

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING AN EXEMPTION FROM INCOME TAX
5 WITHHOLDING FOR CERTAIN WAGES; AMENDING SECTIONS 15-30-2501 AND 15-30-2502, MCA; AND
6 PROVIDING AN APPLICABILITY DATE."

7
8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

9
10 **Section 1.** Section 15-30-2501, MCA, is amended to read:

11 **"15-30-2501. Definitions.** When used in 15-30-2501 through 15-30-2509, the following definitions
12 apply:

13 (1) "Agricultural labor" means all services performed on a farm or ranch in connection with cultivating
14 the soil or in connection with raising or harvesting any agricultural or horticultural commodity, including the
15 raising, shearing, feeding, caring for, training, and management of livestock, bees, poultry, and fur-bearing
16 animals and wildlife.

17 (2) (a) "Employee" means:

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

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

23 (iii) an officer of a corporation;

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

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

27 (3) "Employer" means:

28 (a) the person for whom an individual performs or performed any service, of whatever nature, as an

1 employee of the person or, if the person for whom the individual performs or performed the services does not
2 have control of the payment of wages for the services, the person having control of the payment of wages;

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

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

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

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

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

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

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

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

15 (6) (a) Except as provided in subsection (6)(b), "wages" has the meaning provided in section 3401 of
16 the Internal Revenue Code, 26 U.S.C. 3401.

17 (b) The term does not include:

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

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

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

24 (iv) any amount paid a sole proprietor; or

25 (v) any amount paid for agricultural labor; or

26 (vi) any amount paid to an employee who claimed an exemption from withholding as provided in 15-
27 30-2502(4)."

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1 **Section 2.** Section 15-30-2502, MCA, is amended to read:

2 "**15-30-2502. Withholding of tax from wages -- exemption.** (1) Each employer making payment of
3 wages shall withhold from wages a tax determined in accordance with the withholding tax tables prepared and
4 issued by the department.

5 (2) An employer who maintains two or more separate establishments within this state is considered to
6 be a single employer for the purposes of this part.

7 (3) A disregarded entity and its owner are considered to be a single employer for the purposes of this
8 part.

9 (4) An employee may claim an exemption from withholding on a form prescribed by the department
10 for the current tax year if:

11 (a) the employee had a right to a refund of all state income tax withheld in the prior tax year because
12 the employee had no tax liability; and

13 (b) the employee anticipates a refund of all state income tax withheld in the current tax year because
14 the employee does not anticipate a tax liability."

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16 NEW SECTION. Section 3. Applicability. [This act] applies to tax years beginning after December
17 31, 2021.

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