

## 1 SENATE BILL NO. 171

2 INTRODUCED BY B. TUTVEDT

3  
4 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING TAXATION OF INCOME, INCLUDING THE  
5 CORPORATE LICENSE TAX; REQUIRING THE TAXATION OF INDIVIDUALS, PARTNERSHIPS, AND  
6 SUBCHAPTER S. CORPORATIONS, INCLUDING TRUSTS AND ESTATES, TO RELATE THE STATE  
7 INDIVIDUAL INCOME TAX TO FEDERAL TAXABLE INCOME; PROVIDING ADJUSTMENTS TO FEDERAL  
8 TAXABLE INCOME TO INCLUDE CERTAIN INCOME; PROVIDING ADJUSTMENTS TO FEDERAL TAXABLE  
9 INCOME TO EXCLUDE CERTAIN INCOME; ELIMINATING MOST INDIVIDUAL INCOME TAX DEDUCTIONS;  
10 ELIMINATING CERTAIN INDIVIDUAL INCOME TAX CREDITS; ELIMINATING CERTAIN CORPORATE  
11 LICENSE TAX DEDUCTIONS AND CREDITS; REVISING INDIVIDUAL INCOME TAX RATES SUBJECT TO  
12 A REDUCTION FOR NET CAPITAL GAIN INCOME; LOWERING CORPORATE LICENSE TAX RATES;  
13 PROVIDING A TRANSITION FOR CREDITS THAT ARE SUBJECT TO A CARRYFORWARD; PROVIDING A  
14 TRANSITION FOR DIFFERENCES IN FEDERAL AND MONTANA INCOME TAX LAWS; PROVIDING  
15 RULEMAKING AUTHORITY; AMENDING SECTIONS 2-18-1312, 7-14-1133, 7-14-1636, 7-34-2416, 15-30-2101,  
16 15-30-2102, 15-30-2103, 15-30-2104, 15-30-2113, 15-30-2151, 15-30-2153, 15-30-2328, 15-30-2329,  
17 15-30-2501, 15-30-2512, 15-30-2602, 15-30-2605, 15-30-2606, 15-30-2618, 15-30-2364, 15-30-3003,  
18 15-30-3004, 15-30-3005, 15-30-3312, 15-31-121, 15-31-125, 15-31-127, 15-31-131, 15-31-162, 15-32-104,  
19 15-32-106, 15-61-202, 15-61-203, 15-62-208, 15-63-202, 19-2-1004, 19-17-407, 19-18-612, 19-19-504,  
20 19-20-706, 19-21-212, 33-22-2006, 33-27-101, 33-27-102, 33-27-103, 37-4-104, 53-2-211, 67-11-303, 70-9-803,  
21 75-2-103, 75-5-103, 87-2-102, AND 87-2-105, MCA; REPEALING SECTIONS 7-21-3701, 7-21-3702, 7-21-3703,  
22 7-21-3704, 7-21-3710, 7-21-3715, 15-30-2110, 15-30-2111, 15-30-2114, 15-30-2115, 15-30-2116, 15-30-2117,  
23 15-30-2119, 15-30-2131, 15-30-2132, 15-30-2133, 15-30-2141, 15-30-2142, 15-30-2143, 15-30-2144,  
24 15-30-2152, 15-30-2301, 15-30-2319, 15-30-2320, 15-30-2356, 15-31-124, 15-31-134, 15-31-137, 15-31-163,  
25 15-31-172, 15-32-109, 15-32-115, 15-32-201, 15-32-202, 15-32-203, 15-32-301, 15-32-302, 15-32-303,  
26 15-32-401, 15-32-402, 15-32-404, 15-32-405, 15-32-406, 15-32-407, 15-32-501, 15-32-502, 15-32-503,  
27 15-32-504, 15-32-505, 15-32-506, 15-32-507, 15-32-508, 15-32-509, 15-32-510, 15-32-601, 15-32-602,  
28 15-32-603, 15-32-604, 15-32-609, 15-32-610, 15-32-611, 15-32-701, 15-32-702, 15-32-703, 15-62-207, AND  
29 33-2-724, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

30

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

2

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

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

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

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

14 (c) a nonqualified withdrawal from a family education savings account provided for in Title 15, chapter  
15 62, to the extent that it was deducted from income in calculating Montana individual income taxes;

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

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

20 (f) a deduction or expense upon which a state tax credit is computed under 33-22-2006 to the extent that  
21 it was included as a deduction or expense in determining federal taxable income;

22 (g) a deduction for an income distribution from an estate or trust to a beneficiary that was included in the  
23 federal taxable income of an estate or trust in accordance with sections 651 and 661 of the Internal Revenue  
24 Code, 26 U.S.C. 651 and 661; and

25 (h) for a taxpayer that deducts state income taxes pursuant to section 164(a)(3) of the Internal Revenue  
26 Code, 26 U.S.C. 164(a)(3), an additional amount equal to the state income tax deduction claimed, not to exceed  
27 the amount required to reduce the federal itemized amount computed under section 161 of the Internal Revenue  
28 Code, 26 U.S.C. 161, to the amount of the federal standard deduction allowable under section 63(c) of the  
29 Internal Revenue Code, 26 U.S.C. 63(c).

30 (3) To the extent they are included as income or gain or not already excluded as a deduction or expense

1 in determining federal taxable income, the following are subtracted from federal taxable income:

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

3 (i) interest from obligations of the United States government and exempt-interest dividends attributable  
4 to that interest; and

5 (ii) railroad retirement benefits;

6 (b) salary received from the armed forces by residents who entered into active duty from Montana and  
7 are serving on active duty in the regular armed forces;

8 (c) interest and other income related to contributions that were made prior to January 1, 2016, that are  
9 retained in a medical care savings account provided for in Title 15, chapter 61, and any withdrawal for payment  
10 of eligible medical expenses or for the long-term care of the employee or account holder or a dependent of the  
11 employee or account holder;

12 (d) interest and other income related to contributions that were made prior to January 1, 2016, that are  
13 retained in a family education savings account provided for in Title 15, chapter 62, and any qualified withdrawal  
14 for payment of qualified higher education expenses;

15 (e) interest and other income related to contributions that were made prior to January 1, 2016, that are  
16 retained in a first-time home buyer savings account provided for in Title 15, chapter 63, and any withdrawal for  
17 payment of eligible costs for the first-time purchase of a single-family residence;

18 (f) a deduction for an income distribution from an estate or trust to a beneficiary in accordance with  
19 sections 651 and 661 of the Internal Revenue Code, 26 U.S.C. 651 and 661, recalculated according to the  
20 additions and subtractions in subsections (2) and (3)(a) through (3)(e) and (3)(g); and

21 (g) for each taxpayer that has attained the age of 65, an additional subtraction of \$6,400.

22 (4) By November 1 of each year, the department shall multiply the subtraction from federal taxable  
23 income for a taxpayer that has attained the age of 65 contained in subsection (3)(g) by the inflation factor for that  
24 tax year, rounding the result to the nearest \$10. The resulting amount is effective for that tax year and must be  
25 used as the basis for the subtraction from federal taxable income determined under subsection (3)(g).

26

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

28 **"2-18-1312. Tax exemption.** Employer contributions into an account, the accumulation of interest or  
29 other earnings in an account, and payments from an account for qualified health care expenses are tax-exempt,  
30 as provided in ~~15-30-2110~~ and under applicable federal laws and regulations to the extent that the plan is

1 qualified under applicable sections of the Internal Revenue Code."

2

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

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

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

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

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

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

30 (5) (a) For the security of bonds, the authority, county, or municipality may by resolution make and enter

1 into any covenant, agreement, or indenture and may exercise any additional powers authorized to be exercised  
 2 by a municipality under Title 7, chapter 7, parts 44 and 45. The sums required from time to time to pay principal  
 3 and interest and to create and maintain a reserve for the bonds may be paid from any revenue referred to in this  
 4 part, prior to the payment of current costs of operation and maintenance of the facilities.

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

17 (6) Nothing in ~~this section or 7-14-1134~~ this section may be construed to limit the use of port authority  
 18 revenue, including federal and state money as described in 7-14-1136, to make grants and loans or to otherwise  
 19 provide financial and other support to private development organizations, including corporations organized under  
 20 the provisions of the development corporation act in Title 32, chapter 4. The credit of the state, county, or  
 21 municipal ~~governments~~ government or their agencies or authorities may not be pledged to provide financial  
 22 support to the development organizations."  
 23

24 **Section 4.** Section 7-14-1636, MCA, is amended to read:  
 25 **"7-14-1636. Bonds and obligations.** (1) An authority may borrow money for any of its corporate  
 26 purposes and issue bonds for its purposes, including refunding bonds, in a form and upon terms as it determines,  
 27 payable out of any revenue of the authority, including revenue derived from:

- 28 (a) a railroad;  
 29 (b) taxes levied pursuant to 7-14-1632;  
 30 (c) grants or contributions from the federal government; or

1 (d) other sources.

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

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

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

15 (5) For the security of the bonds, the authority may by resolution make and enter into any covenant,  
16 agreement, or indenture and may exercise any additional powers authorized to be exercised by a municipality  
17 under Title 7, chapter 7, parts 44 and 45. The sums required from time to time to pay principal and interest and  
18 to create and maintain a reserve for the bonds may be paid from the revenue referred to in this part, prior to the  
19 payment of current costs of operation and maintenance of the facilities."  
20

21 **Section 5.** Section 7-34-2416, MCA, is amended to read:

22 **"7-34-2416. Tax-exempt status of bonds.** Bonds issued by a county pursuant to the provisions of  
23 7-34-2411 and 7-34-2413 through 7-34-2418 are declared to be issued for an essential public and governmental  
24 purpose by a political subdivision ~~within the meaning of 15-30-2110(2)(a).~~"

25  
26 **Section 6.** Section 15-30-2101, MCA, is amended to read:

27 **"15-30-2101. Definitions.** For the purpose of this chapter, unless otherwise required by the context, the  
28 following definitions apply:

29 ~~———— (1) "Base year structure" means the following elements of the income tax structure:~~

30 ~~———— (a) the tax brackets established in 15-30-2103, but unadjusted by 15-30-2103(2), in effect on June 30~~

1 of the taxable year;

2 ~~—— (b) the exemptions contained in 15-30-2114, but unadjusted by 15-30-2114(6), in effect on June 30 of~~  
 3 ~~the taxable year;~~

4 ~~—— (c) the maximum standard deduction provided in 15-30-2132, but unadjusted by 15-30-2132(2), in effect~~  
 5 ~~on June 30 of the taxable year.~~

6 ~~—— (2)(1) "Consumer price index" means the consumer price index, United States city average, for all items,~~  
 7 ~~for all urban consumers (CPI-U), using the 1982-84 base of 100, as published by the bureau of labor statistics~~  
 8 ~~of the U.S. department of labor.~~

9 ~~(3)(2) "Corporation" or "C. corporation" means a corporation, limited liability company, or other entity:~~

10 (a) that is treated as an association for federal income tax purposes;

11 (b) for which a valid election under section 1362 of the Internal Revenue Code, {26 U.S.C. 1362}, is not  
 12 in effect; and

13 (c) that is not a disregarded entity.

14 ~~(4)(3) "Department" means the department of revenue.~~

15 ~~(5)(4) "Disregarded entity" means a business entity:~~

16 (a) that is disregarded as an entity separate from its owner for federal tax purposes, as provided in  
 17 United States treasury regulations 301.7701-2 or 301.7701-3, 26 CFR 301.7701-2 or 26 CFR 301.7701-3, or as  
 18 those regulations may be labeled or amended; or

19 (b) that is a qualified subchapter S. subsidiary that is not treated as a separate corporation, as provided  
 20 in section 1361(b)(3) of the Internal Revenue Code, {26 U.S.C. 1361(b)(3)}.

21 ~~(6)(5) "Dividend" means:~~

22 (a) any distribution made by a C. corporation out of its earnings and profits to its shareholders or  
 23 members, whether in cash or in other property or in stock of the corporation, other than stock dividends; and

24 (b) any distribution made by an S. corporation treated as a dividend for federal income tax purposes.

25 ~~(6) "Federal adjusted gross income" means adjusted gross income as defined in section 62 of the Internal~~  
 26 ~~Revenue Code, 26 U.S.C. 62.~~

27 ~~(7) "Federal taxable income", when referring to an individual, means taxable income as defined and~~  
 28 ~~described in section 63 of the Internal Revenue Code, 26 U.S.C. 63, and, when referring to a trust or estate,~~  
 29 ~~means taxable income as defined and described in sections 641 through 692 of the Internal Revenue Code, 26~~  
 30 ~~U.S.C. 641 through 692.~~

1           ~~(7)~~(8) "Fiduciary" means a guardian, trustee, executor, administrator, receiver, conservator, or any  
2 person, whether individual or corporate, acting in any fiduciary capacity for any person, trust, or estate.

3           ~~(8)~~(9) "Foreign C. corporation" means a corporation that is not engaged in or doing business in Montana,  
4 as provided in 15-31-101.

5           ~~(9)~~(10) "Foreign government" means any jurisdiction other than the one embraced within the United  
6 States, its territories, and its possessions.

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

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

13           ~~(11)~~(12) "Inflation factor" means a number determined for each tax year by dividing the consumer price  
14 index for June of the tax year by the consumer price index for June ~~2005~~ 2016.

15           ~~(12)~~(13) "Information agents" includes all individuals and entities acting in whatever capacity, including  
16 lessees or mortgagors of real or personal property, fiduciaries, brokers, real estate brokers, employers, and all  
17 officers and employees of the state or of any municipal corporation or political subdivision of the state, having the  
18 control, receipt, custody, disposal, or payment of interest, rent, salaries, wages, premiums, annuities,  
19 compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits,  
20 and income with respect to which any person or fiduciary is taxable under this chapter.

21           ~~(13)~~(14) "Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or as it may  
22 be labeled or further amended. References to specific provisions of the Internal Revenue Code mean those  
23 provisions as they may be otherwise labeled or further amended.

24           (15) "Joint return" means one return made jointly by a married individual with that individual's spouse.

25           ~~(14)~~(16) "Knowingly" is as defined in 45-2-101.

26           ~~(15)~~(17) "Limited liability company" means a limited liability company, domestic limited liability company,  
27 or a foreign limited liability company as defined in 35-8-102.

28           ~~(16)~~(18) "Limited liability partnership" means a limited liability partnership as defined in 35-10-102.

29           ~~(17)~~(19) "Lottery winnings" means income paid either in lump sum or in periodic payments to:

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



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

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

4 ~~(18)~~(21) (a) "Montana source income" means:

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

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

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

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

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

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

17 (vii) net income or loss derived from farming activities carried on in the state or while a resident of the  
18 state;

19 (viii) net rents from real property and tangible personal property located in the state or received or  
20 accrued while a resident of the state;

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

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

- 1 (xi) net copyright royalties to the extent printing or other publication originates in the state or the royalties  
 2 are received or accrued while a resident of the state;
- 3 (xii) partnership income, gain, loss, deduction, or credit or item of income, gain, loss, deduction, or credit:  
 4 (A) derived from a trade, business, occupation, or profession carried on in the state;  
 5 (B) derived from the sale or other transfer or the rental, lease, or other commercial exploitation of  
 6 property located in the state; or  
 7 (C) taken into account while a resident of the state;
- 8 (xiii) an S. corporation's separately and nonseparately stated income, gain, loss, deduction, or credit or  
 9 item of income, gain, loss, deduction, or credit:  
 10 (A) derived from a trade, business, occupation, or profession carried on in the state;  
 11 (B) derived from the sale or other transfer or the rental, lease, or other commercial exploitation of  
 12 property located in the state; or  
 13 (C) taken into account while a resident of the state;
- 14 (xiv) social security benefits received or accrued while a resident of the state;  
 15 (xv) taxable individual retirement account distributions, annuities, pensions, and other retirement benefits  
 16 received while a resident of the state;
- 17 (xvi) any other income attributable to the state, including but not limited to lottery winnings, state and  
 18 federal tax refunds, nonemployee compensation, recapture of tax benefits, and capital loss addbacks; and  
 19 (xvii) in the case of a nonresident who sells the nonresident's interest in a publicly traded partnership  
 20 doing business in Montana, the gain described in section 751 of the Internal Revenue Code, 26 U.S.C. 751,  
 21 multiplied by the Montana apportionment factor. If the net gain or loss resulting from the use of the apportionment  
 22 factor as provided in this subsection ~~(18)(a)(xvii)~~ (21)(a)(xvii) does not fairly and equitably represent the  
 23 nonresident taxpayer's business activity interest, then the nonresident taxpayer may petition for, or the  
 24 department may require with respect to any and all of the partnership interest, the employment of another method  
 25 to effectuate an equitable allocation or apportionment of the nonresident's income. This subsection ~~(18)(a)(xvii)~~  
 26 (21)(a)(xvii) is intended to preserve the rights and privileges of a nonresident taxpayer and align those rights with  
 27 taxpayers who are afforded the same rights under 15-1-601 and 15-31-312.
- 28 (b) The term does not include:  
 29 (i) compensation for military service of members of the armed services of the United States who are not  
 30 Montana residents and who are residing in Montana solely by reason of compliance with military orders and does

1 not include income derived from their personal property located in the state except with respect to personal  
 2 property used in or arising from a trade or business carried on in Montana; or

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

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

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

11 ~~(20)~~(23) "Nonresident" means a natural person who is not a resident.

12 ~~(21)~~(24) "Paid", ~~for the purposes of the deductions and credits under this chapter,~~ means paid or accrued  
 13 or paid or incurred, and the terms "paid or accrued" and "paid or incurred" must be construed according to the  
 14 method of accounting ~~upon the basis of which the~~ used to compute federal taxable income is computed under  
 15 ~~this chapter.~~

16 ~~(22)~~(25) "Partner" means a member of a partnership or a manager or member of any other entity, if  
 17 treated as a partner for federal income tax purposes.

18 ~~(23)~~(26) "Partnership" means a general or limited partnership, limited liability partnership, limited liability  
 19 company, or other entity, if treated as a partnership for federal income tax purposes.

20 ~~(24)~~(27) "Pass-through entity" means a partnership, an S. corporation, or a disregarded entity.

21 ~~(25)~~(28) "Pension and annuity income" means:

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

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

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

30 (d) distributions from individual retirement, deferred compensation, and self-employed retirement plans

1 recognized under sections 401 through 408 of the Internal Revenue Code, ~~{26 U.S.C. 401 through 408}~~, to the  
 2 extent that the distributions are not considered to be premature distributions for federal income tax purposes; or

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

5 ~~(26)(29)~~ "Purposely" is as defined in 45-2-101.

6 ~~(27)(30)~~ "Received", ~~for the purpose of computation of taxable income under this chapter,~~ means  
 7 received or accrued, and the term "received or accrued" must be construed according to the method of  
 8 accounting ~~upon the basis of which the~~ used to compute federal taxable income is computed under this chapter.

9 ~~(28)(31)~~ "Resident" applies only to natural persons and includes, for the purpose of determining liability  
 10 to the tax imposed by this chapter with reference to the income of any taxable year, any person domiciled in the  
 11 state of Montana and any other person who maintains a permanent place of abode within the state even though  
 12 temporarily absent from the state and who has not established a residence elsewhere.

13 ~~(29)(32)~~ "S. corporation" means an incorporated entity for which a valid election under section 1362 of  
 14 the Internal Revenue Code, ~~{26 U.S.C. 1362}~~, is in effect.

15 ~~(30)(33)~~ "Stock dividends" means new stock issued, for surplus or profits capitalized, to shareholders in  
 16 proportion to their previous holdings.

17 (34) "Surviving spouse" means a surviving spouse as defined and described in section 2(a) of the Internal  
 18 Revenue Code, 26 U.S.C. 2(a).

19 ~~(31)(35)~~ "Tax year" means the taxpayer's taxable year for federal income tax purposes.

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

22 ~~(33)(36)~~ "Taxpayer" includes any person, entity, or fiduciary, resident or nonresident, subject to a tax or  
 23 other obligation imposed by this chapter and unless otherwise specifically provided does not include a C.  
 24 corporation."

25

26 **Section 7.** Section 15-30-2102, MCA, is amended to read:

27 **"15-30-2102. Construction of net income.** For the purpose of raising revenue, the ~~net~~ income required  
 28 to be shown on returns under this chapter and taken as the basis for determining the tax ~~hereunder shall~~ may  
 29 not be classified or held or construed to be property. All income except what has been expressly exempted under  
 30 the provisions of the Internal Revenue Code or this chapter and income not permitted to be taxed under the

1 constitution of this state or the constitution or laws of the United States ~~shall~~ must be included and considered  
 2 in determining the ~~net~~ income of taxpayers subject to tax within the ~~provision~~ provisions of this chapter."

3

4 **Section 8.** Section 15-30-2103, MCA, is amended to read:

5 **"15-30-2103. Rate of tax.** (1) ~~There~~ Except as provided in subsection (2), there must be levied,  
 6 collected, and paid for each tax year upon the Montana taxable income of each taxpayer subject to this ~~tax~~, ~~after~~  
 7 ~~making allowance for exemptions and deductions as provided in this chapter;~~ a tax on the brackets of taxable  
 8 income as follows:

9 ~~(a) on the first \$2,300 of taxable income or any part of that income, 1%;~~

10 ~~—— (b) on the next \$1,800 of taxable income or any part of that income, 2%;~~

11 ~~—— (c) on the next \$2,100 of taxable income or any part of that income, 3%;~~

12 ~~—— (d) on the next \$2,200 of taxable income or any part of that income, 4%;~~

13 ~~—— (e) on the next \$2,400 of taxable income or any part of that income, 5%;~~

14 ~~—— (f) on the next \$3,100 of taxable income or any part of that income, 6%;~~

15 ~~—— (g) on any taxable income in excess of \$13,900 or any part of that income, 6.9%.~~

16 (a) for every married individual who files a joint return and for every surviving spouse:

17 (i) on the first \$34,400 of Montana taxable income or any part of that income, 4.8%;

18 (ii) on any Montana taxable income in excess of \$34,400 or any part of that income, 6%;

19 (b) for every head of household:

20 (i) on the first \$25,800 of Montana taxable income or any part of that income, 4.8%;

21 (ii) on any Montana taxable income in excess of \$25,800 or any part of that income, 6%;

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

23 (i) on the first \$17,200 of Montana taxable income or any part of that income, 4.8%;

24 (ii) on any Montana taxable income in excess of \$17,200 or any part of that income, 6%;

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

27 (i) on the first \$17,200 of Montana taxable income or any part of that income, 4.8%;

28 (ii) on any Montana taxable income in excess of \$17,200 or any part of that income, 6%.

29 (2) The tax rates in subsection (1) are reduced by 1.5% for a taxpayer's net capital gain income, as  
 30 shown on the taxpayer's individual income tax return filed pursuant to 15-30-2602.

1 (3) In applying the rates in effect under subsection (1) and the rate reduction for net capital gain income  
 2 under subsection (2), Montana taxable income is divided into an ordinary income category and a net capital gain  
 3 category. The rate of tax applied toward each category is calculated as follows:

4 (a) Ordinary income is taxed first by applying the 4.8% rate up to the limit of the 4.8% rate bracket  
 5 determined under subsection (1) and at the 6% rate to the extent that ordinary income exceeds the 4.8% rate  
 6 bracket.

7 (b) Net capital gain income is taxed after applying the rates in subsection (1) to all ordinary income as  
 8 provided in subsection (3)(a), and the total amount of ordinary income subject to tax in subsection (3)(a) is the  
 9 starting point for determining the rates that are applied toward net capital gain income. The rate of tax applied  
 10 toward net capital gain income is calculated as follows:

11 (i) If the total amount of Montana taxable income is less than or equal to the amount of income subject  
 12 to tax at the 4.8% rate bracket determined under subsection (1), then net capital gain income is taxed at a 3.3%  
 13 rate.

14 (ii) If the total amount of ordinary income is less than the amount of income subject to tax at the 4.8% rate  
 15 bracket determined under subsection (1) and the total amount of Montana taxable income exceeds the amount  
 16 of income subject to tax at the 4.8% rate bracket determined under subsection (1), then all ordinary income is  
 17 subject to tax at the 4.8% rate bracket and net capital gain income is taxed as follows:

18 (A) The ordinary income subject to tax in this subsection (3)(b)(ii) is subtracted from the amount of income  
 19 subject to tax at the 4.8% rate bracket under subsection (1), and the difference from this calculation equals the  
 20 amount of net capital gain income taxed at a 3.3% rate.

21 (B) All remaining net capital gain income that remains after applying the tax rates to the ordinary income  
 22 and net capital gain income in subsection (3)(b)(ii)(A) is taxed at a 4.5% rate.

23 (iii) If ordinary income equals or exceeds the amount of income subject to tax at the 6% rate bracket  
 24 under subsection (1), then all net capital gain income is taxed at a 4.5% rate.

25 ~~(2)(4)~~ (a) By November 1 of each year, the department shall multiply the bracket amount amounts  
 26 contained in subsection (1) by the inflation factor for that tax year and round the cumulative brackets to the  
 27 nearest:

28 (i) \$100 for the joint bracket under subsection (1)(a);

29 (ii) \$25 for the head of household bracket under subsection (1)(b); and

30 (iii) \$50 for the separate return brackets under subsections (1)(c) and (1)(d).

1           **(b)** The resulting adjusted brackets are effective for that tax year and must be used as the basis for  
2 imposition of the tax in subsection (1) ~~of this section.~~

3           **(5)** For the purposes of this section, the term "ordinary income" means Montana taxable income less net  
4 capital gain income."

5  
6           **Section 9.** Section 15-30-2104, MCA, is amended to read:

7           **"15-30-2104. Tax on nonresident.** (1) (a) A tax is imposed upon each nonresident individual, estate,  
8 or trust equal to the tax computed under 15-30-2103 as if the nonresident individual, estate, or trust were a  
9 resident during the entire tax year, multiplied by the ratio of Montana source income to total income from all  
10 sources.

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

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

23  
24           **Section 10.** Section 15-30-2113, MCA, is amended to read:

25           **"15-30-2113. Determination of status -- effect of marital status elections.** For purposes of this  
26 chapter:

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

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

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

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

8

9 **Section 11.** Section 15-30-2151, MCA, is amended to read:

10 **"15-30-2151. Tax on beneficiaries or fiduciaries of estates or trusts.** (1) A tax ~~must be~~ is imposed  
 11 ~~upon either~~ on the fiduciaries or the beneficiaries of estates and trusts ~~as provided in this section, except to the~~  
 12 ~~extent that estates and trusts must be held for educational, charitable, or religious purposes. The tax must be~~  
 13 ~~levied, collected, and paid annually with respect to the income of estates or of any kind of property held in trust,~~  
 14 ~~including:~~

15 ~~\_\_\_\_\_ (a) income received by estates of deceased persons during the period of administration or settlement~~  
 16 ~~of the estate;~~

17 ~~\_\_\_\_\_ (b) income accumulated in trust for the benefit of unborn or unascertained persons or persons with~~  
 18 ~~contingent interests;~~

19 ~~\_\_\_\_\_ (c) income held for future distribution under the terms of the will or trust; and~~

20 ~~\_\_\_\_\_ (d) income that is to be distributed to the beneficiaries periodically, whether or not at regular intervals,~~  
 21 ~~and the income collected by a guardian of a minor, to be held or distributed as the court may direct~~ in the same  
 22 manner and to the same extent as federal income tax is imposed on them under the Internal Revenue Code.

23 (2) The fiduciary is responsible for making the return of income for the estate or trust for which the  
 24 fiduciary acts, whether the fiduciary or the beneficiaries are ~~taxable~~ responsible for the payment of the tax with  
 25 reference to the income of the estate or trust. ~~In cases under subsections (1)(a) and (1)(d), the~~ The fiduciary shall  
 26 include in the return a statement of each beneficiary's distributive share of net income, whether or not distributed  
 27 before the close of the tax year for which the return is made, and at the request of the department shall furnish  
 28 a copy of the federal income tax return for the estate or trust as provided in 15-30-2619. The department may  
 29 require a fiduciary of an estate or trust to provide a copy of the federal schedule of the beneficiary's share of  
 30 income, deductions, and credits when filing the Montana individual income tax return.



1           (3) ~~In cases under subsections (1)(a), (1)(b), and (1)(c), the~~ The tax must be imposed upon on the  
 2 fiduciary of the estate or trust ~~with respect to the net income of the estate or trust and must be paid by the~~  
 3 fiduciary. ~~If the taxpayer's net income for the tax year of the estate or trust is computed upon the basis of a period~~  
 4 ~~different from that upon the basis of which the net income of the estate or trust is computed, then the taxpayer's~~  
 5 ~~distributive share of the net income of the estate or trust for any accounting period of the estate or trust ending~~  
 6 ~~within the fiscal or calendar year must be computed upon the basis on which the beneficiary's net income is~~  
 7 ~~computed. In those cases, a beneficiary who is not a resident must be taxable with respect to the beneficiary's~~  
 8 ~~income derived through the estate or trust only to the extent provided in 15-30-2111 for individuals other than~~  
 9 ~~residents.~~

10 ~~————(4) The fiduciary of a trust created by an employer as a part of a stock bonus, pension, or profit-sharing~~  
 11 ~~plan for the exclusive benefit of some or all of the employer's employees, to which contributions are made by the~~  
 12 ~~employer or employees, or both, for the purpose of distributing to the employees the earnings and principal of~~  
 13 ~~the fund accumulated by the trust in accordance with the plan, are not taxable under this section, but any amount~~  
 14 ~~contributed to the fund by the employer and all earnings of the fund must be included in computing the income~~  
 15 ~~of the distributee in the year in which distributed or made available to the distributee.~~

16 ~~————(5) Where any part of the income of a trust other than a testamentary trust is or may be applied to the~~  
 17 ~~payment of premiums upon policies of insurance on the life of the grantor, except policies of insurance irrevocably~~  
 18 ~~payable for the purposes and in the manner specified relating to the so-called "charitable contribution" deduction,~~  
 19 ~~or to the payment of premiums upon policies of life insurance under which the grantor is the beneficiary, the part~~  
 20 ~~of the income of the trust must be included in computing the net income of the grantor."~~

21  
 22           **Section 12.** Section 15-30-2153, MCA, is amended to read:

23           **"15-30-2153. Determination of tax of estates and trusts.** The amount of tax ~~must be~~ is determined  
 24 from Montana taxable income of an estate or trust as adjusted in [section 1] ~~in the same manner as the tax on~~  
 25 ~~taxable income of individuals~~; by applying the rates contained in 15-30-2103. Credits allowed to individuals under  
 26 Title 15, chapter 30, also apply to estates and trusts when applicable."

27  
 28           **Section 13.** Section 15-30-2328, MCA, is amended to read:

29           **"15-30-2328. (Temporary) Credit for contributions to qualified endowment -- recapture of credit**  
 30 **-- deduction included as income.** (1) A taxpayer is allowed a tax credit against the taxes imposed by

1 15-30-2103 or 15-31-101 in an amount equal to 40% of the present value of the aggregate amount of the  
 2 charitable gift portion of a planned gift made by the taxpayer during the year to any qualified endowment. The  
 3 maximum credit that may be claimed by a taxpayer for contributions made from all sources in a year is \$10,000.  
 4 The credit allowed under this section may not exceed the taxpayer's income tax liability.

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

8 ~~(3)(2)~~ There is no carryback or carryforward of the credit permitted under this section, and the credit must  
 9 be applied to the tax year in which the contribution is made.

10 ~~(4)(3)~~ If during any tax year a charitable gift is recovered by the taxpayer, the taxpayer shall:

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

13 (b) increase the amount of tax due under 15-30-2103 or 15-31-101 by the amount of the credit allowed  
 14 in the tax year in which the credit was taken. (Terminates December 31, 2019--secs. 2 through 8, Ch. 317, L.  
 15 2013.)"

16

17 **Section 14.** Section 15-30-2329, MCA, is amended to read:

18 **"15-30-2329. (Temporary) Beneficiaries of estates -- credit for contribution to qualified**  
 19 **endowment.** A contribution to a qualified endowment, as defined in 15-30-2327, by an estate qualifies for the  
 20 credit provided in 15-30-2328 if the contribution is a planned gift or in 15-31-161 if the contribution is an outright  
 21 gift to a qualified endowment. Any credit not used by the estate may be attributed to each beneficiary of the estate  
 22 in the same proportion used to report the beneficiary's income from the estate for Montana income tax purposes.  
 23 The maximum amount of credit that a beneficiary may claim is \$10,000, ~~subject to the limitation in 15-30-2328(2);~~  
 24 and the credit must be claimed in the year in which the contribution is made. The credit may not be carried  
 25 forward or carried back. (Terminates December 31, 2019--secs. 2 through 8, Ch. 317, L. 2013.)"

26

27 **Section 15.** Section 15-30-2364, MCA, is amended to read:

28 **"15-30-2364. Adoption tax credit -- limitations.** (1) There is allowed a tax credit against the tax  
 29 imposed by 15-30-2103 or 15-30-2151 for the legal adoption of an eligible child for which the taxpayer qualifies  
 30 for the credit for adoption expenses under section 23 of the Internal Revenue Code, 26 U.S.C. 23.

1 (2) The amount of the credit allowed under subsection (1) is equal to \$1,000 in the tax year the adoption  
 2 is final. Only one credit is allowed for each eligible child. However, married taxpayers filing separately ~~on the~~  
 3 ~~same form~~ may allocate the credit between spouses.

4 (3) To claim the credit under this section, the taxpayer shall:

5 (a) include the name, age, and federal tax identification number, if known, of the eligible child on the tax  
 6 return; and

7 (b) provide other information as required by the department, including identification of an agent assisting  
 8 with the adoption.

9 (4) The credit allowed by this section may not be refunded if the taxpayer has a tax liability less than the  
 10 amount of the credit. If the sum of credit carryovers from the credit, if any, and the amount of credit allowed by  
 11 this section for the tax year exceed the taxpayer's tax liability for the current tax year, the excess attributable to  
 12 the current tax year's credit is a credit carryover to the 5 succeeding tax years. The entire amount of unused credit  
 13 must be carried forward to the earliest of the succeeding years, and the oldest available unused credit must be  
 14 used first."

15

16 **Section 16.** Section 15-30-2501, MCA, is amended to read:

17 **"15-30-2501. Definitions.** When used in 15-30-2501 through 15-30-2509, the following definitions apply:

18 (1) (a) "Employee" means:

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

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

24 (iii) an officer of a corporation;

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

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

28 (2) "Employer" means:

29 (a) the person for whom an individual performs or performed any service, of whatever nature, as an  
 30 employee of the person or, if the person for whom the individual performs or performed the services does not

1 have control of the payment of wages for the services, the person having control of the payment of wages;  
 2 (b) any individual or organization that has or had in its employ one or more individuals performing  
 3 services for it within this state, including:  
 4 (i) a state government and any of its political subdivisions or instrumentalities;  
 5 (ii) a partnership, association, trust, estate, joint-stock company, insurance company, limited liability  
 6 company, or domestic or foreign corporation;  
 7 (iii) a receiver, trustee, including a trustee in bankruptcy, or the trustee's successor; or  
 8 (iv) a legal representative of a deceased person; or  
 9 (c) any person found to be an employer under Title 39, chapter 51, for unemployment insurance  
 10 purposes, or under Title 39, chapter 71, for workers' compensation purposes.

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

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

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

16 (b) The term does not include:

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

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

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

23 ~~—— (iv) any amount paid a sole proprietor."~~

24

25 **Section 17.** Section 15-30-2512, MCA, is amended to read:

26 **"15-30-2512. Estimated tax -- payment -- exceptions -- interest.** (1) (a) Each individual subject to tax  
 27 under this chapter, except farmers or ranchers as defined in subsection (6), shall pay for the tax year, through  
 28 employer withholding, as provided in 15-30-2502, through payment of estimated tax in four installments, as  
 29 provided in subsection (2) of this section, or through a combination of employer withholding and estimated tax  
 30 payments, at least:

1 (i) 90% of the tax for the current tax year, less tax credits and withholding allowed the taxpayer; or  
 2 (ii) an amount equal to 100% of the individual's tax liability for the preceding tax year, if the preceding tax  
 3 year was a period of 12 months and if the individual filed a return for the tax year.

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

5 (i) the combined tax liability of employer withholding and estimated tax for the current year is less than  
 6 \$500 after reductions for credits and withholding;

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

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

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

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

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

17 Installment	Date
18 First	April 15
19 Second	June 15
20 Third	September 15
21 Fourth	January 15 of the following tax year

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

24 Installment	Date
25 First	15th day of the 4th month following the beginning of the tax year
26 Second	15th day of the 6th month following the beginning of the tax year
27 Third	15th day of the 9th month following the beginning of the tax year
28 Fourth	15th day of the month following the close of the tax year

29 (3) (a) Except as provided in subsection (4), each installment must be 25% of the required annual  
 30 payment determined pursuant to subsection (1). If the taxpayer's tax situation changes, each succeeding

1 installment must be proportionally changed so that the balance of the required annual payment is paid in equal  
 2 installments over the remaining period of time.

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

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

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

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

19 Required Installment	Applicable Percentage
20 First	22.5%
21 Second	45%
22 Third	67.5%
23 Fourth	90%

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

28 (5) (a) If an estimated tax, an employer withholding tax, or a combination of estimated tax and employer  
 29 withholding tax is underpaid, there must be added to the amount due under this chapter interest on the amount  
 30 of the underpayment as provided in 15-1-216. The interest is computed on the amount of the underpayment, as

1 determined in subsection (5)(b), for the period from the time the payment was due to the date payment was made  
 2 or to the 15th day of the 4th month of the year following the tax year in which the payment was to be made,  
 3 whichever is earlier.

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

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

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

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

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

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

18 (6) For the purposes of this section, "farmer or rancher" means a taxpayer who derives at least 66 2/3%  
 19 of the taxpayer's gross income, as ~~defined in 15-30-2101~~ determined for federal income tax purposes, from  
 20 farming or ranching operations, or both.

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

23

24 **Section 18.** Section 15-30-2602, MCA, is amended to read:

25 **"15-30-2602. Returns and payment of tax -- penalty and interest -- refunds -- credits --inflation**

26 **adjustment.** (1) ~~(a) For both resident and nonresident taxpayers, each single~~ If required to file a federal income  
 27 tax return pursuant to the Internal Revenue Code, each individual, including each nonresident with Montana  
 28 source income, and each estate or trust shall file ~~married individual not filing a joint return with a spouse and~~  
 29 ~~having a gross income for the tax year of more than \$3,560, as adjusted under the provisions of subsection (6),~~  
 30 ~~and married individuals not filing separate returns and having a combined gross income for the tax year of more~~

1 than \$7,120, as adjusted under the provisions of subsection (6), are liable for a return to be filed on forms and  
 2 according to rules that the department may prescribe. The gross income amounts referred to in this subsection  
 3 (1) must be increased by \$1,900, as adjusted under the provisions of 15-30-2114(6), for each additional personal  
 4 exemption allowance that the taxpayer is entitled to claim for the taxpayer and the taxpayer's spouse under  
 5 15-30-2114(3) and (4):

6 (b) A taxpayer that is not required to file a federal income tax return shall file a Montana return if the  
 7 taxpayer has Montana taxable income after taking into consideration the additions and subtractions to federal  
 8 taxable income in [section 1].

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

15 ~~(3)(2) If a taxpayer is unable to make the taxpayer's own return, the return must be made by an~~  
 16 ~~authorized agent or by a guardian or other person charged with the care of the person or property of the taxpayer.~~

17 ~~(4)(3) All taxpayers, including but not limited to those subject to the provisions of 15-30-2502 and~~  
 18 ~~15-30-2512, shall compute the amount of income tax payable and shall, on or before the date required by this~~  
 19 ~~chapter for filing a return, pay to the department any balance of income tax remaining unpaid after crediting the~~  
 20 ~~amount withheld, as provided by 15-30-2502, and any payment made by reason of an estimated tax return~~  
 21 ~~provided for in 15-30-2512. However, the tax computed must be greater by \$1 than the amount withheld and paid~~  
 22 ~~by estimated return as provided in this chapter. If the amount of tax withheld and the payment of estimated tax~~  
 23 ~~exceed by more than \$1 the amount of income tax as computed, the taxpayer is entitled to a refund of the excess.~~

24 ~~(5)(4) If the department determines that the amount of tax due is greater than the amount of tax~~  
 25 ~~computed by the taxpayer on the return, the department shall mail a notice to the taxpayer as provided in~~  
 26 ~~15-30-2642 of the additional tax proposed to be assessed, including penalty and interest as provided in 15-1-216.~~

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



1           ~~(7)~~(5) Individual income tax forms distributed by the department for each tax year must contain  
2 instructions and tables based on the ~~adjusted base year~~ Montana income tax structure for that tax year."

3

4           **Section 19.** Section 15-30-2605, MCA, is amended to read:

5           **"15-30-2605. Revision of return by department -- statute of limitations -- examination of records**  
6 **and persons.** (1) If, in the opinion of the department, any return of a taxpayer is in any essential respect incorrect,  
7 it may revise the return.

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

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

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

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

26

27           **Section 20.** Section 15-30-2606, MCA, is amended to read:

28           **"15-30-2606. Tolling of statute of limitations.** The running of the statute of limitations provided for  
29 under 15-30-2605 must be suspended during any period that the federal statute of limitations for collection of  
30 federal income tax has been suspended by written agreement signed by the taxpayer or when the taxpayer has

1 instituted an action that has the effect of suspending the running of the federal statute of limitations and for 1  
 2 additional year. If the taxpayer fails to file an amended Montana return as required by 15-30-2619, the statute of  
 3 limitations does not apply until 5 years from the date the federal changes become final or the amended federal  
 4 return was filed. If the taxpayer omits from federal gross income, as defined and described in section 61 of the  
 5 Internal Revenue Code, 26 U.S.C. 61, an amount properly includable as federal gross income and the amount  
 6 is in excess of 25% of the amount of adjusted gross income stated in the return, the statute of limitations does  
 7 not apply for 2 additional years from the time specified in 15-30-2605."

8

9 **Section 21.** Section 15-30-2618, MCA, is amended to read:

10 **"15-30-2618. Confidentiality of tax records.** (1) Except as provided in 5-12-303, 15-1-106, 17-7-111,  
 11 and subsections ~~(8) and (9)~~ (7) and (8) of this section, in accordance with a proper judicial order, or as otherwise  
 12 provided by law, it is unlawful to divulge or make known in any manner:

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

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

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

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

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

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

25 (3) This section does not prohibit:

26 (a) the delivery to a taxpayer or the taxpayer's authorized representative of a certified copy of any return  
 27 or report filed in connection with the taxpayer's tax;

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

30 (c) the inspection by the attorney general or other legal representative of the state of the report or return

1 of any taxpayer who brings an action to set aside or review the tax based on the report or return or against whom  
 2 an action or proceeding has been instituted in accordance with the provisions of 15-30-2630.

3 ~~(4) The department may deliver to a taxpayer's spouse the taxpayer's return or information related to~~  
 4 ~~the return for a tax year if the spouse and the taxpayer filed the return with the filing status of married filing~~  
 5 ~~separately on the same return. The information being provided to the spouse or reported on the return, including~~  
 6 ~~subsequent adjustments or amendments to the return, must be treated in the same manner as if the spouse and~~  
 7 ~~the taxpayer filed the return using a joint filing status for that tax year.~~

8 ~~(5)~~(4) Reports and returns must be preserved for at least 3 years and may be preserved until the  
 9 department orders them to be destroyed.

10 ~~(6)~~(5) Any offense against subsections (1) through ~~(5)~~ (4) is punishable by a fine not exceeding \$500.  
 11 If the offender is an officer or employee of the state, the offender must be dismissed from office or employment  
 12 and may not hold any public office or public employment in this state for a period of 1 year after dismissal or, in  
 13 the case of a former officer or employee, for 1 year after conviction.

14 ~~(7)~~(6) This section may not be construed to prohibit the department from providing taxpayer return  
 15 information and information from employers' payroll withholding reports to:

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

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

20 ~~(8)~~(7) The department may permit the commissioner of internal revenue of the United States or the  
 21 proper officer of any state imposing a tax upon the incomes of individuals or the authorized representative of  
 22 either officer to inspect the return of income of any individual or may furnish to the officer or an authorized  
 23 representative an abstract of the return of income of any individual or supply the officer with information  
 24 concerning an item of income contained in a return or disclosed by the report of an investigation of the income  
 25 or return of income of an individual, but the permission may be granted or information furnished only if the statutes  
 26 of the United States or of the other state grant substantially similar privileges to the proper officer of this state  
 27 charged with the administration of this chapter.

28 ~~(9)~~(8) On written request to the director or a designee of the director, the department shall furnish:

29 ~~(a) to the department of justice all information necessary to identify those persons qualifying for the~~  
 30 ~~additional exemption for blindness pursuant to 15-30-2114(4), for the purpose of enabling the department of~~

1 ~~justice to administer the provisions of 61-5-105;~~

2 ~~(b)(a)~~ to the department of public health and human services information acquired under 15-30-2616,  
3 pertaining to an applicant for public assistance, reasonably necessary for the prevention and detection of public  
4 assistance fraud and abuse, provided notice to the applicant has been given;

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

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

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

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

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

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

22

23 **Section 22.** Section 15-30-3003, MCA, is amended to read:

24 **"15-30-3003. (Temporary) Montana farm and ranch risk management account -- deposits --**  
25 **exclusion from income.** (1) An individual or a family farm corporation engaged in an eligible agricultural  
26 business may ~~create~~ hold a Montana farm and ranch risk management account that is composed of contributions  
27 that were made to the account prior to January 1, 2016, as provided in this part, to use as a risk management  
28 tool for the individual's or family farm corporation's agricultural business. The number of risk management  
29 accounts that may be ~~created~~ held is limited to one for each individual or family farm corporation.

30 (2) ~~Deposits to the account may be excluded from adjusted gross income as provided in 15-30-2110 in~~

1 ~~an amount not to exceed the lesser of 20% of the taxpayer's net income attributable to agricultural business~~  
 2 ~~included in federal adjusted gross income or \$20,000 a year.~~ For the purposes of this section, a taxpayer is  
 3 considered to have made a deposit to an account if the deposit is made:

4 ~~—— (a) during a the tax year beginning before January 1, 2016.; or~~

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

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

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

11

12 **Section 23.** Section 15-30-3004, MCA, is amended to read:

13 **"15-30-3004. (Temporary) Montana farm and ranch risk management account -- creation --**  
 14 **administration.** (1) A Montana farm and ranch risk management account is a trust created or organized in the  
 15 state for the exclusive benefit of the taxpayer. The account trustee must be a financial institution, other than an  
 16 investment adviser, as defined in 15-62-103, supervised by the United States or by the state of Montana. The  
 17 trust must be created by written instrument.

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

20 ~~(3)(2)~~ (2) The trustee shall report to the department if a portion of a deposit is distributed within 6 months  
 21 of the date of deposit.

22 ~~(4)(3)~~ (3) The assets of the trust must consist entirely of cash or of obligations that have adequate stated  
 23 interest and that pay the interest at least annually.

24 ~~(5)(4)~~ (4) All income of the trust must be distributed currently to the grantor.

25 ~~(6)(5)~~ (5) The assets of the trust may not be commingled with other property except in a common trust fund  
 26 or common investment fund. (Terminates on occurrence of contingency--sec. 9, Ch. 262, L. 2001.)"

27

28 **Section 24.** Section 15-30-3005, MCA, is amended to read:

29 **"15-30-3005. (Temporary) Montana farm and ranch risk management account -- distributions.** (1)

30 Distributions from the account may be used for any purpose the taxpayer chooses.

- 1 (2) Distributions from an account:
- 2 (a) are first attributable to income and then to other deposits; and
- 3 (b) must be considered to be made from deposits in the order in which the deposits were made,
- 4 beginning with the earliest deposits. Income is considered to be deposited on the date the income is received by
- 5 the account.
- 6 (3) All distributions from the account are taxable unless:
- 7 (a) the deposit, or that portion of the deposit to which the distribution is attributable, was not excluded
- 8 from ~~adjusted gross income~~ income in calculating Montana individual income taxes for the tax year the deposit
- 9 was made; or
- 10 (b) the distribution has already been taxed because it was considered a distribution as provided in
- 11 subsection (4).
- 12 (4) (a) (i) Amounts that are not distributed within the 5-year eligibility period established in subsection
- 13 (4)(a)(ii) are considered to be distributed to the taxpayer on the last day of the tax year in which the fifth
- 14 anniversary of the deposit occurs. The distribution is taxable, and a penalty equal to 10% of the tax due on the
- 15 distributed amount is added to the tax as a penalty.
- 16 (ii) The 5-year eligibility period for withdrawal of a deposit without penalty is the due date, including
- 17 extensions, for the filing of a tax return required by this chapter or, if the taxpayer files earlier, the date the
- 18 taxpayer files the return for the tax year in which the fifth anniversary of the deposit occurs.
- 19 (b) At the end of the first disqualification period after a period in which the taxpayer was engaged in
- 20 eligible agricultural business, the balance of the account is considered to be distributed to the taxpayer and is
- 21 taxable to the taxpayer. (Terminates on occurrence of contingency--sec. 9, Ch. 262, L. 2001.)"

22

23 **Section 25.** Section 15-30-3312, MCA, is amended to read:

24 **"15-30-3312. Composite returns and tax.** (1) A partnership or S. corporation may elect to file a

25 composite return and pay a composite tax on behalf of participants. A participant is a partner, shareholder,

26 member, or other owner who:

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

1 (b) consents to be included in the filing.

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

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

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

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

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

15 (4) The electing entity:

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

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

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

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

23 and

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

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

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

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

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

3 (c) 15-31-403.

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

5

6 **Section 26.** Section 15-31-121, MCA, is amended to read:

7 **"15-31-121. Rate of tax -- minimum tax -- distribution of revenue.** (1) Except as provided in  
8 subsection (2), the percentage of net income to be paid under 15-31-101 is ~~6-3/4%~~ 6.5% of all net income for the  
9 tax period.

10 (2) For a taxpayer making a water's-edge election, the percentage of net income to be paid under  
11 15-31-101 is ~~7%~~ 6.75% of all taxable net income for the tax period.

12 (3) Each corporation subject to taxation under this part shall pay a minimum tax of not less than \$50."

13

14 **Section 27.** Section 15-31-125, MCA, is amended to read:

15 **"15-31-125. Determination of tax credit.** A new or expanding manufacturing corporation may receive  
16 an income tax credit based on a percentage of wages paid to its new employees hired within this state prior to  
17 [the effective date of this act] for a period of 3 years as provided in this section. For the first 3 years of operation  
18 of a new corporation or the first 3 years of expansion of an expanding corporation, a credit of 1% of the total new  
19 wages paid in this state, as wages are defined in 39-51-201, ~~may be~~ is allowed. In determining total wages for  
20 an expanding corporation, only those wages paid in support of the expansion are considered in ascertaining the  
21 credit. The payroll and number of jobs of the corporation in the 12-month period immediately preceding the  
22 expansion are averaged to determine eligibility for the credit."

23

24 **Section 28.** Section 15-31-127, MCA, is amended to read:

25 **"15-31-127. Department duties.** The department shall determine the eligibility of a corporation for this  
26 credit, promulgate rules, prepare forms, maintain records, and perform other duties necessary to carry out  
27 ~~15-31-124~~ 15-31-125 through 15-31-127."

28

29 **Section 29.** Section 15-31-131, MCA, is amended to read:

30 **"15-31-131. Credit for dependent care assistance and referral services.** (1) There is a credit against



1 the taxes otherwise due under this chapter allowable to an employer for amounts paid or incurred during the tax  
2 year by the employer for dependent care assistance actually provided to or on behalf of an employee if the  
3 assistance is furnished by a registered or licensed day-care provider and pursuant to a program that meets the  
4 requirements of section 129(d)(2) through (d)(6) of the Internal Revenue Code, 26 U.S.C. 129(d)(2) through  
5 (d)(6).

6 (2) (a) The amount of the credit allowed under subsection (1) is 25% of the amount paid or incurred by  
7 the employer during the tax year, but the credit may not exceed \$1,575 of day-care assistance actually provided  
8 to or on behalf of the employee.

9 (b) For the purposes of this subsection, marital status must be determined under the rules of section  
10 21(e)(3) and (e)(4) of the Internal Revenue Code, 26 U.S.C. 21(e)(3) and (e)(4).

11 (c) In the case of an onsite facility, the amount upon which the credit allowed under subsection (1) is  
12 based, with respect to any dependent, must be based upon utilization and the value of the services provided.

13 (3) (a) In addition to the credit allowed under subsection (1), there is a credit against the taxes otherwise  
14 due under this chapter allowable to an employer for amounts paid or incurred during the tax year by the employer  
15 to provide information and referral services to assist employees of the employer employed within this state to  
16 obtain dependent care.

17 (b) The amount of the credit allowed under subsection (3)(a) is equal to 25% of the amount paid or  
18 incurred in the tax year.

19 (4) An amount paid or incurred during the tax year of an employer in providing dependent care  
20 assistance to or on behalf of any employee does not qualify for the credit allowed under subsection (1) if the  
21 amount was paid or incurred to an individual described in section 129(c)(1) or (c)(2) of the Internal Revenue  
22 Code, 26 U.S.C. 129(c)(1) or (c)(2).

23 (5) An amount paid or incurred by an employer to provide dependent care assistance to or on behalf of  
24 an employee does not qualify for the credit allowed under subsection (1):

25 (a) to the extent the amount is paid or incurred pursuant to a salary reduction plan; or

26 (b) if the amount is paid or incurred for services not performed within this state.

27 (6) If the credit allowed under subsection (1) or (3) is claimed, the amount of any deduction allowed or  
28 allowable under this chapter for the amount that qualifies for the credit (or upon which the credit is based) must  
29 be reduced by the dollar amount of the credit allowed. The election to claim a credit allowed under this section  
30 must be made at the time of filing the tax return.

1 ~~\_\_\_\_\_ (7) The amount upon which the credit allowed under subsection (1) is based may not be included in the~~  
 2 ~~gross income of the employee to whom the dependent care assistance is provided. However, the amount~~  
 3 ~~excluded from the income of an employee under this section may not exceed the limitations provided in section~~  
 4 ~~129(b) of the Internal Revenue Code, 26 U.S.C. 129(b). For purposes of Title 15, chapter 30, part 25, with respect~~  
 5 ~~to an employee to whom dependent care assistance is provided, "wages" does not include any amount excluded~~  
 6 ~~under this subsection. Amounts excluded under this subsection do not qualify as expenses for which a deduction~~  
 7 ~~is allowed to the employee under 15-30-2131.~~

8 ~~(8)(7)~~ Any tax credit otherwise allowable under this section that is not used by the taxpayer in a particular  
 9 year may be carried forward and offset against the taxpayer's tax liability for the next succeeding tax year. Any  
 10 credit remaining unused in the next succeeding tax year may be carried forward and used in the second  
 11 succeeding tax year and likewise through the fifth year succeeding the tax year in which the credit was first  
 12 allowed or allowable. A credit may not be carried forward beyond the fifth succeeding tax year.

13 ~~(9)(8)~~ If the taxpayer is an S. corporation, as defined in section 1361 of the Internal Revenue Code, 26  
 14 U.S.C. 1361, and the taxpayer elects to take tax credit relief, the election may be made on behalf of the  
 15 corporation's shareholders. A shareholder's credit must be computed using the shareholder's pro rata share of  
 16 the corporation's costs that qualify for the credit. In all other respects, the effect of the tax credit applies to the  
 17 corporation as otherwise provided by law.

18 ~~(10)(9)~~ For purposes of the credit allowed under subsection (1) or (3):

19 (a) the definitions and special rules contained in section 129(e) of the Internal Revenue Code, 26 U.S.C.  
 20 129(e), apply to the extent applicable; and

21 (b) "employer" means an employer carrying on a business, trade, occupation, or profession in this state."  
 22

23 **Section 30.** Section 15-31-162, MCA, is amended to read:

24 **"15-31-162. (Temporary) Small business corporation, partnership, and limited liability company**  
 25 **credit for contribution to qualified endowment -- recapture of credit -- deduction included as income. (1)**

26 A contribution to a qualified endowment, as defined in 15-30-2327, by a small business corporation, as defined  
 27 in 15-30-3301, a partnership, or a limited liability company, as defined in 35-8-102, carrying on any trade or  
 28 business for which deductions would be allowed under section 162 of the Internal Revenue Code, 26 U.S.C. 162,  
 29 or carrying on any rental activity qualifies for the credit provided in 15-31-161. The credit must be attributed to  
 30 shareholders, partners, or members of a limited liability company in the same proportion used to report the

1 corporation's, partnership's, or limited liability company's income or loss for Montana income tax purposes. The  
 2 maximum credit that a shareholder of a small business corporation, a partner of a partnership, or a member of  
 3 a limited liability company may claim in a year is \$10,000, ~~subject to the limitations in 15-30-2328(2)~~. The credit  
 4 allowed under this section may not exceed the taxpayer's income tax liability. There is no carryback or  
 5 carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the  
 6 contribution is made.

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

10 (b) In the tax year that a charitable gift is recovered, each shareholder, partner, or member shall increase  
 11 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  
 12 the credit was taken. (Terminates December 31, 2019--secs. 2 through 8, Ch. 317, L. 2013.)"

13

14 **Section 31.** Section 15-32-104, MCA, is amended to read:

15 **"15-32-104. Limitations on deduction and credit.** Tax treatment under 15-32-103 ~~and 15-32-109~~ is  
 16 limited to persons and firms not primarily engaged in the provision of gas or electricity derived from fossil fuel  
 17 extraction or conventional hydroelectric development."

18

19 **Section 32.** Section 15-32-106, MCA, is amended to read:

20 **"15-32-106. Procedure for obtaining benefit of deduction or credit.** ~~The department of revenue shall~~  
 21 ~~provide forms on which a taxpayer may apply for a tax credit under 15-32-109.~~ The department of revenue shall  
 22 approve a deduction ~~or credit~~ under 15-32-103 ~~or 15-32-109~~ that demonstrably promotes energy conservation  
 23 or uses a recognized nonfossil form of energy generation. The department of revenue may refer a deduction ~~or~~  
 24 ~~credit~~ involving energy generation to the department of environmental quality for its advice, and the department  
 25 of environmental quality shall respond within 60 days. The department of revenue may refer a deduction ~~or credit~~  
 26 involving energy conservation to the department of labor and industry for its advice, and the department of labor  
 27 and industry shall respond within 60 days. The department of revenue may deny a deduction ~~or credit~~ that it finds  
 28 to be impractical or ineffective."

29

30 **Section 33.** Section 15-61-202, MCA, is amended to read:

1           **"15-61-202. Tax exemption -- conditions.** (1) Except as provided in this section, ~~the amount of principal~~  
 2 ~~provided for in subsection (2) contributed annually by an employee or account holder to an account and all~~  
 3 ~~interest or other income on that~~ the principal that was contributed to a medical care savings account prior to  
 4 January 1, 2016, may be excluded from the ~~adjusted-gross~~ Montana taxable income of the employee or account  
 5 holder and ~~are~~ is exempt from taxation, in accordance with ~~15-30-2110(2)(j)~~ [section 1], as long as the principal  
 6 and interest or other income is contained within the account or withdrawn only for payment of eligible medical  
 7 expenses or for the long-term care of the employee or account holder or a dependent of the employee or account  
 8 holder. Any part of the principal or income, or both, withdrawn from an account may not be excluded under  
 9 subsection (2) and this subsection if the amount is withdrawn from the account and used for a purpose other than  
 10 an eligible medical expense or the long-term care of the employee or account holder or a dependent of the  
 11 employee or account holder.

12           (2) ~~An employee or account holder may exclude as an annual contribution in 1 year not more than~~  
 13 ~~\$3,000. There~~ For contributions that were made prior to January 1, 2016, there is no limitation on the amount of  
 14 funds and interest or other income on those funds that may be retained tax-free within an account.

15 ~~————(3) A deduction pursuant to 15-30-2131 is not allowed to an employee or account holder for an amount~~  
 16 ~~contributed to an account. An employee or account holder may not deduct pursuant to 15-30-2131 or exclude~~  
 17 ~~pursuant to 15-30-2110 an amount representing a loss in the value of an investment contained in an account.~~

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

23           ~~(5)~~(3) The transfer of money in an account owned by one employee or account holder to the account  
 24 of another employee or account holder within the immediate family of the first employee or account holder does  
 25 not subject either employee or account holder to tax liability under this section. Amounts contained within the  
 26 account of the receiving employee or account holder are subject to the requirements and limitations provided in  
 27 this section.

28           ~~(6)~~(4) The employee or account holder who establishes the account is the owner of the account. An  
 29 employee or account holder may withdraw money in an account and deposit the money in another account with  
 30 a different or with the same account administrator without incurring tax liability.

1           ~~(7)~~(5) The amount of a disbursement of any assets of a medical care savings account pursuant to a filing  
 2 for protection under the United States Bankruptcy Code, 11 U.S.C. 101 through 1330, by an employee or account  
 3 holder does not subject the employee or account holder to tax liability.

4           ~~(8)~~(6) Within 30 days of being furnished proof of the death of the employee or account holder, the  
 5 account administrator shall distribute the principal and accumulated interest or other income in the account to the  
 6 estate of the employee or account holder or to a designated pay-on-death beneficiary as provided in 72-6-223."

7

8           **Section 34.** Section 15-61-203, MCA, is amended to read:

9           **"15-61-203. Withdrawal of funds from account for purposes other than medical expenses and**  
 10 **long-term care.** (1) An employee or account holder may withdraw money from the individual's medical care  
 11 savings account for any purpose other than an eligible medical expense or the long-term care of the employee  
 12 or account holder or a dependent of the employee or account holder only on the last business day of the account  
 13 administrator's business year. Money withdrawn from an account pursuant to this subsection that had been  
 14 excluded from taxation must be taxed as ordinary income of the employee or account holder.

15           (2) If the employee or account holder withdraws money from the account other than for eligible medical  
 16 expenses or long-term care or other than on the last business day of the account administrator's business year,  
 17 the administrator shall withhold from the amount of the withdrawal and, on behalf of the employee or account  
 18 holder, pay as a penalty to the department of revenue an amount equal to 10% of the amount of the withdrawal.  
 19 Payments made to the department pursuant to this section must be deposited in the general fund. Money  
 20 withdrawn from an account pursuant to this subsection must be taxed as ordinary income of the employee or  
 21 account holder if it had been excluded from taxation.

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

25

26           **Section 35.** Section 15-62-208, MCA, is amended to read:

27           **"15-62-208. Tax on certain withdrawals of deductible contributions.** (1) There is a recapture tax at  
 28 a rate equal to the highest rate of tax provided in 15-30-2103 on the recapturable withdrawal of amounts that  
 29 ~~reduced adjusted gross income under 15-30-2110(11)~~ were deducted from income in calculating Montana  
 30 individual income taxes.

1           (2) For purposes of determining the portion of a recapturable withdrawal that reduced ~~adjusted gross~~  
2 ~~income~~ Montana individual income taxes, all withdrawals must be allocated between income and contributions  
3 in accordance with the principles applicable under section 529(c)(3)(A) of the Internal Revenue Code of 1986,  
4 26 U.S.C. 529(c)(3)(A). The portion of a recapturable withdrawal that is allocated to contributions must be treated  
5 as derived first from contributions, if any, that did not reduce ~~adjusted gross income~~ Montana individual income  
6 taxes, to the extent of those contributions, and then to contributions that reduced ~~adjusted gross income~~ Montana  
7 individual income taxes. The portion of any other withdrawal that is allocated to contributions must be treated as  
8 first derived from contributions that reduced ~~adjusted gross income~~ Montana individual income taxes, to the extent  
9 of the contributions, and then to contributions that did not reduce ~~adjusted gross income~~ Montana individual  
10 income taxes.

11           (3) (a) The recapture tax imposed by this section is payable by the owner of the account from which the  
12 withdrawal or contribution was made. The tax liability must be reported on the income tax return of the account  
13 owner and is payable with the income tax payment for the year of the withdrawal or at the time that an income  
14 tax payment would be due for the year of the withdrawal. The account owner is liable for the tax even if the  
15 account owner is not a Montana resident at the time of the withdrawal.

16           (b) The department may require withholding on recapturable withdrawals from an account that was at  
17 one time owned by a Montana resident if the account owner is not a Montana resident at the time of the  
18 withdrawal. For the purposes of this subsection (3)(b), amounts rolled over from an account that was at one time  
19 owned by a Montana resident must be treated as if the account is owned by a resident of Montana.

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

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

28           (a) April 30, 2001; or

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

30           (6) The department shall use all means available for the administration and enforcement of income tax

1 laws in the administration and enforcement of this section."

2

3 **Section 36.** Section 15-63-202, MCA, is amended to read:

4 **"15-63-202. Tax exemption -- conditions.** (1) Except as provided in this section, the amount of principal  
5 provided for in subsection (2) contributed ~~annually~~ prior to January 1, 2016, by an account holder to an account  
6 and all interest or other income on the principal that was contributed prior to January 1, 2016, may be excluded  
7 from ~~the adjusted gross~~ Montana taxable income of the account holder and is exempt from taxation, in  
8 accordance with ~~15-30-2110(2)(k)~~ [section 1], as long as the principal and interest or other income is contained  
9 within the account or withdrawn only for eligible costs for the purchase of a single-family residence by a first-time  
10 home buyer. Any part of the principal or income, or both, withdrawn from an account may not be excluded under  
11 ~~subsection (2) and this subsection~~ if the amount is withdrawn from the account and used for a purpose other than  
12 for eligible costs for the purchase of a single-family residence.

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

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

16 ~~———— (c) There~~ For contributions to principal that were made prior to January 1, 2016, there is no limitation on  
17 the amount of principal and interest or other income on the principal that may be retained tax-free within an  
18 account.

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

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

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

29 ~~———— (5) The transfer of money by a person other than the account holder to the account of an account holder~~  
30 ~~does not subject the account holder to tax liability under this section. Amounts contained within the account of~~

1 the receiving account holder are subject to the requirements and limitations provided in this section. The person  
 2 other than the account holder who transfers money to the account is not entitled to the tax exemption under this  
 3 section.

4 ~~(6)~~(3) The account holder who establishes the account, individually or jointly, is the owner of the account.  
 5 An account holder may withdraw money in an account and deposit the money in another account with a different  
 6 account administrator or with the same account administrator without incurring tax liability.

7 ~~(7)~~(4) The account holder shall use the money in the account for the eligible costs related to the  
 8 purchase of a single-family residence within 10 years following the year in which the account was established.  
 9 Any principal and income in the account not expended on eligible costs at the time of purchase of a single-family  
 10 residence or any principal or income remaining in the account on December 31 of the last year of the 10-year  
 11 period must be taxed as ordinary income.

12 ~~(8)~~(5) The amount of a disbursement of any assets of a first-time home buyer savings account pursuant  
 13 to a filing for protection under the United States Bankruptcy Code, 11 U.S.C. 101 through 1330, by an account  
 14 holder does not subject the account holder to tax liability.

15 ~~(9)~~(6) Within 30 days of being furnished proof of the death of the account holder, the account  
 16 administrator shall distribute the principal and accumulated interest or other income in the account to the estate  
 17 of the account holder or to a designated pay-on-death beneficiary as provided in 72-6-223."

18

19 **Section 37.** Section 19-2-1004, MCA, is amended to read:

20 **"19-2-1004. Exemption from taxes and legal process.** Except as provided in 19-2-907 and 19-2-909,  
 21 the right of a person to any benefit or payment from a retirement system or plan and the money in the system or  
 22 plan's pension trust fund is not:

23 (1) subject to execution, garnishment, attachment, or any other process;

24 (2) subject to ~~state~~, county, or municipal taxes except for:

25 ~~—— (a) a benefit or annuity received in excess of the amount determined pursuant to 15-30-2110(2)(c); or~~

26 ~~—— (b) a refund of a member's regular contributions picked up by an employer after June 30, 1985, as~~  
 27 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

28 (3) assignable except as specifically provided in this chapter."

29

30 **Section 38.** Section 19-17-407, MCA, is amended to read:



1           **"19-17-407. Exemption from taxation and legal process.** ~~(1) The amount determined pursuant to~~  
 2 ~~15-30-2110(2)(c) of benefits received under this part is exempt from state, county, and municipal taxation.~~

3           ~~————(2) Benefits received under this part are not subject to execution, garnishment, attachment, or any other~~  
 4 ~~process."~~

5

6           **Section 39.** Section 19-18-612, MCA, is amended to read:

7           **"19-18-612. Protection of benefits from legal process and taxation -- nonassignability.** ~~(1) Except~~  
 8 ~~for execution or withholding for the payment of child support or for the payment of spousal support for a spouse~~  
 9 ~~or former spouse who is the custodial parent of the child, payments made or to be made under this chapter are~~  
 10 ~~not subject to judgments, garnishment, execution, or other legal process. A person entitled to a pension may not~~  
 11 ~~assign the right, and the association and trustees may not recognize any assignment or pay over any sum~~  
 12 ~~assigned.~~

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

15

16           **Section 40.** Section 19-19-504, MCA, is amended to read:

17           **"19-19-504. Protection of benefits from legal process and taxation.** ~~(1) Except for execution or~~  
 18 ~~withholding for the payment of child support or for the payment of spousal support for a spouse or former spouse~~  
 19 ~~who is the custodial parent of the child, the benefits provided for in this part are not subject to execution,~~  
 20 ~~garnishment, attachment, or the operation of bankruptcy, insolvency, or other process of law and are~~  
 21 ~~unassignable except as specifically provided in 19-19-505.~~

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

24

25           **Section 41.** Section 19-20-706, MCA, is amended to read:

26           **"19-20-706. Exemption from taxation and legal process.** Except as provided in 19-20-305 and  
 27 19-20-306, the retirement allowances or any other benefits accrued or accruing to any person under the  
 28 provisions of the retirement system and the accumulated contributions and cash and securities in the various  
 29 funds of the retirement system are:

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

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

2 or

3 ~~—— (b) a withdrawal paid under 19-20-603 of a member's contributions picked up by an employer after June~~

4 30, 1985, as provided in 19-20-602;

5 (2) not subject to execution, garnishment, attachment by trustee process or otherwise, in law or equity,

6 or any other process; and

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

8

9 **Section 42.** Section 19-21-212, MCA, is amended to read:

10 **"19-21-212. Exemption from taxation, legal process, and assessments.** Except for execution or  
 11 withholding for the payment of child support or for the payment of spousal support for a spouse or former spouse  
 12 who is the custodial parent of the child, contracts, benefits, and contributions under the university system  
 13 retirement program and the earnings on the contributions are:

14 (1) ~~except for a retirement allowance received in excess of the amount determined pursuant to~~  
 15 ~~15-30-2110(2)(c);~~ exempt from any ~~state~~, county; or municipal tax;

16 (2) not subject to execution, garnishment, attachment, or other process;

17 (3) not covered or assessable by an insurance guaranty association; and

18 (4) unassignable except as specifically provided in the contracts."

19

20 **Section 43.** Section 33-22-2006, MCA, is amended to read:

21 **"33-22-2006. Premium incentive payments, premium assistance payments, and tax credits for**  
 22 **small employer health insurance premiums paid -- eligibility for small group coverage -- amounts.** (1) An  
 23 employer is eligible to apply for premium incentive payments and premium assistance payments or a tax credit  
 24 under this part if the employer and any related employers:

25 (a) did not have more than the number of employees established for eligibility by the commissioner at  
 26 the time of registering for premium incentive payments or premium assistance payments or a tax credit under  
 27 33-22-2008;

28 (b) provide or will provide a group health plan that meets the requirements of creditable coverage for the  
 29 employer's and any related employer's employees;

30 (c) do not have delinquent state tax liability owing to the department of revenue from previous years; and

1 (d) have been registered as eligible small employer participants by the commissioner as provided in  
2 33-22-2008.

3 (2) In addition to the requirements in subsection (1), a small employer is eligible to apply for a tax credit  
4 under this part if the small employer and any related employers do not have any employees, not including an  
5 owner, partner, or shareholder of the business, who received more than \$75,000 in wages, as defined in  
6 39-71-123, from the small employer or related employer in the prior tax year.

7 (3) In addition to the requirements of subsections (1) and (2), an owner, partner, or shareholder of an  
8 eligible small employer who received more than \$75,000 in wages, as defined in 39-71-123, and those individuals'  
9 spouses who are employees are not eligible under this chapter for a tax credit for group health plan premiums  
10 paid by the eligible small employer for group health plan coverage for the individual or the individual's  
11 dependents.

12 (4) In addition to the requirements in subsection (1), an owner or employee is not eligible to apply for a  
13 premium assistance payment under this part if the owner or employee has a household income greater than  
14 400% of the federal poverty level for the year in which an application or application renewal is made.

15 (5) Subject to the requirements of subsection (4), the small business health insurance pool may  
16 authorize a premium incentive payment for the premium share paid by an eligible small employer and related  
17 employers for a group health plan for:

18 (a) the owner or employee of the eligible small employer and related employers;

19 (b) a spouse of an owner or employee provided for in subsection (5)(a); or

20 (c) dependents of the owner or employee provided for in subsection (5)(a).

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

25 (7) The commissioner shall establish, by rule, the maximum number of employees that an employer may  
26 employ to be qualified as an eligible small employer under subsection (1). The maximum number may be different  
27 for eligible small employers seeking premium incentive payments and premium assistance payments than for  
28 eligible small employers seeking a tax credit. The number must be set to maximize the number of employees  
29 receiving coverage under this part. The commissioner may not change the maximum employee number more  
30 often than every 6 months. If the maximum number of allowable employees is changed, the change does not

1 disqualify registered eligible small employers with respect to the tax year for which the eligible small employer  
2 has registered.

3 (8) Except as provided in subsection (3), an eligible small employer may claim a tax credit in the following  
4 amounts:

5 (a) (i) not more than \$100 each month for each employee and \$100 each month for each employee's  
6 spouse, if the eligible small employer covers the employee's spouse, if the average age of the group is under 45  
7 years of age; or

8 (ii) not more than \$125 each month for each employee and \$100 each month for each employee's  
9 spouse, if the eligible small employer covers the employee's spouse, if the average age of the group is 45 years  
10 of age or older; and

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

14 (9) An eligible small employer may not claim a tax credit:

15 (a) in excess of 50% of the total premiums paid by the eligible small employer for the qualifying small  
16 group;

17 (b) for premiums paid from a medical care savings account provided for in Title 15, chapter 61; or

18 (c) for premiums ~~for which that reduced Montana taxable income under [section 1] or when a deduction~~  
19 is claimed under ~~15-30-2131~~ or 15-31-114.

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

22

23 **Section 44.** Section 33-27-101, MCA, is amended to read:

24 "**33-27-101. Short title.** Sections 15-30-2118, ~~15-30-2144~~, 15-31-117, 15-31-118, and this chapter may  
25 be cited as the "Independent Liability Fund Act"."

26

27 **Section 45.** Section 33-27-102, MCA, is amended to read:

28 "**33-27-102. Purpose.** The purpose of 15-30-2118, ~~15-30-2144~~, 15-31-117, 15-31-118, and this chapter  
29 is to create a means by which small businesses operating in Montana may establish independent liability funds  
30 to set aside assets or make investments to meet any liability claims that might be made against the small

1 businesses by third parties."  
2

3 **Section 46.** Section 33-27-103, MCA, is amended to read:

4 **"33-27-103. Definitions.** As used in 15-30-2118, ~~15-30-2144~~, 15-31-117, 15-31-118, and this chapter,  
5 the following definitions apply:

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

8 (2) "Independent liability fund" means a collection of money, assets, and investments that has been set  
9 aside by a small business to meet the needs of any liability claims, except workers' compensation claims, brought  
10 against it by third parties.

11 (3) "Liability claim" means any legal or extralegal action by a third party asserting a right to compensation  
12 for a wrong done to it by a small business with an independent liability fund.

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

16 (5) "Third party" means a person other than an employee or the management of a small business or of  
17 a subsidiary or closely related enterprise of a small business."  
18

19 **Section 47.** Section 37-4-104, MCA, is amended to read:

20 **"37-4-104. Twelve-month period for disposition of deceased or disabled dentist's practice by  
21 personal representative -- restrictions.** (1) For the purpose of selling or otherwise disposing of a deceased or  
22 a disabled licensee's dental practice and for a period not to exceed 12 months, a person who is not licensed to  
23 practice dentistry but who is the personal representative of the estate of a deceased dentist or the personal  
24 representative of a disabled dentist may contract with a dentist to manage the dental practice at an establishment  
25 where dental operations, oral surgery, or dental services are provided.

26 (2) A personal representative may not:

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

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

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

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

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

6 (3) For the purposes of this section:

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

10 (b) "disabled" ~~has the same meaning as provided for the term "permanently and totally disabled" in~~  
11 ~~15-30-2110~~ means unable to engage in any substantial gainful activity by reason of any medically determined  
12 physical or mental impairment lasting or expected to last at least 12 months; and

13 (c) "personal representative" of the estate of a deceased dentist has the same meaning as provided for  
14 the term in 72-1-103.

15 (4) The 12-month period provided for in subsection (1) begins when:

16 (a) the personal representative of the estate of a deceased dentist files a verified copy of the death  
17 certificate of the deceased with the department; or

18 (b) the personal representative of the disabled dentist files a verified copy of a document signed by a  
19 licensed physician that attests to the dentist's disability."

20

21 **Section 48.** Section 53-2-211, MCA, is amended to read:

22 **"53-2-211. Department to share eligibility data.** (1) The department shall make available to the  
23 unemployment compensation program of the department of labor and industry all information contained in its files  
24 and records pertaining to eligibility of persons for medicaid, financial assistance and nonfinancial assistance, as  
25 defined in 53-2-902, and food stamps. The information made available must include information on the amount  
26 and source of an applicant's income. The information received from the department must be used by the  
27 department of labor and industry for the purpose of determining fraud, abuse, or eligibility for benefits under the  
28 unemployment compensation program of the state and for no other purpose.

29 (2) The department shall make available to the unemployment compensation and workers' compensation  
30 programs of the department of labor and industry all information contained in its files and records pertaining to

1 eligibility of persons for low-income energy assistance and weatherization. The information made available must  
 2 include information on the amount and source of an applicant's income. The information received from the  
 3 department must be used by the department of labor and industry for the purpose of determining fraud, abuse,  
 4 or eligibility for benefits under the unemployment compensation and workers' compensation programs of the state  
 5 and for no other purpose.

6 (3) (a) Subject to federal restrictions, the department may request information from the department of  
 7 labor and industry pertaining to unemployment, workers' compensation, and occupational disease benefits. If the  
 8 department of labor and industry discovers evidence relating to fraud or abuse for unemployment, workers'  
 9 compensation, or occupational benefits, the department of labor and industry may request information from the  
 10 department of revenue pertaining to income as provided in ~~15-30-2618(9)(e)~~ 15-30-2618(8)(b).

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

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

17

18 **Section 49.** Section 67-11-303, MCA, is amended to read:

19 **"67-11-303. Bonds and obligations.** (1) An authority may borrow money for any of its corporate  
 20 purposes and issue its bonds for those purposes, including refunding bonds, in the form and upon the terms that  
 21 it may determine, payable out of any revenue of the authority, including revenue derived from:

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

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

1 maintain, and collect rates, charges, rentals, and taxes, if any is pledged, sufficient to make the revenue from the  
2 pledged source in the year at least equal to the amount of principal and interest due in that year.

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

7 (4) Bonds issued by an authority or municipality pursuant to the provisions of this chapter are declared  
8 to be issued for an essential public and governmental purpose by a political subdivision ~~within the meaning of~~  
9 ~~15-30-2110(2)(a)~~.

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

15 (6) Subject to the conditions stated in this subsection, the governing body of any municipality having a  
16 population in excess of 10,000, with respect to bonds issued pursuant to this chapter by the municipality or by  
17 an authority in which the municipality is included, may by resolution covenant that in the event that at any time  
18 all revenue, including taxes, appropriated and collected for the bonds is insufficient to pay principal or interest  
19 then due, it shall, subject to 15-10-420, levy a general tax upon all of the taxable property in the municipality for  
20 the payment of the deficiency. The governing body may further covenant that at any time a deficiency is likely to  
21 occur within 1 year for the payment of principal and interest due on the bonds, it shall, subject to 15-10-420, levy  
22 a general tax upon all the taxable property in the municipality for the payment of the deficiency, and the taxes are  
23 limited to a rate estimated to be sufficient to produce the amount of the deficiency. In the event that more than  
24 one municipality having a population in excess of 10,000 is included in an authority issuing bonds pursuant to  
25 this chapter, the municipalities may apportion the obligation to levy taxes for the payment of, or in anticipation of,  
26 a deficiency in the revenue appropriated for the bonds in a manner that the municipalities may determine. The  
27 resolution must state the principal amount and purpose of the bonds and the substance of the covenant  
28 respecting deficiencies. A resolution may not be effective until the question of its approval has been submitted  
29 to the qualified electors of the municipality at a special election called for that purpose by the governing body of  
30 the municipality and a majority of the electors voting on the question have voted in favor of the resolution. The



1 special election must be held in conjunction with a regular or primary election. The notice and conduct of the  
2 election is governed, to the extent applicable, as provided for municipal general obligation bonds in Title 7,  
3 chapter 7, part 42, for an election called by cities and towns and as provided for county general obligation bonds  
4 in Title 7, chapter 7, part 22, for an election called by counties. If a majority of the electors voting on the issue vote  
5 against approval of the resolution, the municipality may not make the covenant or levy a tax for the payment of  
6 deficiencies pursuant to this section, but the municipality or authority may issue bonds under this chapter payable  
7 solely from the sources referred to in subsection (1)."

8

9 **Section 50.** Section 70-9-803, MCA, is amended to read:

10 **"70-9-803. Presumptions of abandonment.** (1) Except as provided in subsection (6), property is  
11 presumed abandoned if it is unclaimed by the apparent owner during the time set forth below for the particular  
12 property:

13 (a) traveler's check, 15 years after issuance;

14 (b) money order, 7 years after issuance;

15 (c) stock or other equity interest in a business association or financial organization, including a security  
16 entitlement under Title 30, chapter 8, 5 years after the earlier of:

17 (i) the date of the most recent dividend, stock split, or other distribution that was unclaimed by the  
18 apparent owner; or

19 (ii) the date of the second mailing of a statement of account or other notification or communication that  
20 was returned as undeliverable or after the holder discontinued mailings, notifications, or communications to the  
21 apparent owner;

22 (d) debt of a business association or financial organization, other than a bearer bond or an original issue  
23 discount bond, 5 years after the date of the most recent interest payment that was unclaimed by the apparent  
24 owner;

25 (e) demand, savings, or time deposit, including a deposit that is automatically renewable, 5 years after  
26 the earlier of maturity or the date of the last indication by the owner of interest in the property; however, a deposit  
27 that is automatically renewable is considered matured for purposes of this section upon its initial date of maturity  
28 unless the owner has consented to a renewal at or about the time of the renewal and the consent is in writing or  
29 is evidenced by a memorandum or other record on file with the holder;

30 (f) money or credits owed to a customer as a result of a retail business transaction, 3 years after the

1 obligation accrued;

2 (g) gift certificate, 3 years after December 31 of the year in which the certificate was sold, but if  
3 redeemable in merchandise only, the amount abandoned is considered to be 60% of the certificate's face value.

4 A gift certificate is not presumed abandoned if the gift certificate was sold by a person who in the past fiscal year  
5 sold no more than \$200,000 in gift certificates, which amount must be adjusted by November of each year by the  
6 inflation factor ~~defined in 15-30-2104~~. The amount considered abandoned for a person who sells more than the  
7 amount that triggers presumption of abandonment is the value of gift certificates greater than that trigger.

8 (h) amount that is owed by an insurer on a life or endowment insurance policy or an annuity that has  
9 matured or terminated, 3 years after the obligation to pay arose or, in the case of a policy or annuity payable upon  
10 proof of death, 3 years after the insured has attained, or would have attained if living, the limiting age under the  
11 mortality table on which the reserve is based;

12 (i) property distributable by a business association or financial organization in a course of dissolution,  
13 1 year after the property becomes distributable;

14 (j) property received by a court as proceeds of a class action and not distributed pursuant to the  
15 judgment, 1 year after the distribution date;

16 (k) property held by a court, government, governmental subdivision, agency, or instrumentality, 1 year  
17 after the property becomes distributable;

18 (l) wages or other compensation for personal services, 1 year after the compensation becomes payable;

19 (m) deposit or refund owed to a subscriber by a utility, 1 year after the deposit or refund becomes  
20 payable;

21 (n) property in an individual retirement account, defined benefit plan, or other account or plan that is  
22 qualified for tax deferral under the income tax laws of the United States, 3 years after the earliest of the date of  
23 the distribution or attempted distribution of the property, the date of the required distribution as stated in the plan  
24 or trust agreement governing the plan, or the date, if determinable by the holder, specified in the income tax laws  
25 of the United States by which distribution of the property must begin in order to avoid a tax penalty;

26 (o) a patronage refund owed to a member of a rural electric or telephone cooperative organized under  
27 Title 35, chapter 18, that is not used by the cooperative for educational purposes, 5 years after the distribution  
28 date;

29 (p) an unclaimed share in a cooperative that is not used for charitable or civic purposes in the community  
30 in which the cooperative is located, 5 years after the distribution date; and

1 (q) all other property, 5 years after the owner's right to demand the property or after the obligation to pay  
2 or distribute the property arises, whichever first occurs.

3 (2) At the time that an interest is presumed abandoned under subsection (1), any other property right  
4 accrued or accruing to the owner as a result of the interest, and not previously presumed abandoned, is also  
5 presumed abandoned.

6 (3) Property is unclaimed if, for the applicable period set forth in subsection (1), the apparent owner has  
7 not communicated in writing or by other means reflected in a contemporaneous record prepared by or on behalf  
8 of the holder with the holder concerning the property or the account in which the property is held and has not  
9 otherwise indicated an interest in the property. A communication with an owner by a person other than the holder  
10 or its representative who has not in writing identified the property to the owner is not an indication of interest in  
11 the property by the owner.

12 (4) An indication of an owner's interest in property includes:

13 (a) the presentment of a check or other instrument of payment of a dividend or other distribution made  
14 with respect to an account or underlying stock or other interest in a business association or financial organization  
15 or, in the case of a distribution made by electronic or similar means, evidence that the distribution has been  
16 received;

17 (b) owner-directed activity in the account in which the property is held, including a direction by the owner  
18 to increase, decrease, or change the amount or type of property held in the account;

19 (c) the making of a deposit to or withdrawal from an account in a financial organization; and

20 (d) the payment of a premium with respect to a property interest in an insurance policy; however, the  
21 application of an automatic premium loan provision or other nonforfeiture provision contained in an insurance  
22 policy does not prevent a policy from maturing or terminating if the insured has died or the insured or the  
23 beneficiary of the policy has otherwise become entitled to the proceeds before the depletion of the cash surrender  
24 value of a policy by the application of those provisions.

25 (5) Property is payable or distributable for purposes of this part notwithstanding the owner's failure to  
26 make demand or present an instrument or document otherwise required to obtain payment.

27 (6) The presumption provided in subsection (1) does not apply to:

28 (a) unclaimed patronage refunds of a rural electric or telephone cooperative if the cooperative uses the  
29 refunds exclusively for educational purposes; or

30 (b) unclaimed shares in a nonutility cooperative if the cooperative uses the shares for charitable or civic

1 purposes in the community in which the cooperative is located.

2 (7) For the purposes of this section, "inflation factor" means a number determined for each year by  
3 dividing the consumer price index for June of the year subject to adjustment by the consumer price index for June  
4 2005."

5

6 **Section 51.** Section 75-2-103, MCA, is amended to read:

7 **"75-2-103. Definitions.** Unless the context requires otherwise, in this chapter, the following definitions  
8 apply:

9 (1) "Air contaminant" means dust, fumes, mist, smoke, other particulate matter, vapor, gas, odorous  
10 substances, or any combination of those air contaminants.

11 (2) "Air pollutants" means one or more air contaminants that are present in the outdoor atmosphere,  
12 including those pollutants regulated pursuant to section 7412 and Subchapter V of the federal Clean Air Act, 42  
13 U.S.C. 7401, et seq.

14 (3) "Air pollution" means the presence of air pollutants in a quantity and for a duration that are or tend  
15 to be injurious to human health or welfare, animal or plant life, or property or that would unreasonably interfere  
16 with the enjoyment of life, property, or the conduct of business.

17 (4) "Associated supporting infrastructure" means:

18 (a) electric transmission and distribution facilities;

19 (b) pipeline facilities;

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

21 (d) rail transportation;

22 (e) aqueducts and diversion dams;

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

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

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

28 (6) (a) "Commercial hazardous waste incinerator" means:

29 (i) an incinerator that burns hazardous waste; or

30 (ii) a boiler or industrial furnace subject to the provisions of 75-10-406.

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

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

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

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

8 (i) generating electricity;

9 (ii) producing gas derived from coal;

10 (iii) producing liquid hydrocarbon products;

11 (iv) refining crude oil or natural gas;

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

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

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

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

19 (10) "Environmental protection law" means a law contained in or an administrative rule adopted pursuant  
20 to Title 75, chapter 2, 5, 10, or 11.

21 (11) "Hazardous waste" means:

22 (a) a substance defined as hazardous under 75-10-403 or defined as hazardous in department  
23 administrative rules adopted pursuant to Title 75, chapter 10, part 4; or

24 (b) a waste containing 2 parts or more per million of polychlorinated biphenyl (PCB).

25 (12) (a) "Incinerator" means any single- or multiple-chambered combustion device that burns combustible  
26 material, alone or with a supplemental fuel or with catalytic combustion assistance, primarily for the purpose of  
27 removal, destruction, disposal, or volume reduction of any portion of the input material.

28 (b) Incinerator does not include:

29 (i) safety flares used to combust or dispose of hazardous or toxic gases at industrial facilities, such as  
30 refineries, gas sweetening plants, oil and gas wells, sulfur recovery plants, or elemental phosphorus plants;

- 1 (ii) space heaters that burn used oil;
- 2 (iii) wood-fired boilers; or
- 3 (iv) wood waste burners, such as tepee, wigwam, truncated cone, or silo burners.
- 4 (13) "Medical waste" means any waste that is generated in the diagnosis, treatment, or immunization of
- 5 human beings or animals, in medical research on humans or animals, or in the production or testing of biologicals.
- 6 The term includes:
- 7 (a) cultures and stocks of infectious agents;
- 8 (b) human pathological wastes;
- 9 (c) waste human blood or products of human blood;
- 10 (d) sharps;
- 11 (e) contaminated animal carcasses, body parts, and bedding that were known to have been exposed
- 12 to infectious agents during research;
- 13 (f) laboratory wastes and wastes from autopsy or surgery that were in contact with infectious agents; and
- 14 (g) biological waste and discarded material contaminated with blood, excretion, exudates, or secretions
- 15 from humans or animals.
- 16 (14) (a) "Oil or gas well facility" means a well that produces oil or natural gas. The term includes:
- 17 (i) equipment associated with the well and used for the purpose of producing, treating, separating, or
- 18 storing oil, natural gas, or other liquids produced by the well; and
- 19 (ii) a group of wells under common ownership or control that produce oil or natural gas and that share
- 20 common equipment used for the purpose of producing, treating, separating, or storing oil, natural gas, or other
- 21 liquids produced by the wells.
- 22 (b) The equipment referred to in subsection (15)(a) includes but is not limited to wellhead assemblies,
- 23 amine units, prime mover engines, phase separators, heater treater units, dehydrator units, tanks, and connecting
- 24 tubing.
- 25 (c) The term does not include equipment such as compressor engines used for transmission of oil or
- 26 natural gas.
- 27 (15) "Person" means an individual, a partnership, a firm, an association, a municipality, a public or private
- 28 corporation, the state or a subdivision or agency of the state, a trust, an estate, an interstate body, the federal
- 29 government or an agency of the federal government, or any other legal entity and includes persons resident in
- 30 Canada.

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

3 (17) "Small business stationary source" means a stationary source that:

4 (a) is owned or operated by a person who employs 100 or fewer individuals;

5 (b) is a small business concern as defined in the Small Business Act, 15 U.S.C. 631, et seq.;

6 (c) is not a major stationary source as defined in Subchapter V of the federal Clean Air Act, 42 U.S.C.  
7 7661, et seq.;

8 (d) emits less than 50 tons per year of an air pollutant;

9 (e) emits less than a total of 75 tons per year of all air pollutants combined; and

10 (f) is not excluded from this definition under 75-2-108(3).

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

19 (b) Solid waste does not include municipal sewage, industrial wastewater effluents, mining wastes  
20 regulated under the mining and reclamation laws administered by the department of environmental quality, or  
21 slash and forest debris regulated under laws administered by the department of natural resources and  
22 conservation."  
23

24 **Section 52.** Section 75-5-103, MCA, is amended to read:

25 **"75-5-103. (Temporary) Definitions.** Unless the context requires otherwise, in this chapter, the following  
26 definitions apply:

27 (1) "Associated supporting infrastructure" means:

28 (a) electric transmission and distribution facilities;

29 (b) pipeline facilities;

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

- 1 (d) rail transportation;
- 2 (e) aqueducts and diversion dams;
- 3 (f) devices or equipment associated with the delivery of an energy form or product produced at an energy  
4 development project; or
- 5 (g) other supporting infrastructure, as defined by board rule, that is necessary for an energy development  
6 project.
- 7 (2) (a) "Base numeric nutrient standards" means numeric water quality criteria for nutrients in surface  
8 water that are adopted to protect the designated uses of a surface water body.
- 9 (b) The term does not include numeric water quality standards for nitrate, nitrate plus nitrite, or nitrite that  
10 are adopted to protect human health.
- 11 (3) "Board" means the board of environmental review provided for in 2-15-3502.
- 12 (4) "Contamination" means impairment of the quality of state waters by sewage, industrial wastes, or  
13 other wastes, creating a hazard to human health.
- 14 (5) "Council" means the water pollution control advisory council provided for in 2-15-2107.
- 15 (6) (a) "Currently available data" means data that is readily available to the department at the time a  
16 decision is made, including information supporting its previous lists of water bodies that are threatened or  
17 impaired.
- 18 (b) The term does not mean new data to be obtained as a result of department efforts.
- 19 (7) "Degradation" means a change in water quality that lowers the quality of high-quality waters for a  
20 parameter. The term does not include those changes in water quality determined to be nonsignificant pursuant  
21 to 75-5-301(5)(c).
- 22 (8) "Department" means the department of environmental quality provided for in 2-15-3501.
- 23 (9) "Disposal system" means a system for disposing of sewage, industrial, or other wastes and includes  
24 sewage systems and treatment works.
- 25 (10) "Effluent standard" means a restriction or prohibition on quantities, rates, and concentrations of  
26 chemical, physical, biological, and other constituents that are discharged into state waters.
- 27 (11) (a) "Energy development project" means each plant, unit, or other development and associated  
28 developments, including any associated supporting infrastructure, designed for or capable of:
- 29 (i) generating electricity;
- 30 (ii) producing gas derived from coal;



- 1 (iii) producing liquid hydrocarbon products;
- 2 (iv) refining crude oil or natural gas;
- 3 (v) producing alcohol to be blended for ethanol-blended gasoline and that are eligible for a tax incentive
- 4 pursuant to Title 15, chapter 70, part 5; or
- 5 ~~(vi) producing biodiesel and that are eligible for a tax incentive for the production of biodiesel pursuant~~
- 6 ~~to 15-32-701; or~~
- 7 ~~(vii)~~(vi) transmitting electricity through an electric transmission line with a design capacity of equal to or
- 8 greater than 50 kilovolts.
- 9 (b) The term does not include a nuclear facility as defined in 75-20-1202.
- 10 (12) "Existing uses" means those uses actually attained in state waters on or after July 1, 1971, whether
- 11 or not those uses are included in the water quality standards.
- 12 (13) "High-quality waters" means all state waters, except:
- 13 (a) ground water classified as of January 1, 1995, within the "III" or "IV" classifications established by
- 14 the board's classification rules; and
- 15 (b) surface waters that:
- 16 (i) are not capable of supporting any one of the designated uses for their classification; or
- 17 (ii) have zero flow or surface expression for more than 270 days during most years.
- 18 (14) "Impaired water body" means a water body or stream segment for which sufficient credible data
- 19 shows that the water body or stream segment is failing to achieve compliance with applicable water quality
- 20 standards.
- 21 (15) "Industrial waste" means a waste substance from the process of business or industry or from the
- 22 development of any natural resource, together with any sewage that may be present.
- 23 (16) "Interested person" means a person who has a real property interest, a water right, or an economic
- 24 interest that is or may be directly and adversely affected by the department's preliminary decision regarding
- 25 degradation of state waters, pursuant to 75-5-303. The term includes a person who has requested authorization
- 26 to degrade high-quality waters.
- 27 (17) "Load allocation" means the portion of a receiving water's loading capacity that is allocated to one
- 28 of its existing or future nonpoint sources or to natural background sources.
- 29 (18) "Loading capacity" means the mass of a pollutant that a water body can assimilate without a violation
- 30 of water quality standards. For pollutants that cannot be measured in terms of mass, it means the maximum

1 change that can occur from the best practicable condition in a surface water without causing a violation of the  
2 surface water quality standards.

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

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

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

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

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

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

22 (25) "Outstanding resource waters" means:

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

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

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

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

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

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

6 (30) (a) "Pollution" means:

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

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

13 (b) The term does not include:

14 (i) a discharge, seepage, drainage, infiltration, or flow that is authorized under the pollution discharge  
15 permit rules adopted by the board under this chapter;

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

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

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

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

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

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

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

1 underground.

2 (b) The term does not apply to:

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

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

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

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

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

14 (b) documented adverse pollution trends.

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

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

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

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

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

29 (42) "Watershed advisory group" means a group of individuals who wish to participate in an advisory  
30 capacity in revising and reprioritizing the list of water bodies developed under 75-5-702 and in the development

1 of TMDLs under 75-5-703, including those groups or individuals requested by the department to participate in  
2 an advisory capacity as provided in 75-5-704.

3 **75-5-103. (Effective on occurrence of contingency) Definitions.** Unless the context requires  
4 otherwise, in this chapter, the following definitions apply:

5 (1) "Associated supporting infrastructure" means:

6 (a) electric transmission and distribution facilities;

7 (b) pipeline facilities;

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

9 (d) rail transportation;

10 (e) aqueducts and diversion dams;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7 (i) generating electricity;

8 (ii) producing gas derived from coal;

9 (iii) producing liquid hydrocarbon products;

10 (iv) refining crude oil or natural gas;

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

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

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

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

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

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

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

23 (b) surface waters that:

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

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

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

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

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

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

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

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

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

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

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

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

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

30 (25) "Outstanding resource waters" means:

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

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

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

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

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

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

14 (30) (a) "Pollution" means:

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

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

21 (b) The term does not include:

22 (i) a discharge, seepage, drainage, infiltration, or flow that is authorized under the pollution discharge  
23 permit rules adopted by the board under this chapter;

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

26 (iii) contamination of ground water within the boundaries of a geologic storage reservoir, as defined in  
27 82-11-101, by a carbon dioxide injection well in accordance with a permit issued pursuant to Title 82, chapter 11,  
28 part 1;

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



1 (c) Contamination referred to in subsections (30)(b)(iii) and (30)(b)(iv) does not require a mixing zone.

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

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

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

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

13 (b) The term does not apply to:

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

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

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

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

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

25 (b) documented adverse pollution trends.

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

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

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

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

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

10 (42) "Watershed advisory group" means a group of individuals who wish to participate in an advisory  
11 capacity in revising and reprioritizing the list of water bodies developed under 75-5-702 and in the development  
12 of TMDLs under 75-5-703, including those groups or individuals requested by the department to participate in  
13 an advisory capacity as provided in 75-5-704."  
14

15 **Section 53.** Section 87-2-102, MCA, is amended to read:

16 **"87-2-102. Resident defined.** In determining whether a person is a resident for the purpose of issuing  
17 resident hunting, fishing, and trapping licenses, the following provisions apply:

18 (1) (a) A member of the regular armed forces of the United States, a member's dependent, as defined  
19 in ~~45-30-2115~~ subsection (1)(c), who resides in the member's Montana household, or a member of the armed  
20 forces of a foreign government attached to the regular armed forces of the United States is considered a resident  
21 for the purposes of this chapter if:

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

24 (ii) the member is currently stationed in and assigned to active duty in Montana, has resided in Montana  
25 for at least 30 days, and presents official assignment orders and proof of completion of a hunter safety course  
26 approved by the department, as provided in 87-2-105, or a certificate verifying the successful completion of a  
27 hunter safety course in any state or province. The 30-day residence requirement is waived in time of war.  
28 Reassignment to another state, United States territory, or country terminates Montana residency for purposes  
29 of this section, except that a reassigned member continues to qualify as a resident if the member's spouse and  
30 dependents continue to physically reside in Montana and the member continues to meet the residency criteria

1 of subsections (4)(b) through (4)(e). The designation of Montana by a member of the regular armed forces as a  
2 "home of record" or "home of residence" in that member's armed forces records does not determine the member's  
3 residency for purposes of this section.

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

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

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

11 (ii) a stepson or stepdaughter of the member;

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

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

14 (v) a stepfather or stepmother of the member;

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

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

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

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

21 (x) an individual who:

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

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

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

26 (d) For purposes of subsection (1)(c):

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

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

30 (2) A person who has physically resided in Montana as the person's principal or primary home or place

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

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

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

11 (a) the person's principal or primary home or place of abode is in Montana;

12 (b) the person files Montana state income tax returns as a resident if required to file;

13 (c) the person licenses and titles in Montana as required by law any vehicles that the person owns and  
14 operates in Montana;

15 (d) except as provided in subsection (1)(b), the person does not possess or apply for any resident  
16 hunting, fishing, or trapping licenses from another state or country or exercise resident hunting, fishing, or  
17 trapping privileges in another state or country; and

18 (e) if the person registers to vote, the person registers only in Montana.

19 (5) A student who is enrolled full-time in a postsecondary educational institution out of state and who  
20 would qualify for Montana resident tuition or who otherwise meets the residence requirements of subsection (2)  
21 or (3) is considered a resident for purposes of this section.

22 (6) An enrollee of a job corps camp located within the state of Montana is, after a period of 30 days within  
23 Montana, considered a resident for the purpose of making application for a fishing license as long as the person  
24 remains an enrollee in a Montana camp.

25 (7) A person who does not reside in Montana but who meets all of the following requirements is a  
26 resident for purposes of obtaining hunting and fishing licenses:

27 (a) The person's principal employment is within this state and the income from this employment is the  
28 principal source of the applicant's family income.

29 (b) The person is required to pay and has paid Montana income tax in a timely manner and proper  
30 amount.

1 (c) The person has been employed within this state on a full-time basis for at least 12 consecutive  
2 months immediately preceding each application.

3 (d) The person's state of residency has laws substantially similar to this subsection (7).

4 (8) An unmarried minor is considered a resident for the purposes of this section if the minor's parents,  
5 legal guardian, or parent with joint custody, sole custody, or visitation rights is a resident for purposes of this  
6 section. The minor is considered a resident for purposes of this section regardless of whether the minor resides  
7 primarily in the state or otherwise qualifies as a resident. The resident parent or guardian of the minor may be  
8 required to show proof of the parental, guardianship, or custodial relationship to the minor.

9 (9) A person is not considered a resident for the purposes of this section if the person:

10 (a) claims residence in any other state or country for any purpose; or

11 (b) is an absentee property owner paying property tax on property in Montana.

12 (10) A license agent is not considered a representative of the state for the purpose of determining a  
13 license applicant's residence status."

14

15 **Section 54.** Section 87-2-105, MCA, is amended to read:

16 **"87-2-105. Safety instruction required.** (1) Except for a youth who qualifies for a license pursuant to  
17 87-2-805(4), a hunting license may not be issued to a person who is born after January 1, 1985, unless the  
18 person authorized to issue the license determines proof of completion of:

19 (a) a Montana hunter safety and education course established in subsection (4) or (6);

20 (b) a hunter safety course in any other state or province; or

21 (c) a Montana hunter safety and education course that qualifies the person for a provisional certificate  
22 as provided in 87-2-126.

23 (2) A hunting license may not be issued to a member of the regular armed forces of the United States  
24 or to a member of the armed forces of a foreign government attached to the armed forces of the United States  
25 who is assigned to active duty in Montana and who is otherwise considered a resident under 87-2-102(1) or to  
26 a member's dependents, as defined in ~~45-30-2115~~ 87-2-102, who reside in the member's Montana household,  
27 unless the person authorized to issue the license determines proof of completion of a hunter safety course  
28 approved by the department or a hunter safety course in any state or province.

29 (3) A bow and arrow license may not be issued to a resident or nonresident unless the person authorized  
30 to issue the license receives an archery license issued for a prior hunting season or determines proof of

1 completion of a bowhunter education course from the national bowhunter education foundation or any other  
 2 bowhunter education program approved by the department. Neither the department nor the license agent is  
 3 required to provide records of past archery license purchases. As part of the department's bow and arrow  
 4 licensing procedures, the department shall notify the public regarding bowhunter education requirements.

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

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

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

18 (7) The department may adopt rules regarding how a person authorized to issue a license determines  
 19 proof of completion of a required course."

20

21 **NEW SECTION. Section 55. Repealer.** The following sections of the Montana Code Annotated are  
 22 repealed:

23 7-21-3701. Purpose of empowerment zone.

24 7-21-3702. Definitions.

25 7-21-3703. Empowerment zones -- creation.

26 7-21-3704. Criteria for empowerment zone.

27 7-21-3710. Tax credits for employers in empowerment zone.

28 7-21-3715. Rulemaking authority.

29 15-30-2110. Adjusted gross income.

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

- 1 15-30-2114. Exemptions -- inflation adjustment.
- 2 15-30-2115. General definition of dependent.
- 3 15-30-2116. Additional exemption for dependent child with disability -- physician's verification.
- 4 15-30-2117. Military salary, veterans' bonus, or death benefit -- exemptions.
- 5 15-30-2119. Net operating loss -- computation.
- 6 15-30-2131. Deductions allowed in computing net income.
- 7 15-30-2132. Standard deduction.
- 8 15-30-2133. Nondeductible items in computing net income.
- 9 15-30-2141. Independent liability fund -- deductibility.
- 10 15-30-2142. Income tax deduction for contribution to veterans' programs.
- 11 15-30-2143. Deduction for contributions to child abuse and neglect prevention program.
- 12 15-30-2144. Deposit of child abuse and neglect prevention program deductible contributions.
- 13 15-30-2152. Computation of income of estates or trusts -- exemption.
- 14 15-30-2301. Capital gains credit.
- 15 15-30-2319. Credit for energy-conserving investments.
- 16 15-30-2320. Credit for alternative fuel motor vehicle conversion.
- 17 15-30-2356. Empowerment zone new employees -- tax credit.
- 18 15-31-124. New or expanded industry credit -- definitions.
- 19 15-31-134. Empowerment zone new employees -- tax credit.
- 20 15-31-137. Small business corporation and partnership credit for alternative fuel conversion.
- 21 15-31-163. Capital gain exclusion from sale of mobile home park.
- 22 15-31-172. Small business corporation -- deduction for donation of computer equipment to schools.
- 23 15-32-109. Credit for energy-conserving expenditures.
- 24 15-32-115. Credit for geothermal system -- to whom available -- eligible costs -- limitations.
- 25 15-32-201. Amount of credit -- to whom available.
- 26 15-32-202. Taxable years in which credit may be claimed -- carryover.
- 27 15-32-203. Department to make rules.
- 28 15-32-301. Purpose.
- 29 15-32-302. Definitions.
- 30 15-32-303. Deduction for purchase of Montana-produced organic or inorganic fertilizer.

- 1 15-32-401. Purpose and statement of policy.
- 2 15-32-402. Commercial or net metering system investment credit -- alternative energy systems.
- 3 15-32-404. Carryover of credit.
- 4 15-32-405. Exclusion from other tax incentives.
- 5 15-32-406. Separation of credit portion.
- 6 15-32-407. Rules authorized.
- 7 15-32-501. Purpose and statement of policy.
- 8 15-32-502. Definitions.
- 9 15-32-503. Exploration incentive credit.
- 10 15-32-504. Procedure for requesting and certifying credit.
- 11 15-32-505. Application of credit.
- 12 15-32-506. Credit carryover.
- 13 15-32-507. Credit limitation.
- 14 15-32-508. Credit assignment.
- 15 15-32-509. Record of credit use.
- 16 15-32-510. Deduction for donation of exploration information.
- 17 15-32-601. Definitions.
- 18 15-32-602. Amount and duration of credit -- how claimed.
- 19 15-32-603. Credit for investment in property used to collect or process reclaimable material or to  
20 manufacture a product from reclaimed material.
- 21 15-32-604. Limitation of credit.
- 22 15-32-609. Recycled material qualifying for deduction -- purpose -- rulemaking.
- 23 15-32-610. Deduction for purchase of recycled material.
- 24 15-32-611. Department to make rules.
- 25 15-32-701. Oilseed crush facility -- tax credit.
- 26 15-32-702. Biodiesel or biolubricant production facility tax credit.
- 27 15-32-703. Biodiesel blending and storage tax credit -- recapture -- report to interim committee.
- 28 15-62-207. Deductions for contributions.
- 29 33-2-724. Empowerment zone new employees -- tax credit.
- 30



1            **NEW SECTION. Section 56. Transition -- carryover of credits.** A credit allowed a taxpayer prior to  
2 January 1, 2016, under the provisions of law in effect prior to [the effective date of this act] that may be carried  
3 forward for a specified number of years is not impaired by [this act], and a taxpayer may claim the credit for the  
4 taxes specified for the period established in the section at the time the credit was first allowed. This section  
5 applies to all tax credits that are removed or repealed by [this act], including but not limited to 7-21-3710,  
6 15-30-2356, 15-32-115, 15-32-201, 15-32-202, 15-32-402, 15-32-404, 15-32-503, 15-32-505, 15-32-506,  
7 15-32-507, 15-32-508, 15-32-509, 15-32-701, 15-32-702, 15-32-703, or 33-2-724.

8  
9            **NEW SECTION. Section 57. Transition.** (1) As used in this section, the following definitions apply:

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

12            (b) "Transition item" means any difference arising prior to January 1, 2016, from a difference in federal  
13 and Montana income tax laws in:

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

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

16 or

17            (iii) the basis of an asset or liability that will not, after December 31, 2015, increase or decrease a  
18 taxpayer's federal taxable income.

19            (2) An adjustment to Montana taxable income may not be made to take transition items into account  
20 except as provided in subsection (3).

21            (3) On or before the due date, including extensions, of a return for the tax year ending after December  
22 31, 2015, and before January 1, 2017, a taxpayer may, on forms prescribed by the department, file an election  
23 to make a transition adjustment to Montana taxable income. The election must specify and account for all  
24 transition items, including but not limited to the following:

25            (a) If a taxpayer has a disallowed passive activity loss within the meaning of section 469 of the Internal  
26 Revenue Code that is carried over to a tax year ending after December 31, 2015, and before January 1, 2017,  
27 and if the amount of the federal carryover is not the same amount as the Montana carryover:

28            (i) the difference is a positive adjustment to the taxpayer's Montana taxable income if the Montana  
29 carryover is smaller than the federal carryover; and

30            (ii) the difference is a negative adjustment to the taxpayer's Montana taxable income if the Montana

1 carryover is larger than the federal carryover.

2 (b) If a taxpayer has excess long-term or short-term net capital loss described in section 1212(b)(1) of  
3 the Internal Revenue Code that is carried over to a tax year ending after December 31, 2015, and before January  
4 1, 2017, and if the amount of the federal carryover is not the same amount as the Montana carryover:

5 (i) the difference is a positive adjustment to the taxpayer's Montana taxable income if the Montana  
6 carryover is smaller than the federal carryover; and

7 (ii) the difference is a negative adjustment to the taxpayer's Montana taxable income if the Montana  
8 carryover is larger than the federal carryover.

9 (c) If a taxpayer or a taxpayer and the taxpayer's spouse made an election on the taxpayer's federal  
10 return to defer income ratably because of a conversion from an IRA, other than a Roth IRA, to a Roth IRA  
11 pursuant to section 408A(d)(3) of the Internal Revenue Code but included all the income in the taxpayer's  
12 Montana income tax return, the sum of the balance of the federal deferred amount as of January 1, 2016, is a  
13 negative adjustment to the taxpayer's Montana taxable income.

14 (d) Notwithstanding the deduction that a taxpayer would be allowed for net operating loss carryovers and  
15 net operating loss carrybacks under section 172(a) of the Internal Revenue Code in a tax year ending after  
16 December 31, 2015, and before January 1, 2017, if the taxpayer's federal net operating loss is different from the  
17 taxpayer's Montana net operating loss as of December 31, 2015, no adjustment to the taxpayer's Montana  
18 taxable income may be made.

19 (e) If a taxpayer has an asset with a different adjusted basis for federal and Montana income tax  
20 purposes after taking into account the effect of the adjustments provided in subsections (3)(a), (3)(b), and (3)(c):

21 (i) the difference is a positive adjustment to the taxpayer's Montana taxable income if the Montana  
22 adjusted basis is higher than the federal adjusted basis; and

23 (ii) the difference is a negative adjustment to the taxpayer's Montana taxable income if the Montana  
24 adjusted basis is lower than the federal adjusted basis.

25 (f) If a taxpayer has a liability with a different adjusted basis for federal and Montana income tax  
26 purposes after taking into account the effect of the adjustments provided in subsections (3)(a), (3)(b), and (3)(c):

27 (i) the difference is a negative adjustment to the taxpayer's Montana taxable income if the Montana  
28 adjusted basis is higher than the federal adjusted basis; and

29 (ii) the difference is a positive adjustment to the taxpayer's Montana taxable income if the Montana  
30 adjusted basis is lower than the federal adjusted basis.

1 (g) If a taxpayer received a refund of federal income tax the deduction of which in a tax year beginning  
2 after December 31, 2014, resulted in a reduction of Montana income tax liability, the refund is, to the extent the  
3 deduction resulted in a reduction of Montana income tax liability, a positive adjustment to the taxpayer's Montana  
4 taxable income.

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

7  
8 **NEW SECTION. Section 58. Codification instruction.** [Section 1] is intended to be codified as an  
9 integral part of Title 15, chapter 30, part 21, and the provisions of Title 15, chapter 30, part 21, apply to [section  
10 1].

11  
12 **NEW SECTION. Section 59. Severability.** If a part of [this act] is invalid, all valid parts that are  
13 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications,  
14 the part remains in effect in all valid applications that are severable from the invalid applications.

15  
16 **NEW SECTION. Section 60. Effective date.** [This act] is effective January 1, 2016.

17  
18 **NEW SECTION. Section 61. Applicability.** [This act] applies to tax years beginning after December  
19 31, 2015.

20 - END -