

SENATE BILL NO. 317

INTRODUCED BY D. SALOMON

1
2
3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING INTEREST ASSESSMENTS ON CERTAIN TAXES;
5 PROVIDING THAT INTEREST ASSESSMENTS ON ALL TAXES OTHER THAN DELINQUENT INDIVIDUAL
6 INCOME TAXES ARE BASED ON THE PRIME INTEREST RATE PUBLISHED BY THE FEDERAL RESERVE
7 SYSTEM PLUS 2 PERCENTAGE POINTS; AMENDING SECTION 15-1-216, MCA; AND PROVIDING AN
8 APPLICABILITY DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11
12 **Section 1.** Section 15-1-216, MCA, is amended to read:

13 **"15-1-216. Uniform penalty and interest assessments for violation of tax provisions -- applicability**
14 **-- exceptions -- uniform provision for interest on overpayments.** (1) A person who fails to file a required tax
15 return or other report with the department by the due date of the return or report, including any extension of time
16 allowed for in Title 15, chapter 30 or 31, must be assessed a late filing penalty. The penalty is the greater of \$50
17 or 5% of the tax due for each month during which there is a failure to file the return or report, not to exceed an
18 amount up to 25% of the tax due. The late filing penalty is calculated from the due date or extended due date until
19 the department actually receives the late return or report. The penalty is computed only on the net amount of tax
20 due, if any, as of the original due date or extended due date provided for in Title 15, chapter 30 or 31, after credit
21 has been given for amounts paid through withholding, estimated tax payments, or other credits claimed on the
22 return.

23 (2) (a) (i) Except as provided in subsections (2)(a)(ii), (2)(b), and (2)(d), a person who fails to pay a tax
24 when due must be assessed a late payment penalty of 0.5% a month on the unpaid tax. The penalty may not
25 exceed 12% of the tax due.

26 (ii) A penalty imposed under subsection (2)(a)(i) may be waived if:

27 (A) the taxpayer pays the tax and interest due with the tax return or report within 30 days following the
28 first notice from the department to the taxpayer of the amount due; or

29 (B) subject to the conditions of 15-30-2512(1)(a)(i), the taxpayer pays at least 90% of the tax, when due,
30 for the current year.

1 (b) (i) Except as provided in subsections (2)(b)(ii) and (2)(d), a person who fails to pay a tax when due
2 under Title 15, chapter 30, part 25, chapter 53, chapter 65, or chapter 68, or Title 53, chapter 19, part 3, must be
3 assessed a late payment penalty of 1.5% a month on the unpaid tax. The penalty may not exceed 15% of the tax
4 due.

5 (ii) A penalty imposed under subsection (2)(b)(i) may be waived if the taxpayer pays the tax and interest
6 due with the tax return or report within 30 days following the first notice from the department to the taxpayer of
7 the amount due.

8 (c) The penalty imposed under subsection (2)(a) or (2)(b) accrues daily on the unpaid tax from the
9 original due date of the return regardless of whether the taxpayer has received an extension of time for filing a
10 return.

11 (d) A penalty may not be imposed under subsection (2)(a) or (2)(b) on the amount of unpaid tax if the
12 taxpayer demonstrates there is reasonable cause for the failure to pay the tax.

13 (3) (a) Subject to subsection (3)(b), a person who makes a substantial understatement of tax imposed
14 under Title 15, Title 16, chapter 11, or Title 53, chapter 19, part 3, must be assessed a substantial understatement
15 penalty in an amount equal to 20% of the understatement. As used in this subsection (3), "understatement"
16 means the amount of the tax required to be shown on the return for the tax year less the amount of tax that the
17 taxpayer reported on the return. For purposes of this subsection (3):

18 (i) there is a substantial understatement of tax penalty imposed under Title 15, chapter 30, except for
19 Title 15, chapter 30, part 33, if the understatement exceeds the greater of 10% of the amount of tax required to
20 be shown on the return or \$3,000; and

21 (ii) there is a substantial understatement of tax penalty imposed for all other chapters under Title 15,
22 including Title 15, chapter 30, part 33, and for Title 16, chapter 11, and Title 53, chapter 19, part 3, if the
23 understatement exceeds the lesser of:

24 (A) 10% of the amount of tax required to be shown on the return if the understatement is greater than
25 \$10,000; or

26 (B) \$500,000.

27 (b) The amount of substantial understatement of tax penalty must be reduced by the amount of the
28 understatement that is attributable to:

29 (i) the tax treatment of any item by the taxpayer if there is or was substantial authority for the treatment;

30 or

1 (ii) any item if the relevant facts affecting the tax treatment of the item are adequately disclosed in the
2 return or in a statement attached to the return and there is a reasonable basis for the tax treatment of the item
3 by the taxpayer.

4 (4) (a) Except as provided in subsection (4)(b), a person who purposely or knowingly, as those terms
5 are defined in 45-2-101, fails to file a return or report as required under Title 15 when due or fails to file a return
6 or report within 60 days after receiving written notice from the department that a return or report must be filed is
7 liable for an additional penalty of 15% of the tax due for each month or fraction of a month during which the
8 person purposely or knowingly fails to file a return or report, but not to exceed 75% of the tax due as determined
9 by the department. The department may bring an action in the name of the state to recover the penalty and any
10 delinquent taxes.

11 (b) A person who purposely or knowingly, as those terms are defined in 45-2-101, fails to file a return
12 or report as required under Title 15, chapter 30, part 33, when due or fails to file a return or report within 60 days
13 after receiving written notice from the department that a return or report must be filed is liable for an additional
14 penalty of \$1,000. The department may bring an action in the name of the state to recover the penalty and any
15 delinquent taxes.

16 (5) (a) A person who files a fraudulent return or report under Title 15 is liable for an additional penalty
17 of 75% of the tax due on the underpayment of tax attributable to the fraudulent amount reported on the return or
18 report. The department may bring an action in the name of the state to recover the penalty, interest, and any
19 delinquent taxes.

20 (b) A person who has no tax liability for the tax year and who files a fraudulent claim for a credit under
21 Title 15 is liable for an additional penalty of 75% of the amount attributable to the fraudulent amount of the credit
22 claimed. The department may bring an action in the name of the state to recover the penalty, interest, and amount
23 paid.

24 (6) A person who files a frivolous return or report under Title 15 is liable, in addition to any other penalty
25 imposed, for a penalty of \$2,500. A frivolous return or report is one that is filed by a person and that omits
26 information necessary to determine the taxpayer's tax liability, shows a substantially incorrect tax, is based on
27 a frivolous position, or is based on the taxpayer's action to impede collection of taxes. Frivolous positions are
28 those identified in 26 U.S.C. 6702 as those provisions may apply to provisions of Title 15. The department may
29 bring an action in the name of the state to recover the penalty, interest, and any delinquent taxes.

30 (7) (a) Interest on taxes not paid when due must be assessed by the department. The department shall

1 determine the interest rate established under subsection (7)(a)(i) for each calendar year by rule subject to the
2 conditions of this subsection (7)(a). Interest rates on taxes not paid when due for a calendar year are as follows:

3 (i) (A) For individual income taxes not paid when due, including delinquent taxes and deficiency
4 assessments, the interest rate is equal to the underpayment rate for individual taxpayers established by the
5 secretary of the United States department of the treasury pursuant to section 6621 of the Internal Revenue Code,
6 26 U.S.C. 6621, for the fourth quarter of the preceding year or 8%, whichever is greater.

7 (B) Beginning January 1, 2018, for individual income taxes not paid when due, including delinquent taxes
8 and deficiency assessments, the interest rate is equal to the underpayment rate for individual taxpayers
9 established by the secretary of the United States department of the treasury pursuant to section 6621 of the
10 Internal Revenue Code, 26 U.S.C. 6621, for the third quarter of the preceding year.

11 (ii) For all taxes other than individual income taxes not paid when due, including delinquent taxes and
12 deficiency assessments, the interest rate is ~~12% a year~~ 2 percentage points above the prime rate published by
13 the federal reserve system in its statistical release H.15 Selected Interest Rates for bank prime loans for the last
14 business day of the preceding year.

15 (b) Interest on delinquent taxes and on deficiency assessments is computed from the original due date
16 of the return until the tax is paid. Interest accrues daily on the unpaid tax from the original due date of the return
17 regardless of whether the taxpayer has received an extension of time for filing the return.

18 (8) (a) Except as provided in subsection (8)(b), this section applies to taxes, fees, remittances, and other
19 assessments imposed under Title 15, Title 16, and Title 53, chapter 19, part 3.

20 (b) This section does not apply to:

21 (i) property taxes; or

22 (ii) gasoline and vehicle fuel taxes collected by the department of transportation pursuant to Title 15,
23 chapter 70.

24 (9) Any changes to interest rates apply to any current outstanding tax balance, regardless of the rate in
25 effect at the time the tax accrued.

26 (10) Penalty and interest must be calculated and assessed commencing with the due date of the return.

27 (11) Deficiency assessments are due and payable 30 days from the date of the deficiency assessment.

28 (12) Interest allowed for the overpayment of taxes or fees is the same rate as is charged for unpaid or
29 delinquent taxes. For the purposes of this subsection, interest charged for unpaid or delinquent taxes is the
30 interest rate determined in subsection (7)(a)(i). (Subsection (7)(a)(i)(A) terminates December 31, 2017--sec. 18,

1 Ch. 308, L. 2015.)"

2

3 NEW SECTION. **Section 2. Applicability.** [This act] applies to tax periods beginning after December
4 31, 2017.

5 - END -