

SUMMARY OF TAX LEGISLATION ENACTED DURING THE 2003 LEGISLATIVE SESSION

Prepared for the Revenue and Transportation Interim Committee
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INTRODUCTION

This document is a summary of tax (and fee) legislation enacted during the 2003 legislative session. The summary is presented by the following categories: individual income and corporation license taxes, energy-related and ecological tax incentives, health care utilization fees, motor vehicle fees, natural resource taxes, property taxes, retail telecommunications excise taxes, video gaming fees, and other taxes. The final section summarizes legislation related to tax administration. For example, an entry under "state administration" includes a summary of Senate Bill No. 271 that provides for the replacement of the Department of Revenue's POINTS computer system.

Several of the bills included in the summary do not have tax consequences or fiscal impacts to the state. One criterion for including a bill in the summary was that it amended a section in Title 15, MCA. For example, Senate Bill No. 146 (Ch. 405, L. 2003) eliminated certain state energy loan and grant programs. The bill repealed section 90-4-102, MCA, which defined alternative renewable energy sources that are eligible for a property tax exemption under section 15-6-225, MCA. That definition was incorporated in section 15-6-225, MCA. In addition, several bills included in the summary (e.g., energy-related and ecological tax incentives and health care utilization fees) were considered by committees other than the tax committees.

House bills are summarized first in ascending order, then Senate bills in ascending order. Each bill summary is headed by the bill number and chapter number. Sections amended, sections enacted, sections repealed, effective dates, and, if applicable, applicability dates and termination dates are noted at the end of each bill summary.

INDIVIDUAL AND CORPORATION LICENSE TAXES

1. **House Bill No. 58 (Ch. 10).** Provides that unpaid individual income taxes are due on or before the date required for filing a tax return and not necessarily at the time of the filing of the tax return.
 - a. Amends section 15-30-142, MCA.
 - b. Effective October 1, 2003.

2. **House Bill No. 59 (Ch. 66).** Permits revisions of income tax returns for the elderly residential

property tax credit to be made within 5 years following the due date for a claim for the credit; deletes the requirement that the Department of Revenue maintain records of requests for extensions.

- a. Amends section 15-30-174, MCA.
 - b. Effective March 14, 2003.
3. **House Bill No. 391 (Ch. 159).** Corrects individual and corporate tax law that relates to federal tax law, including the tax on lump-sum distributions, the commercial or net metering system investment credit, and the small business investment tax credit.
- a. Amends sections 15-30-106, 15-32-402, and 15-32-405, MCA.
 - b. Repeals sections 15-30-161, 15-30-162, and 15-31-123, MCA.
 - c. Effective March 28, 2003.
 - d. Applicability:
 - i. section 1 (15-30-106, MCA), relating to tax on lump-sum distributions, applies retroactively to tax years beginning after December 31, 1999;
 - ii. section 2 (15-32-402, MCA), relating to commercial or net metering system investment credit, applies retroactively to tax years beginning after December 31, 2001.
4. **House Bill No. 452 (Ch. 590).** Provides a tax credit for contributions to an account to be used for providing services to individuals with developmental disabilities; provides for the use of money in the account.
- a. Enacts sections 15-30-187 and 53-20-171, MCA.
 - b. Effective May 9, 2003.
 - c. Applies retroactively to tax years beginning after December 31, 2002.
 - d. Terminates January 1, 2006.
5. **House Bill No. 490 (Ch. 123).** Revises the requirement that a taxpayer file, for the purpose of claiming an additional income tax exemption, written documentation of a dependent's permanent disability; provides that written documentation of a dependent's permanent disability by a licensed physician remains in effect in subsequent tax years for the purpose of claiming the additional exemption; requires the taxpayer to inform the Department of Revenue concerning a change in the dependent's eligibility for the additional exemption; allows the Department of Revenue to inquire about the dependent's eligibility for the additional exemption.
- a. Amends section 15-30-115, MCA.
 - b. Applies retroactively to tax years beginning after December 31, 2002.
6. **House Bill No. 539 (Ch. 566).** Revises the provisions of the Family Education Savings Act; changes terminology to conform to changes in federal law; clarifies the duties of the Board of Regents and the program manager's responsibilities relating to nonqualified withdrawals; clarifies the procedures involving investment products when a program manager is terminated;

- defines "investment products".
- a. Amends sections 15-30-604, 15-62-103, 15-62-201, 15-62-203, 15-62-206, 15-62-207, 20-25-901, and 20-25-902, MCA.
 - b. Effective October 1, 2003.
7. **House Bill No. 552 (Ch. 124).** Allows an affiliated group that files a consolidated return an automatic 6-month extension of time for filing a return.
- a. Amends section 15-31-141, MCA.
 - b. Effective March 25, 2003.
 - c. Applies to tax returns due after March 25, 2003.
8. **House Bill No. 616 (Ch. 205).** Revises the tax changes to contributions to qualified endowments that were enacted during the August 2002 Special Session; repeals the increases to the credits and deductions for contributions to qualified endowments for fiscal year 2004.
- a. Amends section 11, Chapter 24, Special Laws of August 2002.
 - b. Repeals sections 2, 4, 6, and 8, Chapter 24, Special Laws of August 2002.
 - c. Effective April 2, 2003.
9. **House Bill No. 721 (Ch. 521).** Revises the laws relating to water's-edge elections for corporate income tax purposes; includes taxable income shifted to a tax haven in the apportionment of income for the purposes of a water's-edge election; identifies tax havens; provides that a portion of the tax collections from water's-edge corporations be allocated to the Department of Public Health and Human Services for fiscal year 2005.
- a. Amends sections 15-1-501, 15-31-121, 15-31-322, 15-31-323, 15-31-324, and 15-31-326, MCA.
 - b. Effective October 1, 2003.
 - c. Applies to tax periods beginning after December 31, 2003.
10. **Senate Bill No. 121 (Ch. 225).** Generally revises the taxation of pass-through entities and their owners; clarifies that all owners of pass-through entities with Montana source income are subject to tax; extends the consent, composite return, and withholding provisions to foreign C corporations and to other pass-through entity owners; provides a refundable credit for second-tier pass-through entity owners for withheld amounts remitted on their behalf; clarifies an intent that the pass-through entity provisions not override the Multistate Tax Compact; provides a definition of "foreign C corporation".
- a. Amends sections 15-30-101, 15-30-1102, 15-30-1112, and 15-30-1113, MCA.
 - b. Effective October 1, 2003.
11. **Senate Bill No. 143 (Ch. 482).** Defines "charitable gift annuity", "charitable organization", and "qualified charitable gift annuity"; provides that a qualified charitable gift annuity is not insurance; requires that charitable organizations entering into a charitable gift annuity agreement give notice

to donors and the State Auditor; provides a fine for failure to give proper notices; conforms charitable gift annuity laws to laws related to deductions for charitable contributions and tax credits for contributions to qualified endowments.

- a. Amends sections 15-30-121, 15-30-165, and 15-31-114, MCA.
- b. Enacts sections 33-20-701, 33-20-702, 33-20-703, 33-20-704, and 33-20-705, MCA.
- c. Effective April 24, 2003.
- d. Applies to charitable contributions made after April 24, 2003.

12. **Senate Bill No. 407 (Ch. 544).** Creates the Montana Economic Development Tax Act; provides for a limited sales tax and use tax on certain property and services; reduces individual income tax rates; establishes a capital gains credit; provides for collection of the limited sales tax and use tax; provides for distribution of the limited sales tax and use tax revenue; clarifies the definition of "consumer price index" relating to individual income tax provisions; amends individual income tax exemptions; limits the individual income tax deduction for federal income tax paid; amends the individual income tax standard deduction; allows residents a credit against individual income taxes for their share of taxes imposed and paid to another state or country by a partnership of which the resident is a partner; increases the cigarette tax from 18 cents to 70 cents on a pack of cigarettes and revises the distribution of the cigarette tax; adjusts the cigarette insignia discounts; increases the tax on tobacco products from 12.5 % to 25% ; provides for a tax on each ounce of moist snuff; adjusts the wholesaler's discount for tobacco products.

- a. Amends sections 13-37-218, 15-30-101, 15-30-103, 15-30-112, 15-30-121, 15-30-122, 15-30-124, 15-30-142, 16-11-111, 16-11-114, 16-11-119, 16-11-201, 16-11-202, and 16-11-206, MCA.
- b. Enacts section 15-30-183, MCA, and Title 15, chapter 68, parts 1, 2, 4, 5, and 8, MCA.
- c. Effective dates:
 - i. limited sales tax provisions and cigarette and tobacco product tax increases effective April 30, 2003; and
 - ii. income tax provisions effective January 1, 2005.
- d. Applicability:
 - i. applies to cigarette and tobacco products sold on or after May 1, 2003;
 - ii. applies to accommodation and campground charges made on or after June 1, 2003;
 - iii. applies to base rental charges for rental vehicles made on or after July 1, 2003;
 - iv. applies to income tax years beginning after December 31, 2004; and
 - v. applies retroactively to taxes paid by a partnership to another state for tax years beginning after December 31, 2002.

13. **Senate Bill No. 408 (Ch. 545).** Provides an adjustment to adjusted gross income for state

income tax purposes for licensed health care professionals who receive a loan repayment incentive to practice in certain areas in Montana.

- a. Amends section 15-30-111, MCA.
- b. Effective April 30, 2003.
- c. Applies retroactively to tax years beginning after December 31, 2002.

14. **Senate Bill No. 480 (Ch. 519).** Clarifies that dividend income is included in Montana adjusted gross income regardless of whether dividend income is included in federal adjusted gross income.

- a. Amends section 15-30-111, MCA.
- b. Effective April 25, 2003.
- c. Applies retroactively to tax years beginning after December 31, 2002.

15. **Senate Bill 484 (Ch. 582).** Authorizes municipalities, consolidated local governments, and counties to create empowerment zones to encourage the creation of jobs within the zones; allows a tax credit against individual income taxes, corporation income or license taxes, or insurance premium taxes for qualifying 3-year jobs created in an empowerment zone; authorizes the Department of Labor and Industry to adopt rules.

- a. Enacts sections 7-21-3701, 7-21-3702, 7-21-3703, 7-21-3704, 7-21-3710, 7-21-3715, 15-30-182, 15-31-134, and 33-2-724, MCA.
- b. Effective October 1, 2003.

TAXATION -- ENERGY-RELATED AND ECOLOGICAL TAX INCENTIVES

1. **House Bill No. 233 (Ch. 39).** Clarifies the tax credit for the installation of a geothermal system by removing an erroneous internal reference.

- a. Amends section 15-32-115, MCA.
- b. Effective February 20, 2003.

2. **Senate Bill No. 71 (Ch. 155).** Revises the definition of "low emission wood or biomass combustion device" with respect to eligibility for an income tax credit; removes the Department of Environmental Quality's rulemaking authority for establishing emission testing and emission certification standards for low emission wood or biomass combustion devices.

- a. Amends sections 15-32-102 and 15-32-203, MCA.
- b. Effective March 26, 2003.
- c. Applies retroactively to tax years beginning after December 31, 2001.

3. **Senate Bill No. 138 (Ch. 524).** Revises the laws relating to alternative energy and energy conservation tax policy; provides that generation facilities that have 1 megawatt or greater capacity powered by an alternative renewable energy source are not exempt from property taxes under the general property tax exemption laws but continue to be subject to new and expanding industry property tax incentives; revises the deduction for energy-conservation

investments and the credits for energy-conserving expenditures by eliminating the tax saving ceiling for the deduction and the carryforward provision of the credit; provides that property purchased under the commercial or net metering system investment credit does not have to qualify as special depreciable property under the Internal Revenue Code of 1954.

- a. Amends sections 15-6-225, 15-32-104, 15-32-109, and 15-32-402, MCA.
 - b. Effective April 26, 2003.
 - c. Applies retroactively to tax years beginning after December 31, 2001.
4. **Senate Bill No. 146 (Ch. 405).** Eliminates unused state grant and loan programs; eliminates the energy conservation in agriculture grant program, the alternative energy and energy conservation research development and demonstration program, the solid waste management grant and loan program, and the state-owned building energy retrofitting grant and loan program.
- a. Amends sections 15-6-225, 15-24-1401, 15-31-124, 15-32-402, 17-6-403, 30-16-103, 75-10-103, 75-10-104, 75-10-105, 75-10-106, 80-12-201, 90-5-101, and 90-8-104, MCA.
 - b. Repeals sections 75-10-121, 75-10-122, 75-10-123, 75-10-124, 75-10-125, 90-2-140, 90-2-141, 90-4-101, 90-4-102, 90-4-103, 90-4-104, 90-4-105, 90-4-106, 90-4-109, 90-4-111, and 90-4-112, MCA.
 - c. Effective October 1, 2003.
5. **Senate Bill No. 316 (Ch. 338).** Clarifies energy-related tax laws by providing that the Department of Revenue may refer claims for deductions or credits for energy conservation measures to the Department of Labor and Industry rather than the Department of Administration; clarifies that the mineral exploration incentive credit may not exceed a total of \$20 million for all exploration activities.
- a. Amends sections 15-32-106, 15-32-503, and 15-32-507, MCA.
 - b. Effective October 1, 2003.
6. **Senate Bill No. 487 (Ch. 609).** Revises laws related to wind energy taxation and economic development; eliminates the tax credit limitation for wind energy development; increases the maximum amount of outstanding economic development bonds that the Board of Investments may issue; increases the allowable amount of money that the Board of Investments may use for financing a major project.
- a. Amends sections 15-32-404, 17-5-1506, and 17-5-1527, MCA.
 - b. Repeals section 15-32-403, MCA.
 - c. Effective dates:
 - i. section 2 (17-5-1506, MCA), related to outstanding bonds, and section 3 (17-5-1527, MCA), related to financing major projects, are effective May 9, 2003; and
 - ii. sections 1 (15-32-404) and 4, related to the repeal of the limitation on the wind

energy credit, are effective July 1, 2003.

TAXATION -- HEALTH CARE UTILIZATION FEES

1. **House Bill No. 481 (Ch. 390).** Imposes a utilization fee on hospital facilities for inpatient bed days; authorizes the Department of Revenue to collect and deposit fees in a state special revenue account for funding increases in Medicaid payments to hospitals; provides for assessment, collection, and adjustment of the fee; provides an appropriation.
 - a. Enacts Title 15, chapter 66, parts 1 and 2, MCA, and section 53-6-149, MCA.
 - b. Effective July 1, 2003.
 - c. Terminates June 30, 2005.
 - d. The fee is void if:
 - i. changes in federal law or policy do not allow the fees to be used as the state's share under the Medicaid program; or
 - ii. the federal government refuses to participate in or denies approval of any plan for Medicaid payments to hospitals on grounds that it considers the payments to be reimbursement to facilities for payment of the utilization fees.

2. **House Bill No. 705 (Ch. 541).** Increases the utilization fee on nursing facility bed days; creates an account in the state special revenue fund for funding increases in Medicaid payments; provides an appropriation.
 - a. Amends section 15-60-102, MCA.
 - b. Enacts section 15-60-211, MCA
 - c. Effective July 1, 2003.

3. **House Bill No. 722 (Ch. 531).** Imposes a utilization fee on resident bed days of intermediate care facilities for the mentally retarded; authorizes the Department of Revenue to collect the fee and deposit 70% of the fee in a state special revenue fund to the credit of the Department of Public Health and Human Services for the purpose of financing, administering, and providing health and human services; provides for the deposit of the remainder of the fee in the state general fund; provides an appropriation.
 - a. Enacts Title 15, chapter 67, parts 1 and 2, MCA, and section 53-6-1101, MCA.
 - b. Effective April 29, 2003.
 - c. Applies retroactively to tax years beginning after December 31, 2002.
 - d. The fee is void if:
 - i. changes in federal law or policy do not allow the fees to be used as the state's share under the Medicaid program; or
 - ii. the federal government refuses to participate in or denies approval of any plan for Medicaid payments to intermediate care facilities on grounds that it considers the payments to be reimbursement to facilities for payment of the utilization fees.

4. **House Bill No. 743 (Ch. 532).** Includes bed days at the Montana Mental Health Nursing Care Center in the nursing facility utilization fee; provides for the disposition of utilization fees from the Montana Mental Health Nursing Care Center; provides an appropriation.
 - a. Amends sections 15-60-101 and 15-60-210, MCA.
 - b. Effective July 1, 2003.
 - c. Void if any of the contingencies contained in section 18, Chapter 746, Laws of 1991, occur.

TAXATION -- MOTOR VEHICLES FEES

1. **House Bill No. 559 (Ch. 592).** Revises provisions relating to registration of certain motor vehicles, motor boats, sailboats, personal watercraft, and snowmobiles; provides for a registration decal as evidence of payment of fees imposed for a vehicle or vessel registration period; prescribes placement of the registration decal; simplifies the fees in lieu of tax imposed on boats and certain other watercraft, snowmobiles, off-highway vehicles, travel trailers and certain other trailers, and motorcycles and quadricycles; changes from annual to one-time-only the registration, licensing, and imposition of the fee in lieu of tax and certain other fees payable on certain boats and other watercraft, snowmobiles, off-highway vehicles, travel trailers and certain other trailers, and motorcycles and quadricycles; eliminates the fee in lieu of tax on certain watercraft; eliminates the registration of and various fees payable on campers; increases fees for annually registered motor vehicles.
 - a. Amends sections 15-1-122, 15-16-202, 23-2-502, 23-2-510, 23-2-511, 23-2-512, 23-2-513, 23-2-514, 23-2-515, 23-2-516, 23-2-517, 23-2-518, 23-2-519, 23-2-601, 23-2-612, 23-2-614, 23-2-616, 23-2-617, 23-2-626, 23-2-642, 23-2-803, 23-2-804, 23-2-807, 23-2-809, 23-2-817, 61-1-129, 61-3-303, 61-3-311, 61-3-312, 61-3-313, 61-3-317, 61-3-321, 61-3-332, 61-3-333, 61-3-463, 61-3-474, 61-3-521, 61-3-523, 61-3-526, 61-3-527, 61-3-530, 61-3-535, 61-3-560, and 61-3-570, MCA.
 - b. Enacts section 61-1-515, MCA.
 - c. Repeals sections 23-2-520, 23-2-618, 23-2-620, 23-2-810, 61-3-519, 61-3-524, 61-3-525, and 61-3-606, MCA.
 - d. Effective January 1, 2004.
 - e. Applies to vehicles and vessels registered on or after January 1, 2004.

TAXATION -- NATURAL RESOURCES

1. **House Bill No. 748 (Ch. 522).** Clarifies and revises the laws relating to the distribution of oil and natural gas production taxes; changes the method for distributing oil and natural gas production taxes to state funds and to local taxing units; establishes percentage distribution amounts for local taxing units; provides a statutory appropriation for the distribution of oil and natural gas production taxes to local taxing units.
 - a. Amends sections 7-1-2111, 15-1-501, 15-36-304, 15-36-314, 15-36-315, 15-38-113, 15-38-202, 17-7-502, 75-10-743, 76-15-904, 82-11-135, 85-2-905,

- and 90-2-1104, MCA.
 - b. Enacts sections 15-36-331 and 15-36-332, MCA.
 - c. Repeals sections 15-36-320 and 15-36-324, MCA.
 - d. Effective April 26, 2003.
 - e. Applies retroactively to tax revenue derived from oil and natural gas production occurring after December 31, 2002.
2. **Senate Bill No. 460 (Ch. 342).** Revises the laws relating to the taxation of metal mines; provides a definition of "basic treatment and refinery charges" for the purposes of determining the gross proceeds tax of metal mines and the metalliferous mines license tax; clarifies the taxation of processed concentrate under the metalliferous mines license tax.
- a. Amends sections 15-23-801 and 15-37-103, MCA.
 - b. Effective April 15, 2003.
 - c. Applies to metal mine production occurring after December 31, 2003.

TAXATION -- PROPERTY

1. **House Bill No. 188 (Ch. 5).** (See also House Bill No. 775 under this section.) Creates a trespass exception for Department of Revenue property valuation employees acting within the course and scope of their duties; requires that the Department publish notice of intent to enter onto property for appraisal and audit purposes; requires that the Department mail a one-time notice to owners of private posted land that Department employees may enter the property for appraisal and audit purposes; requires that County Treasurers annually provide notice to landowners that Department employees may enter private land for appraisal and audit purposes; provides that property valuation employees may enter property under specific guidelines; allows the landowner to require that the landowner or landowner's agent be present when Department employees enter the landowner's property; allows the Department to estimate the value of property when access is denied; prohibits, under certain conditions, a county tax appeal board and the State Tax Appeal Board from adjusting estimated property values.
- a. Amends section 45-6-203, MCA.
 - b. Enacts sections 15-7-139 and 15-7-140, MCA.
 - c. Effective February 6, 2003.
 - d. Section 3, related to notification of appraisal and audit to owners of posted private land, terminates September 1, 2003.
2. **House Bill No. 441 (Ch. 436).** Provides for the proration of property taxes on centrally assessed property when land is subdivided.
- a. Amends sections 15-16-102 and 76-3-207, MCA.
 - b. Effective October 1, 2003.
3. **House Bill No. 667 (Ch. 446).** Revises the definition of "cost" when applied to property tax lien purchases and the tax deed process; allows the recovery of certain costs required by law

- that are incurred by a purchaser of a property tax lien; requires timely submission of receipts to the County Treasurer for certain claimed costs.
- a. Amends section 15-17-121, MCA.
 - b. Effective October 1, 2003.
4. **House Bill No. 775 (Ch. 593).** (See House Bill No. 188 under this section.) Revises the conditions under which a tax appeal board may adjust the estimated value of real or personal property.
- a. Amends section 1, Chapter 5, Laws of 2003.
 - b. Effective May 9, 2003.
5. **Senate Bill No. 31 (Ch. 115).** Clarifies that the statutory mill levy limit does not apply to any local government judgment levy.
- a. Amends section 15-10-420, MCA.
 - b. Effective October 1, 2003.
6. **Senate Bill No. 126 (Ch. 577).** Revises the general law relating to categories of property that are exempt from property taxation by incorporating contingent amendments into a single version of the section; clarifies the categories of property that are exempt from property taxation; provides that biological control insects are an agricultural product and receive an agricultural product exemption; clarifies property tax provisions relating to insurance companies by repealing specific laws that are redundant with general property tax laws.
- a. Amends sections 15-1-101, 15-6-201, and 15-6-207, MCA, and section 31, Chapter 285, Laws of 1999.
 - b. Repeals sections 15-24-601 and 15-24-602, MCA.
 - c. Effective October 1, 2003.
7. **Senate Bill No. 155 (Ch. 505).** Revises the taxation of class eight property by providing that the computations for determining whether the class eight rate is to be reduced are to be made at least 1 year and 2 months prior to the affected tax year to allow for legislative action; clarifies the data used by the Department of Revenue to calculate the percentage growth inflation-adjusted Montana wage and salary income for determining whether the class eight tax rate is to be reduced.
- a. Amends section 15-6-138, MCA.
 - b. Effective April 25, 2003.
8. **Senate Bill No. 294 (Ch. 511).** Revises the interest rate applied to the refund of property taxes or fees paid under protest; provides that the state share of protested property taxes of centrally assessed property must be remitted to the State Treasurer; provides that a governing body of a taxing jurisdiction may access protested property taxes of centrally assessed property; requires the State Treasurer to refund the state share of protested property taxes of

centrally assessed property.

- a. Amends section 15-1-402, MCA.
 - b. Effective April 25, 2003.
 - c. Applies retroactively to any tax appeal or tax paid under protest after October 31, 2000, except for refunds of property taxes made after October 31, 2000, and before April 25, 2003.
9. **Senate Bill No. 302 (Ch. 315).** Changes the way undivided ownership interests in property are assessed for property tax purposes; provides that the owners of undivided interests may be assessed separately upon request; provides that payment of the total property tax due by a single owner may be payment on behalf of all of the owners or that a paying co-owner may, after 3 years of payments and notices to the nonpaying co-owner, take a property tax lien on the nonpaying co-owner's interest; provides that nonpayment by a separately assessed co-owner subjects only the nonpaying co-owner's interest to a tax sale.
- a. Amends sections 15-7-138 and 15-16-102, MCA.
 - b. Enacts section 15-17-131, MCA.
 - c. Effective October 1, 2003.
10. **Senate Bill No. 461 (Ch. 606).** Mitigates the effects of the periodic property tax revaluation cycle that begins in 2003; decreases the class four property tax rate from 3.46% to 3.01% over a 6-year period; provides rate adjustments to class four property tax rates for certain residences with extraordinary increases in market value; establishes new class four property tax exemption rates for residential property and commercial and industrial property that adjust the exempt percentage of value over 6 years; provides an extension of 2003 administrative deadlines relating to property taxation; provides for an interim property tax reappraisal study committee and a tax reform study committee; provides an appropriation.
- a. Amends sections 15-6-134, 15-6-201, and 15-7-111, MCA.
 - b. Enacts section 15-6-193, MCA.
 - c. Effective dates:
 - i. sections 1, 3 through 7, and 9 through 14 are effective May 9, 2003;
 - ii. section 2, related to extraordinary increases in market value after the current revaluation cycle, is effective January 1, 2009; and
 - iii. section 8, related to an appropriation for study committees, is effective July 1, 2003.
 - d. Applicability
 - i. section 1, related to extraordinary increases in market value in the current revaluation cycle, section 3, related to class four property tax rates, section 4, related to property tax exemption percentages, and section 5, related to periodic revaluation, apply retroactively to tax years beginning after December 31, 2002; and
 - ii. section 2, related to extraordinary increases in market value after the current

- revaluation cycle, applies to tax years beginning after December 31, 2008.
- e. Section 1, related to extraordinary increases in market value in the current revaluation cycle, terminates December 31, 2008.

11. **Senate Bill No. 478 (Ch. 529).** Changes the way that a political subdivision may exempt a property tax mill levy for premium contributions for group benefits from the property tax limitation law; changes the operative dates; provides that the hearing on the exemption must comply with notice and hearing requirements; requires that the exempt mill levy or dollar amount be listed separately on the property tax notice.
 - a. Amends sections 2-9-212 and 2-18-703, MCA.
 - b. Effective April 26, 2003.
 - c. Section 3, related to a transition period, applies retroactively to levies made after December 31, 1998.

TAXATION -- RETAIL TELECOMMUNICATIONS EXCISE TAX

1. **House Bill No. 96 (Chapter 36).** Repeals the advanced telecommunications infrastructure tax credit.
 - a. Repeals sections 15-53-201, 15-53-202, and 15-53-203, MCA.
 - b. Effective February 19, 2003.
2. **Senate Bill No. 387 (Ch. 515).** Conforms the retail telecommunications excise tax to the federal Mobile Telecommunications Sourcing Act of 2000 and an agreement among states for sourcing of other telecommunications services.
 - a. Amends sections 15-53-129 and 15-53-130, MCA.
 - b. Enacts sections 15-53-131 and 15-53-132, MCA.
 - c. Effective July 1, 2003.
 - d. Applies to bills issued on or after the first day of the first month after July 1, 2003.
 - e. Terminates if the Attorney General certifies to the Code Commissioner if a court of competent jurisdiction enters a final judgment on the merits that is no longer subject to appeal and that, based on federal law, substantially limits or impairs the essential elements of 4 U.S.C. 116 through 126. Upon certification, [this act] is void as of the date that judgment was entered.

TAXATION -- VIDEO GAMBLING FEES

1. **House Bill No. 162 (Ch. 29).** Increases the video gambling machine annual permit fee; increases the amount of the fee that is used by the Department of Justice to administer the video gambling machine law.
 - a. Amends section 23-5-612, MCA.
 - b. Effective July 1, 2003.
2. **House Bill No. 758 (Ch. 471).** Generally revises the laws related to video gambling machines;

imposes an annual permit surcharge fee based on the number of video gambling machines on the premises; provides for the proration of the fee; provides that the fee be deposited in the state general fund; exempts establishments that have permitted video gambling machines on the premises from local government ordinances on smoking that are more restrictive than state laws on smoking.

- a. Amends section 23-5-612, MCA.
- b. Enacts section 7-1-120, MCA.
- c. Effective April 23, 2003.
- d. Applicability:
 - i. section 1, related to local government smoking ordinances, applies retroactively to local government ordinances on smoking adopted prior to April 23, 2003; and
 - ii. section 2, related to the permit surcharge fee, applies to annual permit fees imposed after June 30, 2003.

TAXATION -- OTHER

1. **House Bill No. 106 (Ch 68).** Revises laws dealing with the Department of Revenue's relationship to probate administration.
 - a. Amends sections 72-3-607, 72-3-609, 72-3-1006, 72-4-303, 72-4-305, and 72-16-906, MCA.
 - b. Repeals section 72-16-920, MCA.
 - c. Effective March 14, 2003.
 - d. Applies retroactively to deaths occurring after December 31, 2000, for which the probate of the decedents' estates closes after March 17, 2003.
2. **Senate Bill No. 162 (Ch. 267).** Conforms Montana unemployment insurance law with federal law by excluding a "no-additional-cost service" from wages for state unemployment insurance tax purposes; defines "no-additional-cost service".
 - a. Amends section 39-51-201, MCA.
 - b. Effective July 1, 2003.
 - c. Applies to tax periods beginning on or after July 1, 2003.
3. **House Bill No. 642 (Ch. 570).** Provides that state and local taxes and fees paid by a public utility may be separately disclosed in a public utility customer's bill; requires an automatic rate adjustment to reflect state and local taxes and fees paid by a public utility.
 - a. Amends sections 69-3-302 and 69-3-303, MCA.
 - b. Enacts section 69-3-308, MCA.
 - c. Effective May 5, 2003.

TAX ADMINISTRATION -- STATE GOVERNMENT

1. **House Bill No. 207 (Ch. 34).** Changes the general assessment day from the second Monday

in July to the first Monday in August; changes the date for supplemental assessments from the second Monday in July to the first Monday in August; changes the date by which the Department of Revenue shall certify total taxable value to each taxing authority from the second Monday in July to the first Monday in August; requires the Department of Revenue to provide an estimate of total taxable value within the jurisdiction of a taxing authority by the second Monday in July upon receipt of a request from the taxing authority; changes the date by which the Department of Revenue shall deliver a certified copy of the property tax record to all cities of the third class and towns within each county that make written request from the second Monday in July to the first Monday in August; changes the date by which the Department of Revenue shall deliver to the County Superintendent and to each city or town clerk a statement showing the separate total assessed value and the total taxable value of all property in the district, city, or town from the second Monday in July to the first Monday in August; changes the date by which the board of commissioners of each irrigation district organized under Title 85, chapter 7, parts 1 and 15, MCA, shall ascertain and levy the amount to be raised that year from the second Monday in July to the first Monday in August; changes the date by which the directors of a conservation district shall provide the Department of Revenue and County Treasurer or Treasurers a statement of the special assessments to be collected from the second Monday in July to the first Monday in August.

- a. Amends sections 7-6-4410, 15-8-201, 15-8-204, 15-10-202, 20-9-122, 85-7-2104, and 85-9-603, MCA.
 - b. Effective February 18, 2003.
 - c. Applies retroactively to any assessment or levy by any taxing jurisdiction for calendar year 2003 for which an assessment or levy date is not specified.
2. **House Bill No. 406 (Ch. 51).** Permits the Department of Revenue to deposit money that it has received within a reasonable time after receipt.
- a. Enacts section 15-1-232, MCA.
 - b. Effective February 27, 2003.
3. **Senate Bill No. 271 (Ch. 597).** Requires that the process oriented integrated system (POINTS) computer system of the Department of Revenue be replaced with a different computer system; requires that current data needed for the replacement system be corrected; provides that unemployment insurance tax collections will not be processed under the replacement system by terminating the delegation to the Department of Revenue of responsibility for collecting unemployment insurance taxes for the Department of Labor and Industry; increases the debt limit under the Municipal Finance Consolidation Act of 1983; authorizes a loan to the Department of Revenue for the replacement system; requires the Department of Revenue to impose an administrative charge for tax collection services; requires the administrative charge to be deposited in an account to be used to pay the debt service on loans issued for the replacement system; appropriates money for the Department of Revenue's transition costs and for loan repayment.

- a. Amends sections 15-1-501, 17-5-1608, 17-5-2001, 39-51-301, 39-51-1109, 39-51-1301, and 39-51-2402, MCA.
- b. Enacts sections 15-1-140 and 15-1-141, MCA.
- c. Effective dates:
 - i. sections 1, 3, 4, 6, 7, 11, and 13 through 18 are effective May 9, 2003;
 - ii. sections 8 through 10, related to the administration and collection of the unemployment insurance tax by the Department of Labor and Industry, are effective on the date that the Commissioner of Labor and Industry certifies to the Governor that the delegation of duties in section 39-51-301, MCA, to the Department of Revenue is terminated; and
 - iii. sections 2 and 5, related to the assessment of fees for the collection of certain taxes, and section 12, related to the appropriation from the general fund to the Department of Revenue, are effective July 1, 2003.
- d. Termination dates:
 - i. section 7, related to tax appeals to the Department of Revenue for unemployment insurance taxes, terminates on the date that the Commissioner of Labor and Industry certifies to the Governor that the delegation of duties in section 39-51-301, MCA, to the Department of Revenue is terminated; and
 - ii. section 1, related to the replacement of the POINTS computer system, and sections 4 and 5, related to the assessment and deposit of fees for the collection of certain taxes, terminate June 30, 2011.

ADMINISTRATION -- LOCAL GOVERNMENT

- 1. **Senate Bill No. 163 (Ch. 268).** Allows the payment of taxes and fees to local government entities by credit card or other commercially acceptable means; provides that the payment is not considered made until the local government entity receives its payment from the financial institution or credit card company; allows a fee to be charged upon notice of nonpayment; imposes a convenience fee on a person paying by credit card or other commercially acceptable means; allows local government entities to enter into any necessary agreements with financial institutions, credit card companies, and state agencies; specifies that fees paid to financial institutions or credit card companies must be paid from an appropriate fund of a local government entity.
 - a. Enacts section 7-6-617, MCA.
 - b. Effective April 9, 2003.

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