110 in
an amount not to exceed the lesser of 20% of the taxpayer's net income attributable to agricultural business
included in federal adjusted gross income or $20,000 a year. For the purposes of this section, a taxpayer is
considered to have made a deposit to an account if the deposit is made:

a) during the tax year beginning before January 1, 2014; or

b) for a specific tax year if it is made within 3 1/2 months after the close of the tax year.

(3) A deposit not distributed within 5 years is considered to have been distributed to the taxpayer as
provided in 15-30-3005.

(4) A portion of a deposit distributed within 6 months of the date deposited is income in the year for which an exclusion was taken. The taxpayer shall file a return or amended return as necessary to report the income in the appropriate year. (Terminates on occurrence of contingency--sec. 9, Ch. 262, L. 2001.)"

Section 28. Section 15-30-3004, MCA, is amended to read:

"15-30-3004. (Temporary) Montana farm and ranch risk management account -- creation -- administration. (1) A Montana farm and ranch risk management account is a trust created or organized in the state for the exclusive benefit of the taxpayer. The account trustee must be a financial institution, other than an investment adviser, as defined in 15-62-103, supervised by the United States or by the state of Montana. The trust must be created by written instrument.

(2) The trustee may not accept any deposit for any tax year in excess of the amount allowed as a deduction under 15-30-3003.

(3) The trustee shall report to the department if a portion of a deposit is distributed within 6 months of the date of deposit.

(4) The assets of the trust must consist entirely of cash or of obligations that have adequate stated interest and that pay the interest at least annually.

(5) All income of the trust must be distributed currently to the grantor.

(6) The assets of the trust may not be commingled with other property except in a common trust fund or common investment fund. (Terminates on occurrence of contingency--sec. 9, Ch. 262, L. 2001.)"

Section 29. Section 15-30-3005, MCA, is amended to read:

"15-30-3005. (Temporary) Montana farm and ranch risk management account -- distributions. (1) Distributions from the account may be used for any purpose the taxpayer chooses.

(2) Distributions from an account:

(a) are first attributable to income and then to other deposits; and

(b) must be considered to be made from deposits in the order in which the deposits were made, beginning with the earliest deposits. Income is considered to be deposited on the date the income is received by the account.

(3) All distributions from the account are taxable unless:
(a) the deposit, or that portion of the deposit to which the distribution is attributable, was not excluded from adjusted gross income in calculating Montana individual income taxes for the tax year the deposit was made; or

(b) the distribution has already been taxed because it was considered a distribution as provided in subsection (4).

(4) (a) (i) Amounts that are not distributed within the 5-year eligibility period established in subsection (4)(a)(ii) are considered to be distributed to the taxpayer on the last day of the tax year in which the fifth anniversary of the deposit occurs. The distribution is taxable, and a penalty equal to 10% of the tax due on the distributed amount is added to the tax as a penalty.

(ii) The 5-year eligibility period for withdrawal of a deposit without penalty is the due date, including extensions, for the filing of a tax return required by this chapter or, if the taxpayer files earlier, the date the taxpayer files the return for the tax year in which the fifth anniversary of the deposit occurs.

(b) At the end of the first disqualification period after a period in which the taxpayer was engaged in eligible agricultural business, the balance of the account is considered to be distributed to the taxpayer and is taxable to the taxpayer. (Terminates on occurrence of contingency--sec. 9, Ch. 262, L. 2001.)

Section 30. Section 15-30-3312, MCA, is amended to read:

"15-30-3312. Composite returns and tax. (1) A partnership or S. corporation may elect to file a composite return and pay a composite tax on behalf of participants. A participant is a partner, shareholder, member, or other owner who:

(a) is a nonresident individual, a nonresident estate, a nonresident trust, a foreign C. corporation, or a pass-through entity whose only Montana source income for the tax year is from the entity and other partnerships or S. corporations electing to file the composite return and pay the composite tax on behalf of that partner, shareholder, member, or other owner; and

(b) consents to be included in the filing.

(2) (a) Each participant's composite tax liability is the product obtained by:

(i) determining the tax that would be imposed, using the rates specified in 15-30-2103, on the sum obtained by subtracting the allowable standard deduction for a single individual and one exemption allowance basic standard deduction of an individual who is not married and who is not a surviving spouse or head of household as determined under section 63(c)(2) of the Internal Revenue Code, 26 U.S.C. 63(c)(2), and the
personal exemption for one individual as determined under section 151(d) of the Internal Revenue Code, 26 U.S.C. 151(d), from the participant's share of the entity's income from all sources as determined for federal income tax purposes; and

(ii) multiplying that amount by the ratio of the entity's Montana source income to the entity's income from all sources for federal income tax purposes.

(b) A participant's share of the entity's income is the aggregate of the participant's share of the entity's income, gain, loss, or deduction or item of income, gain, loss, or deduction.

(3) The composite tax is the sum of each participant's composite tax liability.

(4) The electing entity:

(a) shall remit the composite tax to the department;

(b) must be responsible for any assessments of additional tax, penalties, and interest, which additional assessments must be based on the total liability reflected in the composite return;

(c) shall represent the participants in any appeals, claims for refund, hearing, or court proceeding in any matters relating to the filing of the composite return;

(d) shall make quarterly estimated tax payments and be subject to the underpayment interest as prescribed by 15-30-2512(5)(a) computed on the composite tax liability included in the filing of a composite return; and

(e) shall retain powers of attorney executed by each participant included in the composite return, authorizing the entity to file the composite return and to act on behalf of each participant.

(5) The composite return must be made on forms the department prescribes and filed on or before the due date, including extensions, for filing the entity information return. The composite return is in lieu of an individual income tax return required under 15-30-2602 and 15-30-2604, a corporation license tax return required under 15-31-111, and a corporation income tax return required under 15-31-403.

(6) The composite tax is in lieu of the taxes imposed under:

(a) 15-30-2103 and 15-30-2104;

(b) 15-31-101 and 15-31-121; and

(c) 15-31-403.

(7) The department may adopt rules that are necessary to implement and administer this section."

Section 31. Section 15-30-3313, MCA, is amended to read:
"15-30-3313. Consent or withholding. (1) A pass-through entity that is required to file an information return as provided in 15-30-3302 and that has a partner, shareholder, member, or other owner who is a nonresident individual, a foreign C. corporation, or a pass-through entity that itself has any partner, shareholder, member, or other owner that is a nonresident individual, foreign C. corporation, or pass-through entity shall, on or before the due date, including extensions, for the information return:

(a) with respect to any partner, shareholder, member, or other owner who is a nonresident individual:

(i) file a composite return;

(ii) file an agreement of the individual nonresident to:

(A) file a return in accordance with the provisions of 15-30-2602;

(B) timely pay all taxes imposed with respect to income of the pass-through entity; and

(C) be subject to the personal jurisdiction of the state for the collection of income taxes and related interest, penalties, and fees imposed with respect to the income of the pass-through entity; or

(iii) remit an amount equal to the highest marginal tax rate in effect under 15-30-2103 multiplied by the nonresident individual's share of Montana source income reflected on the pass-through entity's information return;

(b) with respect to any partner, shareholder, member, or other owner that is a foreign C. corporation:

(i) file a composite return;

(ii) file the foreign C. corporation's agreement to:

(A) file a return in accordance with the provisions of 15-31-111;

(B) timely pay all taxes imposed with respect to income of the pass-through entity; and

(C) be subject to the personal jurisdiction of the state for the collection of corporation license and income taxes and related interest, penalties, and fees imposed with respect to the income of the pass-through entity; or

(iii) remit an amount equal to the tax rate in effect under 15-31-121 multiplied by the foreign C. corporation's share of Montana source income reflected on the pass-through entity's information return; and

(c) with respect to any partner, shareholder, member, or other owner that is a pass-through entity, also referred to in this section as a "second-tier pass-through entity":

(i) file a composite return;

(ii) file a statement of the pass-through entity partner, shareholder, member, or other owner setting forth the name, address, and social security or federal identification number of each of that entity's partners, shareholders, members, or other owners and information that establishes that its share of Montana source
income will be fully accounted in individual income or corporation license or income tax returns filed with the state;
or

(iii) remit an amount equal to the highest marginal tax rate in effect under 15-30-2103 multiplied by its share of Montana source income reflected on the pass-through entity's information return.

(2) Any amount paid by a pass-through entity with respect to a nonresident individual pursuant to subsection (1)(a)(iii) must be considered as a payment on the account of the nonresident individual for the income tax imposed on the nonresident individual for the tax year pursuant to 15-30-2104. On or before the due date, including extensions, of the pass-through entity's information return provided in 15-30-3302, the pass-through entity shall furnish to the nonresident individual a record of the amount of tax paid on the individual's behalf.

(3) Any amount paid by a pass-through entity with respect to a foreign C. corporation pursuant to subsection (1)(b)(iii) must be considered as a payment on the account of the foreign C. corporation for the corporation license tax imposed on the foreign C. corporation for the tax year pursuant to 15-31-101 or the corporation income tax imposed on the foreign C. corporation for the tax year pursuant to 15-31-403. On or before the due date, including extensions, of the pass-through entity's information return provided in 15-30-3302, the pass-through entity shall furnish to the foreign C. corporation a record of the amount of tax paid on its behalf.

(4) Any amount paid by a pass-through entity with respect to a second-tier pass-through entity pursuant to subsection (1)(c)(iii) must be considered as payment on the account of the individual, trust, estate, or C. corporation to which Montana source income is directly or indirectly passed through and must be claimed as the distributable share of a refundable credit of the pass-through entity partner, shareholder, member, or other owner on behalf of which the amount was paid. On or before the due date, including extensions, of the pass-through entity's information return provided in 15-30-3302, the pass-through entity shall furnish to the second-tier pass-through entity a record of the refundable credit that may be claimed for the amount paid on its behalf.

(5) A pass-through entity is entitled to recover a payment made pursuant to subsection (1)(a)(iii), (1)(b)(iii), or (1)(c)(iii) from the partner, shareholder, member, or other owner on whose behalf the payment was made.

(6) Following the department's notice to a pass-through entity that a nonresident individual or foreign C. corporation did not file a return or timely pay all taxes as provided in subsection (1), the pass-through entity must, with respect to any tax year thereafter for which the nonresident individual or foreign C. corporation is not included in the pass-through entity's composite return, remit the amount described in subsection (1)(a)(iii) for the nonresident individual and the amount described in subsection (1)(b)(iii) for the foreign C. corporation.
(7) A publicly traded partnership described in 15-30-3302(4) that agrees to file an annual information return reporting the name, address, and taxpayer identification number for each person or entity that has an interest in the partnership that results in Montana source income or that has sold its interest in the partnership during the tax year is exempt from the composite return and withholding requirements of Title 15, chapter 30. A publicly traded partnership shall provide the department with the information in an electronic form that is capable of being sorted and exported. Compliance with this subsection does not relieve a person or entity from its obligation to pay Montana income taxes.

(8) Nothing in this section may be construed as modifying the provisions of Article IV(18) of 15-1-601 and 15-31-312 allowing a taxpayer to petition for and the department to require methods to fairly represent the extent of the taxpayer's business activity in the state."

Section 32. Section 15-31-114, MCA, is amended to read:

"15-31-114. Deductions allowed in computing income. (1) In computing the net income, the following deductions are allowed from the gross income received by the corporation within the year from all sources:

(a) all the ordinary and necessary expenses paid or incurred during the taxable year in the maintenance and operation of its business and properties, including reasonable allowance for salaries for personal services actually rendered, subject to the limitation contained in this section, and rentals or other payments required to be made as a condition to the continued use or possession of property to which the corporation has not taken or is not taking title or in which it has no equity. A deduction is not allowed for salaries paid upon which the recipient has not paid Montana state income tax. However, when domestic corporations are taxed on income derived from outside the state, salaries of officers paid in connection with securing the income are deductible.

(b) (i) all losses actually sustained and charged off within the year and not compensated by insurance or otherwise, including a reasonable allowance for the wear and tear and obsolescence of property used in the trade or business. The allowance is determined according to the provisions of section 167 of the Internal Revenue Code in effect with respect to the taxable year. All elections for depreciation must be the same as the elections made for federal income tax purposes. A deduction is not allowed for any amount paid out for any buildings, permanent improvements, or betterments made to increase the value of any property or estate, and a deduction may not be made for any amount of expense of restoring property or making good the exhaustion of property for which an allowance is or has been made. A depreciation or amortization deduction is not allowed on a title plant as defined in 33-25-105(15)."
(ii) There is allowed as a deduction for the taxable period a net operating loss deduction determined according to the provisions of 15-31-119.

(c) in the case of mines, other natural deposits, oil and gas wells, and timber, a reasonable allowance for depletion and for depreciation of improvements. The reasonable allowance must be determined according to the provisions of the Internal Revenue Code in effect for the taxable year. All elections made under the Internal Revenue Code with respect to capitalizing or expensing exploration and development costs and intangible drilling expenses for corporation license tax purposes must be the same as the elections made for federal income tax purposes.

(d) the amount of interest paid within the year on its indebtedness incurred in the operation of the business from which its income is derived. Interest may not be allowed as a deduction if paid on an indebtedness created for the purchase, maintenance, or improvement of property or for the conduct of business unless the income from the property or business would be taxable under this part.

(e) (i) taxes paid within the year, except the following:

(A) taxes imposed by this part;

(B) taxes assessed against local benefits of a kind tending to increase the value of the property assessed;

(C) taxes on or according to or measured by net income or profits imposed by authority of the government of the United States;

(D) taxes imposed by any other state or country upon or measured by net income or profits.

(ii) Taxes deductible under this part must be construed to include taxes imposed by any county, school district, or municipality of this state.

(f) that portion of an energy-related investment allowed as a deduction under 15-32-103;

(g) (i) except as provided in subsection (1)(g)(ii) or (1)(g)(iii), charitable contributions and gifts that qualify for deduction under section 170 of the Internal Revenue Code, 26 U.S.C. 170, as amended.

(ii) The public service commission may not allow in the rate base of a regulated corporation the inclusion of contributions made under this subsection.

(iii) A deduction is not allowed for a charitable contribution using a charitable gift annuity unless the annuity is a qualified charitable gift annuity as defined in 33-20-701.

(h)(g) per capita livestock fees imposed pursuant to 15-24-921, 15-24-922, 81-6-104, 81-6-204, 81-6-209, 81-7-118, or 81-7-201.
(2) In lieu of the deduction allowed under subsection (1)(g), the taxpayer may deduct the fair market value, not to exceed 30% of the taxpayer's net income, of a computer or other sophisticated technological equipment or apparatus intended for use with the computer donated to an elementary, secondary, or accredited postsecondary school located in Montana if:

(a) the contribution is made no later than 5 years after the manufacture of the donated property is substantially completed;

(b) the property is not transferred by the donee in exchange for money, other property, or services; and

(c) the taxpayer receives a written statement from the donee in which the donee agrees to accept the property and representing that the use and disposition of the property will be in accordance with the provisions of subsection (2)(b).

(3) In the case of a regulated investment company or a fund of a regulated investment company, as defined in section 851(a) or 851(g) of the Internal Revenue Code of 1986, 26 U.S.C. 851(a) or 851(g), as that section may be amended or renumbered, there is allowed a deduction for dividends paid, as defined in section 561 of the Internal Revenue Code of 1986, 26 U.S.C. 561, as that section may be amended or renumbered, except that the deduction for dividends is not allowed with respect to dividends attributable to any income that is not subject to tax under this chapter when earned by the regulated investment company. For the purposes of computing the deduction for dividends paid, the provisions of sections 852(b)(7) and 855 of the Internal Revenue Code of 1986, 26 U.S.C. 852(b)(7) and 855, as those sections may be amended or renumbered, apply. A regulated investment company is not allowed a deduction for dividends received as defined in sections 243 through 245 of the Internal Revenue Code of 1986, 26 U.S.C. 243 through 245, as those sections may be amended or renumbered."

Section 33. Section 15-31-162, MCA, is amended to read:

"15-31-162. (Temporary) Small business corporation, partnership, and limited liability company credit for contribution to qualified endowment -- recapture of credit -- deduction included as income. (1) A contribution to a qualified endowment, as defined in 15-30-2327, by a small business corporation, as defined in 15-30-3301, a partnership, or a limited liability company, as defined in 35-8-102, carrying on any trade or business for which deductions would be allowed under section 162 of the Internal Revenue Code, 26 U.S.C. 162, or carrying on any rental activity qualifies for the credit provided in 15-31-161. The credit must be attributed to shareholders, partners, or members of a limited liability company in the same proportion used to report the
corporation's, partnership's, or limited liability company's income or loss for Montana income tax purposes. The maximum credit that a shareholder of a small business corporation, a partner of a partnership, or a member of a limited liability company may claim in a year is $10,000, subject to the limitations in 15-30-2328(2). The credit allowed under this section may not exceed the taxpayer's income tax liability. There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made.

(2) (a) If during any tax year a charitable gift is recovered by the small business corporation, partnership, or limited liability company, the entity shall include as income the amount deducted in any prior year that is attributable to the charitable gift.

(b) In the tax year that a charitable gift is recovered, each shareholder, partner, or member shall increase the amount of tax due under 15-30-2103 or 15-31-101 by the amount of the credit allowed in the tax year in which the credit was taken. (Terminates December 31, 2013--sec. 7, Ch. 4, L. 2005; secs. 2, 3, 4, 7(2), Ch. 208, L. 2007.)

Section 34. Section 15-61-202, MCA, is amended to read:

"15-61-202. Tax exemption -- conditions. (1) Except as provided in this section, the amount of principal provided for in subsection (2) contributed annually by an employee or account holder to an account and all interest or other income on that principal that was contributed to a medical care savings account prior to January 1, 2014, may be excluded from the adjusted gross Montana taxable income of the employee or account holder and are is exempt from taxation, in accordance with 15-30-2110(2)(j) [section 1], as long as the principal and interest or other income is contained within the account or withdrawn only for payment of eligible medical expenses or for the long-term care of the employee or account holder or a dependent of the employee or account holder. Any part of the principal or income, or both, withdrawn from an account may not be excluded under subsection (2) and this subsection if the amount is withdrawn from the account and used for a purpose other than an eligible medical expense or the long-term care of the employee or account holder or a dependent of the employee or account holder.

(2) An employee or account holder may exclude as an annual contribution in 1 year not more than $3,000. There For contributions that were made prior to January 1, 2014, there is no limitation on the amount of funds and interest or other income on those funds that may be retained tax-free within an account.

(3) A deduction pursuant to 15-30-2131 is not allowed to an employee or account holder for an amount
contributed to an account. An employee or account holder may not deduct pursuant to 15-30-2131 or exclude pursuant to 15-30-2140 an amount representing a loss in the value of an investment contained in an account.

(4) An employee or account holder may in 1 year deposit into an account more than the amount excluded pursuant to subsection (2) if the exemption claimed by the employee or account holder in the year does not exceed $3,000. An employee or account holder who deposits more than $3,000 into an account in a year may exclude from the employee's or account holder's adjusted gross income in accordance with 15-30-2110(2)(j) in a subsequent year any part of $3,000 per year not previously excluded.

(5)(3) The transfer of money in an account owned by one employee or account holder to the account of another employee or account holder within the immediate family of the first employee or account holder does not subject either employee or account holder to tax liability under this section. Amounts contained within the account of the receiving employee or account holder are subject to the requirements and limitations provided in this section.

(6)(4) The employee or account holder who establishes the account is the owner of the account. An employee or account holder may withdraw money in an account and deposit the money in another account with a different or with the same account administrator without incurring tax liability.

(7)(5) The amount of a disbursement of any assets of a medical care savings account pursuant to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. 101 through 1330, by an employee or account holder does not subject the employee or account holder to tax liability.

(8)(6) Within 30 days of being furnished proof of the death of the employee or account holder, the account administrator shall distribute the principal and accumulated interest or other income in the account to the estate of the employee or account holder or to a designated pay-on-death beneficiary as provided in 72-6-223.”

Section 35. Section 15-61-203, MCA, is amended to read:

"15-61-203. Withdrawal of funds from account for purposes other than medical expenses and long-term care. (1) An employee or account holder may withdraw money from the individual's medical care savings account for any purpose other than an eligible medical expense or the long-term care of the employee or account holder or a dependent of the employee or account holder only on the last business day of the account administrator's business year. Money withdrawn from an account pursuant to this subsection that had been excluded from taxation pursuant to 15-61-202 must be taxed as ordinary income of the employee or account holder."
(2) If the employee or account holder withdraws money from the account other than for eligible medical expenses or long-term care or other than on the last business day of the account administrator's business year, the administrator shall withhold from the amount of the withdrawal and, on behalf of the employee or account holder, pay as a penalty to the department of revenue an amount equal to 10% of the amount of the withdrawal. Payments made to the department pursuant to this section must be deposited in the general fund. Money withdrawn from an account pursuant to this subsection must be taxed as ordinary income of the employee or account holder if it had been excluded from taxation pursuant to 15-61-202.

(3) For the purposes of this section, "last business day of the account administrator's business year", as applied to an account administrator who is also the account holder or an employee, means the last weekday in December.

Section 36. Section 15-62-208, MCA, is amended to read:

"15-62-208. Tax on certain withdrawals of deductible contributions. (1) There is a recapture tax at a rate equal to the highest rate of tax provided in 15-30-2103 15-30-2103(1)(c) on the recapturable withdrawal of amounts that reduced adjusted gross income under 15-30-2110(11) were deducted from income in calculating Montana individual income taxes.

(2) For purposes of determining the portion of a recapturable withdrawal that reduced adjusted gross income Montana individual income taxes, all withdrawals must be allocated between income and contributions in accordance with the principles applicable under section 529(c)(3)(A) of the Internal Revenue Code of 1986, 26 U.S.C. 529(c)(3)(A). The portion of a recapturable withdrawal that is allocated to contributions must be treated as derived first from contributions, if any, that did not reduce adjusted gross income Montana individual income taxes, to the extent of those contributions, and then to contributions that reduced adjusted gross income Montana individual income taxes. The portion of any other withdrawal that is allocated to contributions must be treated as first derived from contributions that reduced adjusted gross Montana individual income taxes, to the extent of the contributions, and then to contributions that did not reduce adjusted gross Montana individual income taxes.

(3) (a) The recapture tax imposed by this section is payable by the owner of the account from which the withdrawal or contribution was made. The tax liability must be reported on the income tax return of the account owner and is payable with the income tax payment for the year of the withdrawal or at the time that an income tax payment would be due for the year of the withdrawal. The account owner is liable for the tax even if the account owner is not a Montana resident at the time of the withdrawal.
(b) The department may require withholding on recapturable withdrawals from an account that was at one time owned by a Montana resident if the account owner is not a Montana resident at the time of the withdrawal. For the purposes of this subsection (3)(b), amounts rolled over from an account that was at one time owned by a Montana resident must be treated as if the account is owned by a resident of Montana.

(4) For the purposes of this section, all contributions made to accounts by residents of Montana are presumed to have reduced the contributor's Montana individual income taxes unless the contributor can demonstrate that all or a portion of the contributions did not reduce Montana individual income taxes. Contributors who claim deductions for contributions shall report on their Montana income tax returns the amount of deductible contributions made to accounts for each designated beneficiary and the social security number of each designated beneficiary.

(5) As used in this section, "recapturable withdrawal" means a withdrawal or distribution that is a nonqualified withdrawal or a withdrawal or distribution from an account that was opened after the later of:

(a) April 30, 2001; or

(b) the date that is 3 years prior to the date of the withdrawal or distribution.

(6) The department shall use all means available for the administration and enforcement of income tax laws in the administration and enforcement of this section."

Section 37. Section 15-63-202, MCA, is amended to read:

"15-63-202. Tax exemption -- conditions. (1) Except as provided in this section, the amount of principal provided for in subsection (2) contributed annually prior to January 1, 2014, by an account holder to an account and all interest or other income on the principal that was contributed prior to January 1, 2014, may be excluded from the adjusted gross Montana taxable income of the account holder and is exempt from taxation, in accordance with 15-30-2110(2)(k) [section 1], as long as the principal and interest or other income is contained within the account or withdrawn only for eligible costs for the purchase of a single-family residence by a first-time home buyer. Any part of the principal or income, or both, withdrawn from an account may not be excluded under subsection (2) and this subsection if the amount is withdrawn from the account and used for a purpose other than for eligible costs for the purchase of a single-family residence.

(2) (a) An account holder who files singly, head of household, or married filing separately may exclude as an annual contribution in 1 year up to $3,000:

(b) An account holder who files jointly may exclude as annual contribution in 1 year up to $6,000."
There

(2) For contributions to principal that were made prior to January 1, 2014, there is no limitation on the
amount of principal and interest or other income on the principal that may be retained tax-free within an account.

(d) An account holder may not contribute to the first-time home buyer savings account for a period
exceeding 10 years.

(3) An account holder may not deduct pursuant to 15-30-2131 or exclude pursuant to 15-30-2110 an
amount representing a loss in the value of an investment contained in an account.

(4) Each year, an account holder may deposit into an account more than the amount excluded pursuant
to subsection (2) if the exemption claimed by the account holder in the year does not exceed the amount specified
in subsection (2)(a) or (2)(b). An account holder who deposits more than the amount specified in subsection (2)(a)
or (2)(b) into an account in a year may exclude from the account holder's adjusted gross income, in accordance
with 15-30-2110(2)(k), in a subsequent year any part of the amount specified in subsection (2)(a) or (2)(b) per
year not previously excluded.

(5) The transfer of money by a person other than the account holder to the account of an account holder
does not subject the account holder to tax liability under this section. Amounts contained within the account of
the receiving account holder are subject to the requirements and limitations provided in this section. The person
other than the account holder who transfers money to the account is not entitled to the tax exemption under this
section:

(6) The account holder who establishes the account, individually or jointly, is the owner of the account.

An account holder may withdraw money in an account and deposit the money in another account with a different
account administrator or with the same account administrator without incurring tax liability.

(7) The account holder shall use the money in the account for the eligible costs related to the
purchase of a single-family residence within 10 years following the year in which the account was established.
Any principal and income in the account not expended on eligible costs at the time of purchase of a single-family
residence or any principal or income remaining in the account on December 31 of the last year of the 10-year
period must be taxed as ordinary income.

(8) The amount of a disbursement of any assets of a first-time home buyer savings account pursuant
to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. 101 through 1330, by an account
holder does not subject the account holder to tax liability.

(9) Within 30 days of being furnished proof of the death of the account holder, the account
Section 38. Section 16-11-110, MCA, is amended to read:

"16-11-110. Signature alternatives for electronically filed returns. For purposes of Title 15, chapters 1, 2, 6 through 10, 15 through 18, 23, 24, 30, through 33, 35 through 38, 44, 50, 51, 53, 59 through 61, and 65, and Title 16, chapter 11, the director of revenue, and for the purposes of Title 15, chapter 70, the director of the department of transportation, may prescribe, by rule, methods for signing, subscribing, or verifying electronically filed tax returns. Returns electronically filed in accordance with the methods adopted by rule have the same validity and consequences as physical forms signed by a taxpayer."

Section 39. Section 17-6-316, MCA, is amended to read:

"17-6-316. Economic development loan — infrastructure tax credit. (1) A loan made pursuant to 17-6-309(2) must be used to build infrastructure, as provided for in 7-15-4288(4), such as water systems, sewer systems, water treatment facilities, sewage treatment facilities, and roads, that allows the location or creation of a business in Montana. The loan must be made to a local government that will create the necessary infrastructure. The infrastructure may serve as collateral for the loan. The local government receiving the loan may charge fees to the users of the infrastructure. A loan repayment agreement must provide for repayment of the loan from the entity authorized to charge fees for the use of the services of the infrastructure. Loans made pursuant to 17-6-309(2) qualify for the job credit interest rate reductions under 17-6-318 if the interest rate reduction passes through to the business creating the jobs.

(2) A loan pursuant to 17-6-309(2) and this section may not be made until the board is satisfied that the condition in 17-6-309(2) will be met. If the condition contained in 17-6-309(2) is not met, any credits received pursuant to subsection (3) of this section must be returned to the state.

(3) A business that is created or expanded as the result of a loan made pursuant to 17-6-309(2) and subsection (1) of this section is entitled to a credit against taxes due under Title 15, chapter 30 or 31, for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may not exceed the amount of the loan. The credit may be carried forward for 7 tax years or carried back for 3 tax years."
“17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory
appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the
need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both
of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory
appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120;
5-11-407; 5-13-403; 7-4-2502; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-3-203; 10-3-310; 10-3-312;
15-70-101; 15-70-369; 15-70-601; 16-11-509; 17-3-106; 17-3-112; 17-3-212; 17-3-222; 17-3-241; 17-6-101;
19-20-604; 19-20-607; 19-21-203; 20-8-107; 20-9-534; 20-9-622; 20-26-1503; 22-3-1004; 23-4-105; 23-5-306;
23-5-409; 23-5-612; 23-7-301; 23-7-402; 30-10-1004; 37-43-204; 37-51-501; 39-71-503; 41-5-2011; 42-2-105;
44-4-1101; 44-12-206; 44-13-102; 50-4-623; 53-1-109; 53-9-113; 53-24-108; 53-24-206; 60-11-115; 61-3-415;
69-3-870; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 76-13-416; 77-1-108; 77-2-362; 80-2-222; 80-4-416;
80-11-518; 81-1-112; 81-7-106; 81-10-103; 82-11-161; 85-20-1504; 85-20-1505; 87-1-230; 87-1-603; 87-1-621;
90-1-115; 90-1-205; 90-1-504; 90-3-1003; 90-6-331; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and costs of issuing,
paying, and securing all bonds, notes, or other obligations, as due, that have been authorized and issued
pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana
to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state
treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory
appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion
of 19-20-604 terminates when the amortization period for the teachers' retirement system's unfunded liability is
10 years or less; pursuant to sec. 10, Ch. 10, Sp. L. May 2000, secs. 3 and 6, Ch. 481, L. 2003, and sec. 2, Ch.
459, L. 2009, the inclusion of 15-35-108 terminates June 30, 2019; pursuant to sec. 17, Ch. 593, L. 2005, and
sec. 1, Ch. 186, L. 2009, the inclusion of 15-31-906 terminates January 1, 2015; pursuant to sec. 73, Ch. 44, L.
2007, the inclusion of 19-6-410 terminates upon the death of the last recipient eligible under 19-6-709(2) for the
supplemental benefit provided by 19-6-709; pursuant to sec. 8, Ch. 330, L. 2009, the inclusion of 87-1-621
terminates June 30, 2013; pursuant to sec. 14, Ch. 374, L. 2009, the inclusion of 53-9-113 terminates June 30,
2015; pursuant to sec. 8, Ch. 427, L. 2009, the inclusion of 87-1-230 terminates June 30, 2013; pursuant to sec.
5, Ch. 442, L. 2009, the inclusion of 90-6-331 terminates June 30, 2019; pursuant to sec. 47, Ch. 19, L. 2011,
the inclusion of 87-1-621 terminates June 30, 2013; pursuant to sec. 16, Ch. 58, L. 2011, the inclusion of
30-10-1004 terminates June 30, 2017; pursuant to sec. 6, Ch. 61, L. 2011, the inclusion of 76-13-416 terminates
June 30, 2019; and pursuant to sec. 13, Ch. 339, L. 2011, the inclusion of 81-1-112 and 81-7-106 terminates
June 30, 2017.)"

Section 41. Section 19-2-1004, MCA, is amended to read:

"19-2-1004. Exemption from taxes and legal process. Except as provided in 19-2-907 and 19-2-909,
the right of a person to any benefit or payment from a retirement system or plan and the money in the system or
plan's pension trust fund is not:

1. subject to execution, garnishment, attachment, or any other process;
2. subject to state, county, or municipal taxes except for:
   (a) a benefit or annuity received in excess of the amount determined pursuant to 15-30-2110(2)(c); or
   (b) a refund of a member's regular contributions picked up by an employer after June 30, 1985, as
       provided in 19-3-315, 19-5-402, 19-6-402, 19-7-403, 19-8-502, 19-9-710, or 19-13-601; or
   (3) assignable except as specifically provided in this chapter."

Section 42. Section 19-17-407, MCA, is amended to read:

"19-17-407. Exemption from taxation and legal process. (†) The amount determined pursuant to
15-30-2110(2)(c) of benefits received under this part is exempt from state, county, and municipal taxation.
(2) Benefits received under this part are not subject to execution, garnishment, attachment, or any other
process."
not subject to judgments, garnishment, execution, or other legal process. A person entitled to a pension may not assign the right, and the association and trustees may not recognize any assignment or pay over any sum assigned.

(2) The amount determined pursuant to 15-30-2110(2)(c) of benefits received under this part is exempt from state, county, and municipal taxation.”

Section 44. Section 19-19-504, MCA, is amended to read:

“19-19-504. Protection of benefits from legal process and taxation. (1) Except for execution or withholding for the payment of child support or for the payment of spousal support for a spouse or former spouse who is the custodial parent of the child, the benefits provided for in this part are not subject to execution, garnishment, attachment, or the operation of bankruptcy, insolvency, or other process of law and are unassignable except as specifically provided in 19-19-505.

(2) The amount determined pursuant to 15-30-2110(2)(c) of benefits received under this part is exempt from state, county, and municipal taxation.”

Section 45. Section 19-20-706, MCA, is amended to read:

“19-20-706. Exemption from taxation and legal process. Except as provided in 19-20-305 and 19-20-306, the retirement allowances or any other benefits accrued or accruing to any person under the provisions of the retirement system and the accumulated contributions and cash and securities in the various funds of the retirement system are:

(1) exempted from any state, county, or municipal tax of the state of Montana except for:

(a) a retirement allowance received in excess of the amount determined pursuant to 15-30-2110(2)(c);

(b) a withdrawal paid under 19-20-603 of a member's contributions picked up by an employer after June 30, 1985, as provided in 19-20-602;

(2) not subject to execution, garnishment, attachment by trustee process or otherwise, in law or equity, or any other process; and

(3) unassignable except as specifically provided in this chapter.”

Section 46. Section 19-21-212, MCA, is amended to read:
"19-21-212. Exemption from taxation, legal process, and assessments. Except for execution or withholding for the payment of child support or for the payment of spousal support for a spouse or former spouse who is the custodial parent of the child, contracts, benefits, and contributions under the optional retirement program and the earnings on the contributions are:

(1) except for a retirement allowance received in excess of the amount determined pursuant to 45-30-2110(2)(c), exempt from any state, county, or municipal tax;
(2) not subject to execution, garnishment, attachment, or other process;
(3) not covered or assessable by an insurance guaranty association; and
(4) unassignable except as specifically provided in the contracts."

Section 47. Section 33-22-2006, MCA, is amended to read:

"33-22-2006. Premium incentive payments, premium assistance payments, and tax credits for small employer health insurance premiums paid -- eligibility for small group coverage -- amounts. (1) An employer is eligible to apply for premium incentive payments and premium assistance payments or a tax credit under this part if the employer and any related employers:

(a) did not have more than the number of employees established for eligibility by the commissioner at the time of registering for premium incentive payments or premium assistance payments or a tax credit under 33-22-2008;
(b) provide or will provide a group health plan that meets the requirements of creditable coverage for the employer's and any related employer's employees;
(c) do not have delinquent state tax liability owing to the department of revenue from previous years;
(d) have been registered as eligible small employer participants by the commissioner as provided in 33-22-2008; and
(e) do not have any employees, not including an owner, partner, or shareholder of the business, who received more than $75,000 in wages, as defined in 39-71-123, from the small employer or related employer in the prior tax year.

(2) An owner, partner, or shareholder of a business who received more than $75,000 in wages, as defined in 39-71-123, and those individuals' spouses who are employees are not eligible under this chapter for:

(a) any premium assistance payment. However, a premium incentive payment may be made for the premium share paid by the business for group health insurance coverage for:
(i) the owner, partner, or shareholder;
(ii) a spouse of those listed in subsection (2)(a)(i) who is also an employee of the business; or
(iii) dependents of those listed in subsection (2)(a)(i).

(b) a tax credit for group health insurance premiums paid by the business or the owner, partner, or shareholder for group health insurance coverage for the individual or the individual's dependents.

(3) An employee, including an owner, partner, or shareholder or any dependent of an employee, who is also eligible for the children's health insurance program provided for under Title 53, chapter 4, part 10, or medicaid under Title XIX of the Social Security Act may become ineligible to receive a premium assistance payment.

(4) The commissioner shall establish, by rule, the maximum number of employees that may be employed to qualify as a small employer under subsection (1). However, the number may not be less than two employees or more than nine employees. The maximum number may be different for employers seeking premium incentive payments and premium assistance payments than for employers seeking a tax credit. The number must be set to maximize the number of employees receiving coverage under this part. The commissioner may not change the maximum employee number more often than every 6 months. If the maximum number of allowable employees is changed, the change does not disqualify registered employers with respect to the tax year for which the employer has registered.

(5) Except as provided in subsection (6), an eligible small employer may claim a tax credit in the following amounts:

(a) (i) not more than $100 each month for each employee and $100 each month for each employee's spouse, if the employer covers the employee's spouse, if the average age of the group is under 45 years of age; or
(ii) not more than $125 each month for each employee and $100 each month for each employee's spouse, if the employer covers the employee's spouse, if the average age of the group is 45 years of age or older; and

(b) not more than $40 each month for each dependent, other than the employee's spouse, if the employer is paying for coverage for the dependents, not to exceed two dependents of an employee in addition to the employee's spouse.

(6) An employer may not claim a tax credit:

(a) in excess of 50% of the total premiums paid by the employer for the qualifying small group;
(b) for premiums paid from a medical care savings account provided for in Title 15, chapter 61; or

(c) for premiums for which a deduction is claimed under 15-30-2131 or 15-31-114.

(7) An employer may not claim a premium incentive payment in excess of 50% of the total premiums paid by the employer for the qualifying small group."

Section 48. Section 33-22-2007, MCA, is amended to read:

“33-22-2007. Filing for tax credit -- filing for premium incentive payments and premium assistance payments. (1) An eligible small employer may:

(a) apply the tax credit against taxes due for the current tax year on a return filed pursuant to Title 15, chapter 30 or 31; or

(b) if the eligible small employer did not sponsor a group health plan that provides creditable coverage for employees during the 2 years prior to the first tax year of registration for the premium incentive payments or premium assistance payments or operates a new business that is less than 2 years old and has never sponsored a group health plan that provides creditable coverage, apply to receive monthly premium incentive payments and premium assistance payments to be applied to coverage obtained through the purchasing pool or qualified association health plan coverage approved by the commissioner.

(2) An eligible small employer may not, in the same tax year, apply the tax credit against taxes due for the current tax year as provided for in subsection (1)(a) and receive premium incentive payments as provided for in subsection (1)(b).

(3) The premium incentive payments and premium assistance payments provided for in subsection (1)(b) must be paid pursuant to a plan of operation implemented by the board and any applicable administrative rules.

(4) (a) If an eligible small employer's tax credit as provided in subsection (1)(a) exceeds the employer's liability under 15-30-2103 or 15-31-121, the amount of the excess must be refunded to the eligible small employer. The tax credit may be claimed even if the eligible small employer has no tax liability under 15-30-2103 or 15-31-121.

(b) A tax credit is not allowed under 15-30-2367, 15-31-132, or any other provision of Title 15, chapter 30 or 31, with respect to any amount for which a tax credit is allowed under this part.

(5) The department of revenue or the commissioner may grant a reasonable extension for filing a claim for premium incentive payments or premium assistance payments or a tax credit whenever, in the department's or the commissioner's judgment, good cause exists. The department of revenue and the commissioner shall keep
a record of each extension and the reason for granting the extension.

(6) (a) If an employer that would have a claim under this part ceases doing business before filing the claim, the representative of the employer who files the tax return or pays the premium may file the claim.

(b) If a corporation that would have a claim under this part merges with or is acquired by another corporation and the merger or acquisition makes the previously eligible corporation ineligible for the premium incentive payments, premium assistance payments, or tax credit in the future, the surviving or acquired corporation may file for the premium incentive payments, premium assistance payments, or tax credit for any claim period during which the former eligible corporation remained eligible.

(c) If an employer that would have a claim under this part files for bankruptcy protection, the receiver may file for the premium incentive payments, premium assistance payments, or tax credit for any claim period during which the employer was eligible.

Section 49. Section 33-27-101, MCA, is amended to read:


Section 50. Section 33-27-102, MCA, is amended to read:

"33-27-102. Purpose. The purpose of 15-30-2118, 15-30-2144, 15-31-117, 15-31-118, and this chapter is to create a means by which small businesses operating in Montana may establish independent liability funds to set aside assets or make investments to meet any liability claims that might be made against the small businesses by third parties."

Section 51. Section 33-27-103, MCA, is amended to read:

"33-27-103. Definitions. As used in 15-30-2118, 15-30-2144, 15-31-117, 15-31-118, and this chapter, the following definitions apply:

(1) "Fiscal year" means the 12-month period used by a particular small business in preparing and filing its Montana individual income tax, corporate license tax, or corporate income tax return.

(2) "Independent liability fund" means a collection of money, assets, and investments that has been set aside by a small business to meet the needs of any liability claims, except workers' compensation claims, brought against it by third parties."
(3) "Liability claim" means any legal or extralegal action by a third party asserting a right to compensation for a wrong done to it by a small business with an independent liability fund.

(4) "Small business" means any commercial or nonprofit enterprise qualified to do business in the state and qualified as a small business under the criteria established by the federal small business administration on April 20, 1987.

(5) "Third party" means a person other than an employee or the management of a small business or of a subsidiary or closely related enterprise of a small business."

Section 52. Section 37-4-104, MCA, is amended to read:

"37-4-104. Twelve-month period for disposition of deceased or disabled dentist's practice by personal representative -- restrictions. (1) For the purpose of selling or otherwise disposing of a deceased or a disabled licensee's dental practice and for a period not to exceed 12 months, a person who is not licensed to practice dentistry but who is the personal representative of the estate of a deceased dentist or the personal representative of a disabled dentist may contract with a dentist to manage the dental practice at an establishment where dental operations, oral surgery, or dental services are provided.

(2) A personal representative may not:

(a) govern the clinical sufficiency, suitability, reliability, or efficacy of a particular service, product, process, or activity as it relates to the delivery of dental care;

(b) preclude or otherwise restrict a dentist's ability to exercise independent professional judgment over all qualitative and quantitative aspects of the delivery of dental care;

(c) allow any person other than a dentist to supervise and control the selection, compensation, terms, conditions, obligations, or privileges of employment or retention of clinical personnel in the dental practice;

(d) determine or limit a fee charged by the dentist or limit the methods of payment accepted by a dentist or the dentist's practice; or

(e) limit or define the scope of services offered by the dentist.

(3) For the purposes of this section:

(a) "clinical" means having a significant relationship, whether real or potential, direct or indirect, to the actual rendering or outcome of dental care, the practice of dentistry, or the quality of dental care being rendered to a patient;

(b) "disabled" has the same meaning as provided for the term "permanently and totally disabled" in
means unable to engage in any substantial gainful activity by reason of any medically determined
physical or mental impairment lasting or expected to last at least 12 months; and
(c) "personal representative" of the estate of a deceased dentist has the same meaning as provided for
the term in 72-1-103.
(4) The 12-month period provided for in subsection (1) begins when:
(a) the personal representative of the estate of a deceased dentist files a verified copy of the death
certificate of the deceased with the department; or
(b) the personal representative of the disabled dentist files a verified copy of a document signed by a
licensed physician that attests to the dentist's disability."

Section 53. Section 47-1-111, MCA, is amended to read:
"47-1-111. Eligibility -- determination of indigence -- rules. (1) (a) When a court orders the office to
assign counsel, the office shall immediately assign counsel prior to a determination under this section.
(b) If the person for whom counsel has been assigned is later determined pursuant to this section to be
ineligible for public defender services, the office shall immediately notify the court so that the court's order may
be rescinded.
(c) A person for whom counsel is assigned is entitled to the full benefit of public defender services until
the court's order requiring the assignment is rescinded.
(d) Any determination pursuant to this section is subject to the review and approval of the court. The
propriety of an assignment of counsel by the office is subject to inquiry by the court, and the court may deny an
assignment.
(2) (a) An applicant who is eligible for a public defender because the applicant is indigent shall also
provide a detailed financial statement and sign an affidavit. The court shall advise the defendant that the
defendant is subject to criminal charges for any false statement made on the financial statement.
(b) The application, financial statement, and affidavit must be on a form prescribed by the commission.
The affidavit must clearly state that it is signed under the penalty of perjury and that a false statement may be
prosecuted. The judge may inquire into the truth of the information contained in the affidavit.
(c) Information disclosed in the application, financial statement, or affidavit is not admissible in a civil or
criminal action except when offered for impeachment purposes or in a subsequent prosecution of the applicant
for perjury or false swearing.
(d) The office may not withhold the timely provision of public defender services for delay or failure to fill out an application. However, a court may find a person in civil contempt of court for a person's unreasonable delay or failure to comply with the provisions of this subsection (2).

(3) An applicant is indigent if:

(a) the applicant's gross household income, as defined in 15-30-2337, is at or less than 133% of the poverty level set according to the most current federal poverty guidelines updated periodically in the Federal Register by the United States department of health and human services under the authority of 42 U.S.C. 9902(2); or

(b) the disposable income and assets of the applicant and the members of the applicant's household are insufficient to retain competent private counsel without substantial hardship to the applicant or the members of the applicant's household.

(4) A determination of indigence may not be denied based solely on an applicant's ability to post bail or solely because the applicant is employed.

(5) A determination may be modified by the office or the court if additional information becomes available or if the applicant's financial circumstances change.

(6) The commission shall establish procedures and adopt rules to implement this section. Commission procedures and rules:

(a) must ensure that the eligibility determination process is fair and consistent statewide;

(b) must allow a qualified private attorney to represent an applicant if the attorney agrees to accept from the applicant a compensation rate that will not constitute a substantial financial hardship to the applicant or the members of the applicant's household;

(c) may provide for the use of other public or private agencies or contractors to conduct eligibility screening under this section;

(d) must avoid unnecessary duplication of processes; and

(e) must prohibit individual public defenders from performing eligibility screening pursuant to this section.

(7) For purposes of this section "gross household income" means all income received by all individuals of a household while they are members of the household."

Section 54. Section 53-2-211, MCA, is amended to read:

"53-2-211. Department to share eligibility data. (1) The department shall make available to the
unemployment compensation program of the department of labor and industry all information contained in its files
and records pertaining to eligibility of persons for medicaid, financial assistance and nonfinancial assistance, as
declared in 53-2-902, and food stamps. The information made available must include information on the amount
and source of an applicant's income. The information received from the department must be used by the
department of labor and industry for the purpose of determining fraud, abuse, or eligibility for benefits under the
unemployment compensation program of the state and for no other purpose.

(2) The department shall make available to the unemployment compensation and workers' compensation
programs of the department of labor and industry all information contained in its files and records pertaining to
eligibility of persons for low-income energy assistance and weatherization. The information made available must
include information on the amount and source of an applicant's income. The information received from the
department must be used by the department of labor and industry for the purpose of determining fraud, abuse,
or eligibility for benefits under the unemployment compensation and workers' compensation programs of the state
and for no other purpose.

(3) (a) Subject to federal restrictions, the department may request information from the department of
labor and industry pertaining to unemployment, workers' compensation, and occupational disease benefits. If the
department of labor and industry discovers evidence relating to fraud or abuse for unemployment, workers'
compensation, or occupational benefits, the department of labor and industry may request information from the
department of revenue pertaining to income as provided in 15-30-2618(8)(c) 15-30-2618(8)(b).

(b) The information must be used by the department for the purpose of determining fraud, abuse, or
eligibility for benefits.

(4) The department may, to the extent permitted by federal law, make available to an agency of the state
or to any other organization information contained in its files and records pertaining to the eligibility of persons
for medicaid, financial assistance and nonfinancial assistance, as defined in 53-2-902, food stamps, low-income
energy assistance, weatherization, or other public assistance."

Section 55. Section 53-4-1103, MCA, is amended to read:

“53-4-1103. Definitions. For purposes of this part, the following definitions apply:

(1) “Comprehensive” means health insurance having benefits at least as extensive as those provided
under the children's health insurance program.

(2) "Department" means the department of public health and human services provided for in 2-15-2201.
(3) "Enrollee" means a child who is enrolled or in the process of being enrolled in the plan, including children already enrolled in the programs described in 53-4-1104(2).

(4) (a) "Enrollment partner" means an organization or individual approved by the department to assist in enrolling eligible children in the plan.

(b) An enrollment partner may be but is not limited to:

(i) a licensed health care provider;

(ii) a school;

(iii) a community-based organization; or

(iv) a government agency.

(5) "Health coverage" means a program administered by the department or a disability insurance plan, referred to in 33-1-207(1)(b), that provides public or private health insurance for children.

(6) (a) "Income" has the meaning provided in 15-30-2337(9)(a) means, subject to subsection (6)(b), federal adjusted gross income, without regard to loss, as that quantity is defined in the Internal Revenue Code, plus all nontaxable income, including but not limited to:

(i) the amount of any pension or annuity, including Railroad Retirement Act benefits and veterans' disability benefits;

(ii) the amount of capital gains excluded from federal adjusted gross income;

(iii) alimony;

(iv) support money;

(v) nontaxable strike benefits;

(vi) cash public assistance and relief;

(vii) interest on federal, state, county, and municipal bonds; and

(viii) all payments received under federal social security except social security income paid directly to a nursing home.

(b) For the purposes of this subsection (6), income is reduced by the individual's basis.

(7) "Plan" means the healthy Montana kids plan established in 53-4-1104.

(8) "Premium" means the amount of money charged to provide coverage under a public or private health coverage plan.

(9) "Presumptive eligibility" has the meaning provided in 42 CFR 457.355."
Section 56. Section 67-11-303, MCA, is amended to read:

"67-11-303. Bonds and obligations. (1) An authority may borrow money for any of its corporate purposes and issue its bonds for those purposes, including refunding bonds, in the form and upon the terms that it may determine, payable out of any revenue of the authority, including revenue derived from:

(a) an airport or air navigation facility or facilities;
(b) taxes levied pursuant to 67-11-301 or other law for airport purposes;
(c) grants or contributions from the federal government; or
(d) other sources.

(2) The bonds may be issued by resolution of the authority, without an election and without any limitation of amount, except that bonds may not be issued at any time if the total amount of principal and interest to become due in any year on the bonds and on any then-outstanding bonds for which revenue from the same source or sources is pledged exceeds the amount of revenue to be received in that year as estimated in the resolution authorizing the issuance of the bonds. The authority shall take all action necessary and possible to impose, maintain, and collect rates, charges, rentals, and taxes, if any is pledged, sufficient to make the revenue from the pledged source in the year at least equal to the amount of principal and interest due in that year.

(3) The bonds may be sold at public or private sale and may bear interest as provided in 17-5-102. Except as otherwise provided in this section, any bonds issued pursuant to this chapter by an authority may be payable as to principal and interest solely from revenue of the authority and must state on their face the applicable limitations or restrictions regarding the source from which the principal and interest are payable.

(4) Bonds issued by an authority or municipality pursuant to the provisions of this chapter are declared to be issued for an essential public and governmental purpose by a political subdivision within the meaning of 45-30-2140(2)(a).

(5) For the security of bonds, the authority or municipality may by resolution make and enter into any covenant, agreement, or indenture and may exercise any additional powers authorized to be exercised by a municipality under Title 7, chapter 7, parts 44 and 45. The sums required from time to time to pay principal and interest and to create and maintain a reserve for the bonds may be paid from any revenue referred to in this chapter, prior to the payment of current costs of operation and maintenance of the facilities.

(6) Subject to the conditions stated in this subsection, the governing body of any municipality having a population in excess of 10,000, with respect to bonds issued pursuant to this chapter by the municipality or by an authority in which the municipality is included, may by resolution covenant that in the event that at any time
all revenue, including taxes, appropriated and collected for the bonds is insufficient to pay principal or interest
then due, it shall, subject to 15-10-420, levy a general tax upon all of the taxable property in the municipality for
the payment of the deficiency. The governing body may further covenant that at any time a deficiency is likely to
occur within 1 year for the payment of principal and interest due on the bonds, it shall, subject to 15-10-420, levy
a general tax upon all the taxable property in the municipality for the payment of the deficiency, and the taxes are
limited to a rate estimated to be sufficient to produce the amount of the deficiency. In the event that more than
one municipality having a population in excess of 10,000 is included in an authority issuing bonds pursuant to
this chapter, the municipalities may apportion the obligation to levy taxes for the payment of, or in anticipation of,
a deficiency in the revenue appropriated for the bonds in a manner that the municipalities may determine. The
resolution must state the principal amount and purpose of the bonds and the substance of the covenant
respecting deficiencies. A resolution may not be effective until the question of its approval has been submitted
to the qualified electors of the municipality at a special election called for that purpose by the governing body of
the municipality and a majority of the electors voting on the question have voted in favor of the resolution. The
special election must be held in conjunction with a regular or primary election. The notice and conduct of the
election is governed, to the extent applicable, as provided for municipal general obligation bonds in Title 7,
chapter 7, part 42, for an election called by cities and towns and as provided for county general obligation bonds
in Title 7, chapter 7, part 22, for an election called by counties. If a majority of the electors voting on the issue vote
against approval of the resolution, the municipality may not make the covenant or levy a tax for the payment of
deficiencies pursuant to this section, but the municipality or authority may issue bonds under this chapter payable
solely from the sources referred to in subsection (1)."

Section 57. Section 75-2-103, MCA, is amended to read:

"75-2-103. Definitions. Unless the context requires otherwise, in this chapter, the following definitions
apply:

(1) "Advisory council" means the air pollution control advisory council provided for in 2-15-2106.
(2) "Air contaminant" means dust, fumes, mist, smoke, other particulate matter, vapor, gas, odorous
substances, or any combination thereof.
(3) "Air pollutants" means one or more air contaminants that are present in the outdoor atmosphere,
including those pollutants regulated pursuant to section 7412 and Subchapter V of the federal Clean Air Act, 42
U.S.C. 7401, et seq.
(4) "Air pollution" means the presence of air pollutants in a quantity and for a duration that are or tend to be injurious to human health or welfare, animal or plant life, or property or that would unreasonably interfere with the enjoyment of life, property, or the conduct of business.

(5) "Associated supporting infrastructure" means:

(a) electric transmission and distribution facilities;
(b) pipeline facilities;
(c) aboveground ponds and reservoirs and underground storage reservoirs;
(d) rail transportation;
(e) aqueducts and diversion dams;
(f) devices or equipment associated with the delivery of an energy form or product produced at an energy development project; or
(g) other supporting infrastructure, as defined by board rule, that is necessary for an energy development project.

(6) "Board" means the board of environmental review provided for in 2-15-3502.

(7) (a) "Commercial hazardous waste incinerator" means:

(i) an incinerator that burns hazardous waste; or
(ii) a boiler or industrial furnace subject to the provisions of 75-10-406.

(b) Commercial hazardous waste incinerator does not include a research and development facility that receives federal or state research funds and that burns hazardous waste primarily to test and evaluate waste treatment remediation technologies.

(8) "Department" means the department of environmental quality provided for in 2-15-3501.

(9) "Emission" means a release into the outdoor atmosphere of air contaminants.

(10) (a) "Energy development project" means each plant, unit, or other development and associated developments, including any associated supporting infrastructure, designed for or capable of:

(i) generating electricity;
(ii) producing gas derived from coal;
(iii) producing liquid hydrocarbon products;
(iv) refining crude oil or natural gas;
(v) producing alcohol to be blended for ethanol-blended gasoline and that are eligible for a tax incentive pursuant to Title 15, chapter 70, part 5; or
(vi) producing biodiesel and that are eligible for a tax incentive for the production of biodiesel pursuant to 15-32-701; or
(vi) transmitting electricity through an electric transmission line with a design capacity of equal to or greater than 50 kilovolts.
(b) The term does not include a nuclear facility as defined in 75-20-1202.
(11) "Environmental protection law" means a law contained in or an administrative rule adopted pursuant to Title 75, chapter 2, 5, 10, or 11.
(12) "Hazardous waste" means:
(a) a substance defined as hazardous under 75-10-403 or defined as hazardous in department administrative rules adopted pursuant to Title 75, chapter 10, part 4; or
(b) a waste containing 2 parts or more per million of polychlorinated biphenyl (PCB).
(13) (a) "Incinerator" means any single- or multiple-chambered combustion device that burns combustible material, alone or with a supplemental fuel or with catalytic combustion assistance, primarily for the purpose of removal, destruction, disposal, or volume reduction of any portion of the input material.
(b) Incinerator does not include:
(i) safety flares used to combust or dispose of hazardous or toxic gases at industrial facilities, such as refineries, gas sweetening plants, oil and gas wells, sulfur recovery plants, or elemental phosphorus plants;
(ii) space heaters that burn used oil;
(iii) wood-fired boilers; or
(iv) wood waste burners, such as tepee, wigwam, truncated cone, or silo burners.
(14) "Medical waste" means any waste that is generated in the diagnosis, treatment, or immunization of human beings or animals, in medical research on humans or animals, or in the production or testing of biologicals. The term includes:
(a) cultures and stocks of infectious agents;
(b) human pathological wastes;
(c) waste human blood or products of human blood;
(d) sharps;
(e) contaminated animal carcasses, body parts, and bedding that were known to have been exposed to infectious agents during research;
(f) laboratory wastes and wastes from autopsy or surgery that were in contact with infectious agents; and
(g) biological waste and discarded material contaminated with blood, excretion, exudates, or secretions from humans or animals.

(15) (a) "Oil or gas well facility" means a well that produces oil or natural gas. The term includes:
   (i) equipment associated with the well and used for the purpose of producing, treating, separating, or storing oil, natural gas, or other liquids produced by the well; and
   (ii) a group of wells under common ownership or control that produce oil or natural gas and that share common equipment used for the purpose of producing, treating, separating, or storing oil, natural gas, or other liquids produced by the wells.
   (b) The equipment referred to in subsection (15)(a) includes but is not limited to wellhead assemblies, amine units, prime mover engines, phase separators, heater treater units, dehydrator units, tanks, and connecting tubing.
   (c) The term does not include equipment such as compressor engines used for transmission of oil or natural gas.

(16) "Person" means an individual, a partnership, a firm, an association, a municipality, a public or private corporation, the state or a subdivision or agency of the state, a trust, an estate, an interstate body, the federal government or an agency of the federal government, or any other legal entity and includes persons resident in Canada.

(17) "Principal" means a principal of a corporation, including but not limited to a partner, associate, officer, parent corporation, or subsidiary corporation.

(18) "Small business stationary source" means a stationary source that:
   (a) is owned or operated by a person who employs 100 or fewer individuals;
   (b) is a small business concern as defined in the Small Business Act, 15 U.S.C. 631, et seq.;
   (c) is not a major stationary source as defined in Subchapter V of the federal Clean Air Act, 42 U.S.C. 7661, et seq.;
   (d) emits less than 50 tons per year of an air pollutant;
   (e) emits less than a total of 75 tons per year of all air pollutants combined; and
   (f) is not excluded from this definition under 75-2-108(3).

(19) (a) "Solid waste" means all putrescible and nonputrescible solid, semisolid, liquid, or gaseous wastes, including but not limited to garbage; rubbish; refuse; ashes; swill; food wastes; commercial or industrial wastes; medical waste; sludge from sewage treatment plants, water supply treatment plants, or air pollution
control facilities; construction, demolition, or salvage wastes; dead animals, dead animal parts, offal, animal 
droppings, or litter; discarded home and industrial appliances; automobile bodies, tires, interiors, or parts thereof; 
wood products or wood byproducts and inert materials; styrofoam and other plastics; rubber materials; asphalt 
shingles; tarpaper; electrical equipment, transformers, or insulated wire; oil or petroleum products or oil or 
petroleum products and inert materials; treated lumber and timbers; and pathogenic or infectious waste.

(b) Solid waste does not include municipal sewage, industrial wastewater effluents, mining wastes 
regulated under the mining and reclamation laws administered by the department of environmental quality, or 
slash and forest debris regulated under laws administered by the department of natural resources and 
conservation."

**Section 58.** Section 75-5-103, MCA, is amended to read:

"75-5-103. (Temporary) Definitions. Unless the context requires otherwise, in this chapter, the following 
definitions apply:

(1) "Associated supporting infrastructure" means:

(a) electric transmission and distribution facilities;

(b) pipeline facilities;

(c) aboveground ponds and reservoirs and underground storage reservoirs;

(d) rail transportation;

(e) aqueducts and diversion dams;

(f) devices or equipment associated with the delivery of an energy form or product produced at an energy 
development project; or

(g) other supporting infrastructure, as defined by board rule, that is necessary for an energy development 
project.

(2) (a) "Base numeric nutrient standards" means numeric water quality criteria for nutrients in surface 
water that are adopted to protect the designated uses of a surface water body.

(b) The term does not include numeric water quality standards for nitrate, nitrate plus nitrite, or nitrite that 
are adopted to protect human health.

(3) "Board" means the board of environmental review provided for in 2-15-3502.

(4) "Contamination" means impairment of the quality of state waters by sewage, industrial wastes, or 
other wastes, creating a hazard to human health.

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(5) "Council" means the water pollution control advisory council provided for in 2-15-2107.

(6) (a) "Currently available data" means data that is readily available to the department at the time a decision is made, including information supporting its previous lists of water bodies that are threatened or impaired.

(b) The term does not mean new data to be obtained as a result of department efforts.

(7) "Degradation" means a change in water quality that lowers the quality of high-quality waters for a parameter. The term does not include those changes in water quality determined to be nonsignificant pursuant to 75-5-301(5)(c).

(8) "Department" means the department of environmental quality provided for in 2-15-3501.

(9) "Disposal system" means a system for disposing of sewage, industrial, or other wastes and includes sewage systems and treatment works.

(10) "Effluent standard" means a restriction or prohibition on quantities, rates, and concentrations of chemical, physical, biological, and other constituents that are discharged into state waters.

(11) (a) "Energy development project" means each plant, unit, or other development and associated developments, including any associated supporting infrastructure, designed for or capable of:

(i) generating electricity;

(ii) producing gas derived from coal;

(iii) producing liquid hydrocarbon products;

(iv) refining crude oil or natural gas;

(v) producing alcohol to be blended for ethanol-blended gasoline and that are eligible for a tax incentive pursuant to Title 15, chapter 70, part 5; or

(vi) producing biodiesel and that are eligible for a tax incentive for the production of biodiesel pursuant to 15-32-701; or

(vii) transmitting electricity through an electric transmission line with a design capacity of equal to or greater than 50 kilovolts.

(b) The term does not include a nuclear facility as defined in 75-20-1202.

(12) "Existing uses" means those uses actually attained in state waters on or after July 1, 1971, whether or not those uses are included in the water quality standards.

(13) "High-quality waters" means all state waters, except:

(a) ground water classified as of January 1, 1995, within the "III" or "IV" classifications established by
the board's classification rules; and
(b) surface waters that:
   (i) are not capable of supporting any one of the designated uses for their classification; or
   (ii) have zero flow or surface expression for more than 270 days during most years.
(14) "Impaired water body" means a water body or stream segment for which sufficient credible data
shows that the water body or stream segment is failing to achieve compliance with applicable water quality
standards.
(15) "Industrial waste" means a waste substance from the process of business or industry or from the
development of any natural resource, together with any sewage that may be present.
(16) "Interested person" means a person who has a real property interest, a water right, or an economic
interest that is or may be directly and adversely affected by the department's preliminary decision regarding
degradation of state waters, pursuant to 75-5-303. The term includes a person who has requested authorization
to degrade high-quality waters.
(17) "Load allocation" means the portion of a receiving water's loading capacity that is allocated to one
of its existing or future nonpoint sources or to natural background sources.
(18) "Loading capacity" means the mass of a pollutant that a water body can assimilate without a violation
of water quality standards. For pollutants that cannot be measured in terms of mass, it means the maximum
change that can occur from the best practicable condition in a surface water without causing a violation of the
surface water quality standards.
(19) "Local department of health" means the staff, including health officers, employed by a county, city,
city-county, or district board of health.
(20) "Metal parameters" includes but is not limited to aluminum, antimony, arsenic, beryllium, barium,
cadmium, chromium, copper, fluoride, iron, lead, manganese, mercury, nickel, selenium, silver, thallium, and zinc.
(21) "Mixing zone" means an area established in a permit or final decision on nondegradation issued by
the department where water quality standards may be exceeded, subject to conditions that are imposed by the
department and that are consistent with the rules adopted by the board.
(22) "Nutrient standards variance" means numeric water quality criteria for nutrients based on a
determination that base numeric nutrient standards cannot be achieved because of economic impacts or because
of the limits of technology. The term includes individual, general, and alternative nutrient standards variances in
accordance with 75-5-313.
(23) "Nutrient work group" means an advisory work group, convened by the department, representing publicly owned and privately owned point sources of pollution, nonpoint sources of pollution, and other interested parties that will advise the department on the base numeric nutrient standards, the development of nutrient standards variances, and the implementation of those standards and variances together with associated economic impacts.

(24) "Other wastes" means garbage, municipal refuse, decayed wood, sawdust, shavings, bark, lime, sand, ashes, offal, night soil, oil, grease, tar, heat, chemicals, dead animals, sediment, wrecked or discarded equipment, radioactive materials, solid waste, and all other substances that may pollute state waters.

(25) "Outstanding resource waters" means:

(a) state surface waters located wholly within the boundaries of areas designated as national parks or national wilderness areas as of October 1, 1995; or

(b) other surface waters or ground waters classified by the board under the provisions of 75-5-316 and approved by the legislature.

(26) "Owner or operator" means a person who owns, leases, operates, controls, or supervises a point source.

(27) "Parameter" means a physical, biological, or chemical property of state water when a value of that property affects the quality of the state water.

(28) "Person" means the state, a political subdivision of the state, institution, firm, corporation, partnership, individual, or other entity and includes persons resident in Canada.

(29) "Point source" means a discernible, confined, and discrete conveyance, including but not limited to any pipe, ditch, channel, tunnel, conduit, well, discrete fissure, container, rolling stock, or vessel or other floating craft, from which pollutants are or may be discharged.

(30) (a) "Pollution" means:

(i) contamination or other alteration of the physical, chemical, or biological properties of state waters that exceeds that permitted by Montana water quality standards, including but not limited to standards relating to change in temperature, taste, color, turbidity, or odor; or

(ii) the discharge, seepage, drainage, infiltration, or flow of liquid, gaseous, solid, radioactive, or other substance into state water that will or is likely to create a nuisance or render the waters harmful, detrimental, or injurious to public health, recreation, safety, or welfare, to livestock, or to wild animals, birds, fish, or other wildlife.

(b) The term does not include:
(i) a discharge, seepage, drainage, infiltration, or flow that is authorized under the pollution discharge permit rules adopted by the board under this chapter;

(ii) activities conducted under this chapter that comply with the conditions imposed by the department in short-term authorizations pursuant to 75-5-308;

(iii) contamination of ground water within the boundaries of an underground mine using in situ coal gasification and operating in accordance with a permit issued under 82-4-221.

(c) Contamination referred to in subsection (30)(b)(iii) does not require a mixing zone.

(31) "Sewage" means water-carried waste products from residences, public buildings, institutions, or other buildings, including discharge from human beings or animals, together with ground water infiltration and surface water present.

(32) "Sewage system" means a device for collecting or conducting sewage, industrial wastes, or other wastes to an ultimate disposal point.

(33) "Standard of performance" means a standard adopted by the board for the control of the discharge of pollutants that reflects the greatest degree of effluent reduction achievable through application of the best available demonstrated control technology, processes, operating methods, or other alternatives, including, when practicable, a standard permitting no discharge of pollutants.

(34) (a) "State waters" means a body of water, irrigation system, or drainage system, either surface or underground.

(b) The term does not apply to:

(i) ponds or lagoons used solely for treating, transporting, or impounding pollutants; or

(ii) irrigation waters or land application disposal waters when the waters are used up within the irrigation or land application disposal system and the waters are not returned to state waters.

(35) "Sufficient credible data" means chemical, physical, or biological monitoring data, alone or in combination with narrative information, that supports a finding as to whether a water body is achieving compliance with applicable water quality standards.

(36) "Threatened water body" means a water body or stream segment for which sufficient credible data and calculated increases in loads show that the water body or stream segment is fully supporting its designated uses but threatened for a particular designated use because of:

(a) proposed sources that are not subject to pollution prevention or control actions required by a discharge permit, the nondegradation provisions, or reasonable land, soil, and water conservation practices; or
(b) documented adverse pollution trends.

(37) "Total maximum daily load" or "TMDL" means the sum of the individual waste load allocations for point sources and load allocations for both nonpoint sources and natural background sources established at a level necessary to achieve compliance with applicable surface water quality standards.

(38) "Treatment works" means works, including sewage lagoons, installed for treating or holding sewage, industrial wastes, or other wastes.

(39) "Waste load allocation" means the portion of a receiving water's loading capacity that is allocated to one of its existing or future point sources.

(40) "Water quality protection practices" means those activities, prohibitions, maintenance procedures, or other management practices applied to point and nonpoint sources designed to protect, maintain, and improve the quality of state waters. Water quality protection practices include but are not limited to treatment requirements, standards of performance, effluent standards, and operating procedures and practices to control site runoff, spillage or leaks, sludge or water disposal, or drainage from material storage.

(41) "Water well" means an excavation that is drilled, cored, bored, washed, driven, dug, jetted, or otherwise constructed and intended for the location, diversion, artificial recharge, or acquisition of ground water.

(42) "Watershed advisory group" means a group of individuals who wish to participate in an advisory capacity in revising and reprioritizing the list of water bodies developed under 75-5-702 and in the development of TMDLs under 75-5-703, including those groups or individuals requested by the department to participate in an advisory capacity as provided in 75-5-704.

75-5-103. (Effective on occurrence of contingency) Definitions. Unless the context requires otherwise, in this chapter, the following definitions apply:

(1) "Associated supporting infrastructure" means:

(a) electric transmission and distribution facilities;

(b) pipeline facilities;

(c) aboveground ponds and reservoirs and underground storage reservoirs;

(d) rail transportation;

(e) aqueducts and diversion dams;

(f) devices or equipment associated with the delivery of an energy form or product produced at an energy development project; or

(g) other supporting infrastructure, as defined by board rule, that is necessary for an energy development
(2) (a) "Base numeric nutrient standards" means numeric water quality criteria for nutrients in surface water that are adopted to protect the designated uses of a surface water body.

(b) The term does not include numeric water quality standards for nitrate, nitrate plus nitrite, or nitrite that are adopted to protect human health.

(3) "Board" means the board of environmental review provided for in 2-15-3502.

(4) "Contamination" means impairment of the quality of state waters by sewage, industrial wastes, or other wastes, creating a hazard to human health.

(5) "Council" means the water pollution control advisory council provided for in 2-15-2107.

(6) (a) "Currently available data" means data that is readily available to the department at the time a decision is made, including information supporting its previous lists of water bodies that are threatened or impaired.

(b) The term does not mean new data to be obtained as a result of department efforts.

(7) "Degradation" means a change in water quality that lowers the quality of high-quality waters for a parameter. The term does not include those changes in water quality determined to be nonsignificant pursuant to 75-5-301(5)(c).

(8) "Department" means the department of environmental quality provided for in 2-15-3501.

(9) "Disposal system" means a system for disposing of sewage, industrial, or other wastes and includes sewage systems and treatment works.

(10) "Effluent standard" means a restriction or prohibition on quantities, rates, and concentrations of chemical, physical, biological, and other constituents that are discharged into state waters.

(11) (a) "Energy development project" means each plant, unit, or other development and associated developments, including any associated supporting infrastructure, designed for or capable of:

(i) generating electricity;

(ii) producing gas derived from coal;

(iii) producing liquid hydrocarbon products;

(iv) refining crude oil or natural gas;

(v) producing alcohol to be blended for ethanol-blended gasoline and that are eligible for a tax incentive pursuant to Title 15, chapter 70, part 5; or

(vi) producing biodiesel and that are eligible for a tax incentive for the production of biodiesel pursuant
to 15-32-701; or

(vii)(vi) transmitting electricity through an electric transmission line with a design capacity of equal to or greater than 50 kilovolts.

(b) The term does not include a nuclear facility as defined in 75-20-1202.

(12) "Existing uses" means those uses actually attained in state waters on or after July 1, 1971, whether or not those uses are included in the water quality standards.

(13) "High-quality waters" means all state waters, except:

(a) ground water classified as of January 1, 1995, within the "III" or "IV" classifications established by the board's classification rules; and

(b) surface waters that:

(i) are not capable of supporting any one of the designated uses for their classification; or

(ii) have zero flow or surface expression for more than 270 days during most years.

(14) "Impaired water body" means a water body or stream segment for which sufficient credible data shows that the water body or stream segment is failing to achieve compliance with applicable water quality standards.

(15) "Industrial waste" means a waste substance from the process of business or industry or from the development of any natural resource, together with any sewage that may be present.

(16) "Interested person" means a person who has a real property interest, a water right, or an economic interest that is or may be directly and adversely affected by the department's preliminary decision regarding degradation of state waters, pursuant to 75-5-303. The term includes a person who has requested authorization to degrade high-quality waters.

(17) "Load allocation" means the portion of a receiving water's loading capacity that is allocated to one of its existing or future nonpoint sources or to natural background sources.

(18) "Loading capacity" means the mass of a pollutant that a water body can assimilate without a violation of water quality standards. For pollutants that cannot be measured in terms of mass, it means the maximum change that can occur from the best practicable condition in a surface water without causing a violation of the surface water quality standards.

(19) "Local department of health" means the staff, including health officers, employed by a county, city, city-county, or district board of health.

(20) "Metal parameters" includes but is not limited to aluminum, antimony, arsenic, beryllium, barium,
cadmium, chromium, copper, fluoride, iron, lead, manganese, mercury, nickel, selenium, silver, thallium, and zinc.

(21) "Mixing zone" means an area established in a permit or final decision on nondegradation issued by the department where water quality standards may be exceeded, subject to conditions that are imposed by the department and that are consistent with the rules adopted by the board.

(22) "Nutrient standards variance" means numeric water quality criteria for nutrients based on a determination that base numeric nutrient standards cannot be achieved because of economic impacts or because of the limits of technology. The term includes individual, general, and alternative nutrient standards variances in accordance with 75-5-313.

(23) "Nutrient work group" means an advisory work group, convened by the department, representing publicly owned and privately owned point sources of pollution, nonpoint sources of pollution, and other interested parties that will advise the department on the base numeric nutrient standards, the development of nutrient standards variances, and the implementation of those standards and variances together with associated economic impacts.

(24) "Other wastes" means garbage, municipal refuse, decayed wood, sawdust, shavings, bark, lime, sand, ashes, offal, night soil, oil, grease, tar, heat, chemicals, dead animals, sediment, wrecked or discarded equipment, radioactive materials, solid waste, and all other substances that may pollute state waters.

(25) "Outstanding resource waters" means:

(a) state surface waters located wholly within the boundaries of areas designated as national parks or national wilderness areas as of October 1, 1995; or

(b) other surface waters or ground waters classified by the board under the provisions of 75-5-316 and approved by the legislature.

(26) "Owner or operator" means a person who owns, leases, operates, controls, or supervises a point source.

(27) "Parameter" means a physical, biological, or chemical property of state water when a value of that property affects the quality of the state water.

(28) "Person" means the state, a political subdivision of the state, institution, firm, corporation, partnership, individual, or other entity and includes persons resident in Canada.

(29) "Point source" means a discernible, confined, and discrete conveyance, including but not limited to any pipe, ditch, channel, tunnel, conduit, well, discrete fissure, container, rolling stock, or vessel or other floating craft, from which pollutants are or may be discharged.
(30) (a) "Pollution" means:
   (i) contamination or other alteration of the physical, chemical, or biological properties of state waters that
       exceeds that permitted by Montana water quality standards, including but not limited to standards relating to
       change in temperature, taste, color, turbidity, or odor; or
   (ii) the discharge, seepage, drainage, infiltration, or flow of liquid, gaseous, solid, radioactive, or other
       substance into state water that will or is likely to create a nuisance or render the waters harmful, detrimental, or
       injurious to public health, recreation, safety, or welfare, to livestock, or to wild animals, birds, fish, or other wildlife.
(b) The term does not include:
   (i) a discharge, seepage, drainage, infiltration, or flow that is authorized under the pollution discharge
       permit rules adopted by the board under this chapter;
   (ii) activities conducted under this chapter that comply with the conditions imposed by the department
       in short-term authorizations pursuant to 75-5-308;
   (iii) contamination of ground water within the boundaries of a geologic storage reservoir, as defined in
       82-11-101, by a carbon dioxide injection well in accordance with a permit issued pursuant to Title 82, chapter 11,
       part 1;
   (iv) contamination of ground water within the boundaries of an underground mine using in situ coal
       gasification and operating in accordance with a permit issued under 82-4-221;
(c) Contamination referred to in subsections (30)(b)(iii) and (30)(b)(iv) does not require a mixing zone.
(31) "Sewage" means water-carried waste products from residences, public buildings, institutions, or
other buildings, including discharge from human beings or animals, together with ground water infiltration and
surface water present.
(32) "Sewage system" means a device for collecting or conducting sewage, industrial wastes, or other
wastes to an ultimate disposal point.
(33) "Standard of performance" means a standard adopted by the board for the control of the discharge
of pollutants that reflects the greatest degree of effluent reduction achievable through application of the best
available demonstrated control technology, processes, operating methods, or other alternatives, including, when
practicable, a standard permitting no discharge of pollutants.
(34) (a) "State waters" means a body of water, irrigation system, or drainage system, either surface or
underground.
   (b) The term does not apply to:
(i) ponds or lagoons used solely for treating, transporting, or impounding pollutants; or
(ii) irrigation waters or land application disposal waters when the waters are used up within the irrigation
or land application disposal system and the waters are not returned to state waters.

(35) “Sufficient credible data” means chemical, physical, or biological monitoring data, alone or in
combination with narrative information, that supports a finding as to whether a water body is achieving compliance
with applicable water quality standards.

(36) “Threatened water body” means a water body or stream segment for which sufficient credible data
and calculated increases in loads show that the water body or stream segment is fully supporting its designated
uses but threatened for a particular designated use because of:
(a) proposed sources that are not subject to pollution prevention or control actions required by a
discharge permit, the nondegradation provisions, or reasonable land, soil, and water conservation practices; or
(b) documented adverse pollution trends.

(37) “Total maximum daily load” or “TMDL” means the sum of the individual waste load allocations for
point sources and load allocations for both nonpoint sources and natural background sources established at a
level necessary to achieve compliance with applicable surface water quality standards.

(38) “Treatment works” means works, including sewage lagoons, installed for treating or holding sewage,
industrial wastes, or other wastes.

(39) “Waste load allocation” means the portion of a receiving water's loading capacity that is allocated
to one of its existing or future point sources.

(40) “Water quality protection practices” means those activities, prohibitions, maintenance procedures,
or other management practices applied to point and nonpoint sources designed to protect, maintain, and improve
the quality of state waters. Water quality protection practices include but are not limited to treatment requirements,
standards of performance, effluent standards, and operating procedures and practices to control site runoff,
spillage or leaks, sludge or water disposal, or drainage from material storage.

(41) “Water well” means an excavation that is drilled, cored, bored, washed, driven, dug, jetted, or
otherwise constructed and intended for the location, diversion, artificial recharge, or acquisition of ground water.

(42) “Watershed advisory group” means a group of individuals who wish to participate in an advisory
capacity in revising and reprioritizing the list of water bodies developed under 75-5-702 and in the development
of TMDLs under 75-5-703, including those groups or individuals requested by the department to participate in
an advisory capacity as provided in 75-5-704.”
Section 59. Section 75-25-101, MCA, is amended to read:

"75-25-101. Alternative energy revolving loan account. (1) There is a special revenue account called
the alternative energy revolving loan account to the credit of the department of environmental quality.

(2) The alternative energy revolving loan account consists of money deposited into the account from air
quality penalties from 75-2-401 and 75-2-413 and money from any other source. Any interest earned by the
account and any interest that is generated from a loan repayment must be deposited into the account and used
to sustain the program.

(3) Funds from the alternative energy revolving loan account may be used to provide loans to individuals,
small businesses, units of local government, units of the university system, and nonprofit organizations for the
purpose of building alternative energy systems, as defined in 15-32-102:

(a) to generate energy for their own use;

(b) for net metering as defined in 69-8-103; and

(c) for capital investments by those entities for energy conservation purposes, as defined in 15-32-102,
when done in conjunction with an alternative energy system.

(4) The amount of a loan may not exceed $40,000, and the loan must be repaid within 10 years.

(5) For purposes of this section, the following definitions apply:

(a) "Alternative energy system" means the generation system or equipment used to convert energy
sources into usable sources using fuel cells that do not require hydrocarbon fuel, geothermal systems,
low-emission wood or biomass, wind, photovoltaics, geothermal, small hydropower plants under 1 megawatt, and
other recognized nonfossil forms of energy generation.

(b) "Energy conservation purpose" means one or both of the following results of an investment:

(i) reducing the waste or dissipation of energy; or

(ii) reducing the amount of energy required to accomplish a given quantity of work."

Section 60. Section 87-2-102, MCA, is amended to read:

"87-2-102. Resident defined. In determining whether a person is a resident for the purpose of issuing
resident hunting, fishing, and trapping licenses, the following provisions apply:

(1) (a) A member of the regular armed forces of the United States, a member's dependent, as defined
in 45-30-2146 subsection (11), who resides in the member's Montana household, or a member of the armed
forces of a foreign government attached to the regular armed forces of the United States is considered a resident for the purposes of this chapter if:

(i) the member was a resident of Montana under the provisions of subsection (4) at the time the member entered the armed forces and continues to meet the residency criteria of subsections (4)(b) through (4)(e); or

(ii) the member is currently stationed in and assigned to active duty in Montana, has resided in Montana for at least 30 days, and presents official assignment orders and proof of completion of a hunter safety course approved by the department, as provided in 87-2-105, or a certificate verifying the successful completion of a hunter safety course in any state or province. The 30-day residence requirement is waived in time of war.

Reassignment to another state, United States territory, or country terminates Montana residency for purposes of this section, except that a reassigned member continues to qualify as a resident if the member's spouse and dependents continue to physically reside in Montana and the member continues to meet the residency criteria of subsections (4)(b) through (4)(e). The designation of Montana by a member of the regular armed forces as a "home of record" or "home of residence" in that member's armed forces records does not determine the member's residency for purposes of this section.

(b) A member of the regular armed forces of the United States who is otherwise considered a Montana resident pursuant to subsection (1)(a)(i) does not forfeit that status as a resident because the member, by virtue of that membership, also possesses, has applied for, or has received resident hunting, fishing, or trapping privileges in another state or country.

(2) A person who has physically resided in Montana as the person's principal or primary home or place of abode for 180 consecutive days and who meets the criteria of subsection (4) immediately before making application for any license is eligible to receive resident hunting, fishing, and trapping licenses. As used in this section, a vacant lot or a premises used solely for business purposes is not considered a principal or primary home or place of abode.

(3) A person who obtains residency under subsection (2) may continue to be a resident for purposes of this section by physically residing in Montana as the person's principal or primary home or place of abode for not less than 120 days a year and by meeting the criteria of subsection (4) prior to making application for any resident hunting, fishing, or trapping license.

(4) In addition to the requirements of subsection (2) or (3), a person shall meet the following criteria to be considered a resident for purposes of this section:

(a) the person's principal or primary home or place of abode is in Montana;
(b) the person files Montana state income tax returns as a resident if required to file;
(c) the person licenses and titles in Montana as required by law any vehicles that the person owns and
operates in Montana;
(d) except as provided in subsection (1)(b), the person does not possess or apply for any resident
hunting, fishing, or trapping licenses from another state or country or exercise resident hunting, fishing, or
trapping privileges in another state or country; and
(e) if the person registers to vote, the person registers only in Montana.
(5) A student who is enrolled full-time in a postsecondary educational institution out of state and who
would qualify for Montana resident tuition or who otherwise meets the residence requirements of subsection (2)
or (3) is considered a resident for purposes of this section.
(6) An enrollee of a job corps camp located within the state of Montana is, after a period of 30 days within
Montana, considered a resident for the purpose of making application for a fishing license as long as the person
remains an enrollee in a Montana camp.
(7) A person who does not reside in Montana but who meets all of the following requirements is a
resident for purposes of obtaining hunting and fishing licenses:
(a) The person's principal employment is within this state and the income from this employment is the
principal source of the applicant's family income.
(b) The person is required to pay and has paid Montana income tax in a timely manner and proper
amount.
(c) The person has been employed within this state on a full-time basis for at least 12 consecutive
months immediately preceding each application.
(d) The person's state of residency has laws substantially similar to this subsection (7).
(8) An unmarried minor is considered a resident for the purposes of this section if the minor's parents,
legal guardian, or parent with joint custody, sole custody, or visitation rights is a resident for purposes of this
section. The minor is considered a resident for purposes of this section regardless of whether the minor resides
primarily in the state or otherwise qualifies as a resident. The resident parent or guardian of the minor may be
required to show proof of the parental, guardianship, or custodial relationship to the minor.
(9) A person is not considered a resident for the purposes of this section if the person:
(a) claims residence in any other state or country for any purpose; or
(b) is an absentee property owner paying property tax on property in Montana.
(10) A license agent is not considered a representative of the state for the purpose of determining a license applicant's residence status.

(11) (a) The term "dependent" means any of the following individuals over half of whose support was received from the member:

(i) a son or daughter of the member or a descendant of either;

(ii) a stepson or stepdaughter of the member;

(iii) a brother, sister, stepbrother, or stepsister of the member;

(iv) the father or mother of the member or an ancestor of either;

(v) a stepfather or stepmother of the member;

(vi) a son or daughter of a brother or sister of the member;

(vii) a brother or sister of the father or mother of the member;

(viii) a son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the member;

(ix) an individual who has as the individual's principal place of abode the home of the member and is a member of the member's household; or

(x) an individual who:

(A) is a descendant of a brother or sister of the father or mother of the member;

(B) for the calendar year under consideration, received institutional care required by reason of a physical or mental disability; and

(C) before receiving the institutional care, was a member of the same household as the member.

(b) For purposes of this subsection (11):

(i) the terms "brother" and "sister" include a brother or sister by the half blood; and

(ii) in determining whether any of the relationships specified exist, a legally adopted child of an individual must be treated as a child of the individual by blood."

Section 61. Section 87-2-105, MCA, is amended to read:

"87-2-105. Safety instruction required. (1) Except for a youth who qualifies for a license pursuant to 87-2-805(4), a hunting license may not be issued to a person who is born after January 1, 1985, unless the person authorized to issue the license determines proof of completion of:

(a) a Montana hunter safety and education course established in subsection (4) or (6);
(b) a hunter safety course in any other state or province; or
(c) a Montana hunter safety and education course that qualifies the person for a provisional certificate as provided in 87-2-126.

(2) A hunting license may not be issued to a member of the regular armed forces of the United States or to a member of the armed forces of a foreign government attached to the armed forces of the United States who is assigned to active duty in Montana and who is otherwise considered a resident under 87-2-102(1) or to a member's dependents, as defined in 15-30-211, who reside in the member's Montana household; unless the person authorized to issue the license determines proof of completion of a hunter safety course approved by the department or a hunter safety course in any state or province.

(3) A bow and arrow license may not be issued to a resident or nonresident unless the person authorized to issue the license receives an archery license issued for a prior hunting season or determines proof of completion of a bowhunter education course from the national bowhunter education foundation or any other bowhunter education program approved by the department. Neither the department nor the license agent is required to provide records of past archery license purchases. As part of the department's bow and arrow licensing procedures, the department shall notify the public regarding bowhunter education requirements.

(4) The department shall provide for a hunter safety and education course that includes instruction in the safe handling of firearms and for that purpose may cooperate with any reputable organization having as one of its objectives the promotion of hunter safety and education. The department may designate as an instructor any person it finds to be competent to give instructions in hunter safety and education, including the handling of firearms. A person appointed shall give the course of instruction and shall issue a certificate of completion from Montana's hunter safety and education course to a person successfully completing the course.

(5) The department shall provide for a course of instruction from the national bowhunter education foundation or any other bowhunter education program approved by the department and for that purpose may cooperate with any reputable organization having as one of its objectives the promotion of safety in the handling of bow hunting tackle. The department may designate as an instructor any person it finds to be competent to give bowhunter education instruction. A person appointed shall give the course of instruction and shall issue a certificate of completion to any person successfully completing the course.

(6) The department may develop an adult hunter safety and education course.

(7) The department may adopt rules regarding how a person authorized to issue a license determines proof of completion of a required course."
Section 62. Section 90-4-602, MCA, is amended to read:

"90-4-602. Definitions. As used in this part, unless the context requires otherwise, the following definitions apply:

(1) "Board" means the board of examiners provided for in 2-15-1007.

(2) "Cost" includes the expenses related to planning, design, construction, and installation of energy conservation improvements and any administrative expenses of the department incurred in the performance of its duties under the energy conservation program.

(3) "Department" means the department of environmental quality provided for in 2-15-3501.

(4) "Energy conservation program" means a program for the financing, acquisition, construction, and installation of alternative energy systems, as defined in 15-32-102 75-25-101, or equipment, systems, and improvements in state-owned buildings, structures, and facilities that save energy or water.

(5) "Energy conservation program bonds" includes all series of bonds issued to finance any portion of the energy conservation program.

(6) "Energy cost savings" means the savings in utility costs to a state agency as a result of an energy conservation program.

(7) "Participating state agency" means, for a state-owned building, structure, or facility, the state agency that pays for the utilities for that building.

(8) "State agency" means:

(a) each executive, legislative, or judicial branch department, office, or agency;

(b) the university system; and

(c) a community college district."

Section 63. Section 90-4-1005, MCA, is amended to read:

"90-4-1005. Energy development and demonstration grant program. (1) There is an energy development and demonstration grant program within the department of environmental quality to fund technology development and demonstration:

(a) advancing the development and utilization of energy storage systems, including but not limited to mediums, such as accumulators, fuel cells, and batteries, that store energy that may be drawn upon at a later date for use;
(b) developing storage systems specifically designed to store energy generated from eligible renewable resources as defined in 69-3-2003, including but not limited to compressed air energy storage systems;

(c) promoting the efficiency, environmental performance, and cost-competitiveness of energy storage systems beyond the current level of technology; and

(d) advancing the development of alternative energy systems as defined in 15-32-102 and 75-25-101.

(2) Entities that may be eligible for grants include but are not limited to units of the Montana university system, agricultural research centers, or private entities or research centers.

(3) Money appropriated to the department of environmental quality for the purpose of the energy development and demonstration grant program may be used by the department for providing individual grants in amounts up to $500,000 and for administrative costs of 1% of the grant award.

(4) The grant application may include:

(a) a project plan sufficient to allow a reasonable determination regarding the potential feasibility of advancing energy storage or alternative energy systems;

(b) a business plan to allow a reasonable determination regarding the financial feasibility of the project; and

(c) a reporting process to ensure progress toward project goals."

NEW SECTION. Section 64. Repealer. The following sections of the Montana Code Annotated are repealed:

15-30-2110. Adjusted gross income.

15-30-2111. Nonresident and temporary resident taxpayers -- adjusted gross income.


15-30-2115. General definition of dependent.


15-30-2117. Military salary, veterans' bonus, or death benefit -- exemptions.


1. Income tax deduction for contribution to veterans’ programs.
2. Deduction for contributions to child abuse and neglect prevention program.
3. Deposit of child abuse and neglect prevention program deductible contributions.
4. Computation of income of estates or trusts -- exemption.
5. Capital gains credit.
6. Credit for energy-conserving investments.
7. Credit for alternative fuel motor vehicle conversion.
8. Credit for contributions to university or college foundations and endowment funds.
9. Refundable income tax credit -- statewide equalization property tax levies on principal residence.
10. Residential property tax credit for elderly -- definitions.
11. Residential property tax credit for elderly -- eligibility -- disallowance or adjustment.
12. Residential property tax credit for elderly -- filing date.
13. Residential property tax credit for elderly -- computation of relief.
14. Residential property tax credit for elderly -- limitations -- denial of claim.
15. Credit for preservation of historic buildings.
16. Empowerment zone new employees -- tax credit.
17. Qualified research tax credit.
18. Adoption tax credit -- limitations.
19. Credit for day-care facilities.
20. Credit for expense of caring for certain elderly family members.
21. Tax credit for providing disability insurance for employees.
22. Credit for dependent care assistance and referral services.
23. Tax credit for providing temporary emergency lodging.
24. New or expanded industry credit -- definitions.
25. Determination of tax credit.
26. Limitation.
27. Department duties.
28. Credit for dependent care assistance and referral services.
29. Tax credit for providing disability insurance for employees.
1 15-31-133. Credit for day-care facilities.
2 15-31-134. Empowerment zone new employees -- tax credit.
5 15-31-137. Small business corporation and partnership credit for alternative fuel conversion.
6 15-31-150. Credit for research expenses and research payments.
7 15-31-151. Credit for preservation of historic buildings.
8 15-31-163. Capital gain exclusion from sale of mobile home park.
9 15-31-171. Tax credit for providing temporary emergency lodging.
10 15-31-172. Small business corporation -- deduction for donation of computer equipment to schools.
11 15-31-901. Short title.
12 15-31-902. Purpose.
15 15-31-905. Submission of costs.
16 15-31-906. Application for tax credit -- fee.
17 15-31-907. Employment production tax credit.
18 15-31-908. Tax credit for qualified expenditures.
19 15-31-910. Denial of claim for credit -- recapture.
20 15-31-911. Rules.
24 15-32-104. Limitations on deduction and credit.
26 15-32-106. Procedure for obtaining benefit of deduction or credit.
27 15-32-107. Loans by utilities and financial institutions -- tax credit for interest differential for loans made prior to July 1, 1995.
29 15-32-115. Credit for geothermal system -- to whom available -- eligible costs -- limitations.
1 15-32-201. Amount of credit -- to whom available.
2 15-32-202. Taxable years in which credit may be claimed -- carryover.
3 15-32-203. Department to make rules.
4 15-32-301. Purpose.
8 15-32-402. Commercial or net metering system investment credit -- alternative energy systems.
10 15-32-405. Exclusion from other tax incentives.
15 15-32-503. Exploration incentive credit.
16 15-32-504. Procedure for requesting and certifying credit.
17 15-32-505. Application of credit.
18 15-32-506. Credit carryover.
20 15-32-508. Credit assignment.
21 15-32-509. Record of credit use.
24 15-32-602. Amount and duration of credit -- how claimed.
25 15-32-603. Credit for investment in property used to collect or process reclaimable material or to manufacture a product from reclaimed material.
26 15-32-604. Limitation of credit.
29 15-32-611. Department to make rules.
NEW SECTION. Section 65. Transition -- carryover of credits. A credit allowed a taxpayer prior to January 1, 2014, under the provisions of law in effect prior to [the effective date of this act] that may be carried forward for a specified number of years is not impaired by [this act], and a taxpayer may claim the credit for the taxes specified for the period established in the section at the time the credit was first allowed. This section

NEW SECTION. Section 66. Transition. (1) As used in this section, the following definitions apply:

(a) "Transition adjustment" means the net sum of all positive and negative adjustments to a taxpayer's Montana taxable income related to transition items provided in subsection (3).

(b) "Transition item" means any difference arising prior to January 1, 2014, from a difference in federal and Montana income tax laws in:

(i) the amount, character, realization, or recognition of income or an item of income, gain, or credit;

(ii) the amount, character, allowance, or disallowance of loss or an item of loss, deduction, or expense;

or

(iii) the basis of an asset or liability that will not, after December 31, 2013, increase or decrease a taxpayer's federal taxable income.

(2) A transition adjustment to Montana taxable income must be made to take transition items into account as provided in this section for a tax year ending after December 31, 2013, and before January 1, 2015. The adjustment must specify and account for all transition items, including but not limited to the transition items provided in subsection (3).

(3) (a) If a taxpayer has a disallowed passive activity loss within the meaning of section 469 of the Internal Revenue Code, 26 U.S.C. 469, that is carried over to a tax year ending after December 31, 2013, and before January 1, 2015, and if the amount of the federal carryover is not the same amount as the Montana carryover, the difference is a positive adjustment to the taxpayer's Montana taxable income if the Montana carryover is smaller than the federal carryover and the difference is a negative adjustment to the taxpayer's Montana taxable income if the Montana carryover is larger than the federal carryover.

(b) If a taxpayer has excess long-term or short-term net capital loss described in section 1212(b)(1) of the Internal Revenue Code, 26 U.S.C. 1212(b)(1), that is carried over to a tax year ending after December 31, 2013, and before January 1, 2015, and if the amount of the federal carryover is not the same amount as the Montana carryover, the difference is a positive adjustment to the taxpayer's Montana taxable income if the Montana carryover is smaller than the federal carryover and the difference is a negative adjustment to the taxpayer's Montana taxable income if the Montana carryover is larger than the federal carryover.
taxpayer's Montana taxable income if the Montana carryover is larger than the federal carryover.

(c) If a taxpayer or a taxpayer and the taxpayer's spouse made an election on the taxpayer's federal return to defer income ratably because of a conversion from an IRA, other than a Roth IRA, to a Roth IRA pursuant to section 408A(d)(3) of the Internal Revenue Code, 26 U.S.C. 408A(d)(3), but included all the income in the taxpayer's Montana income tax return, the sum of the balance of the federal deferred amount as of January 1, 2014, is a negative adjustment to the taxpayer's Montana taxable income.

(d) Notwithstanding the deduction that a taxpayer would be allowed for net operating loss carryovers and net operating loss carrybacks under section 172(a) of the Internal Revenue Code, 26 U.S.C. 172(a), in a tax year ending after December 31, 2013, and before January 1, 2015, if the taxpayer's federal net operating loss is different from the taxpayer's Montana net operating loss as of December 31, 2013, no adjustment to the taxpayer's Montana taxable income may be made.

(e) If a taxpayer has an asset with a different adjusted basis for federal and Montana income tax purposes after taking into account the effect of the adjustments provided in subsections (3)(a), (3)(b), and (3)(c), the difference is a positive adjustment to the taxpayer's Montana taxable income if the Montana adjusted basis is higher than the federal adjusted basis and the difference is a negative adjustment to the taxpayer's Montana taxable income if the Montana adjusted basis is lower than the federal adjusted basis.

(f) If a taxpayer has a liability with a different adjusted basis for federal and Montana income tax purposes after taking into account the effect of the adjustments provided in subsections (3)(a), (3)(b), and (3)(c), the difference is a negative adjustment to the taxpayer's Montana taxable income if the Montana adjusted basis is higher than the federal adjusted basis and the difference is a positive adjustment to the taxpayer's Montana taxable income if the Montana adjusted basis is lower than the federal adjusted basis.

(g) If a taxpayer received a refund of federal income tax the deduction of which in a tax year beginning after December 31, 2012, resulted in a reduction of Montana income tax liability, the refund is, to the extent the deduction resulted in a reduction of Montana income tax liability, a positive adjustment to the taxpayer's Montana taxable income.

(4) The department is authorized to adopt rules and require facts and information to be reported that it considers necessary to administer the transition adjustment provided in this section.

NEW SECTION. Section 67. Codification instruction. [Section 1] is intended to be codified as an integral part of Title 15, chapter 30, part 21, and the provisions of Title 15, chapter 30, part 21, apply to [section
NEW SECTION. Section 68. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

NEW SECTION. Section 69. Effective date. [This act] is effective January 1, 2014.

NEW SECTION. Section 70. Applicability. [This act] applies to tax years beginning after December 31, 2013.