

1 SENATE BILL NO. 16

2 INTRODUCED BY G. HERTZ

3 BY REQUEST OF THE REVENUE INTERIM COMMITTEE

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5 A BILL FOR AN ACT ENTITLED: "AN ACT ALIGNING THE DISTRIBUTION PERIOD FOR A MONTANA
6 FARM AND RANCH RISK MANAGEMENT ACCOUNT; AMENDING SECTION 15-30-3005, MCA; AND
7 PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

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11 **Section 1.** Section 15-30-3005, MCA, is amended to read:12 **"15-30-3005. (Temporary) Montana farm and ranch risk management account -- distributions.**

13 (1) Distributions from the account may be used for any purpose the taxpayer chooses.

14 (2) Distributions from an account:

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

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

19 (3) All distributions from the account are taxable unless:

20 (a) the deposit, or that portion of the deposit to which the distribution is attributable, was not
21 excluded from adjusted gross income for the tax year the deposit was made; or

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

24 (4) (a) (i) Amounts that are not distributed within the ~~5-year~~3-year eligibility period established in
25 subsection (4)(a)(ii) are considered to be distributed to the taxpayer on the last day of the tax year in which the
26 ~~fifth~~third anniversary of the deposit occurs. The distribution is taxable, and a penalty equal to 10% of the tax
27 due on the distributed amount is added to the tax as a penalty.

28 (ii) The ~~5-year~~3-year eligibility period for withdrawal of a deposit without penalty is the due date,

1 including extensions, for the filing of a tax return required by this chapter or, if the taxpayer files earlier, the date
2 the taxpayer files the return for the tax year in which the ~~five~~third anniversary of the deposit occurs.

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

6 **15-30-3005. (Temporary -- effective January 1, 2024) Montana farm and ranch risk management**
7 **account -- distributions.** (1) Distributions from the account may be used for any purpose the taxpayer
8 chooses.

9 (2) Distributions from an account:

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

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

14 (3) All distributions from the account are taxable unless:

15 (a) the deposit, or that portion of the deposit to which the distribution is attributable, was not
16 excluded from income in calculating Montana individual income taxes for the tax year the deposit was made; or

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

19 (4) (a) (i) Amounts that are not distributed within the ~~5-year~~3-year eligibility period established in
20 subsection (4)(a)(ii) are considered to be distributed to the taxpayer on the last day of the tax year in which the
21 ~~five~~third anniversary of the deposit occurs. The distribution is taxable, and a penalty equal to 10% of the tax
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23 (ii) The ~~5-year~~3-year eligibility period for withdrawal of a deposit without penalty is the due date,
24 including extensions, for the filing of a tax return required by this chapter or, if the taxpayer files earlier, the date
25 the taxpayer files the return for the tax year in which the ~~five~~third anniversary of the deposit occurs.

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

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2 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

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