## HOUSE BILL NO. 14

INTRODUCED BY GILBERT, B. BROWN, HARRINGTON, TOWE, REAM, HAGER, VAN VALKENBURG, CRIPPEN, M. HANSON, ECK, FOSTER, SCHYE BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

# IN THE HOUSE

JANUARY 7, 1992 INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.

JANUARY 8, 1992 FIRST READING.

JANUARY 13, 1992 COMMITTEE RECOMMEND BILL
DO PASS AS AMENDED. REPORT ADOPTED.

PRINTING REPORT.

SECOND READING, DO PASS.

ENGROSSING REPORT.

THIRD READING, PASSED. AYES, 53; NOES, 47.

TRANSMITTED TO SENATE.

### IN THE SENATE

JANUARY 13, 1992 INTRODUCED AND REFERRED TO COMMITTEE ON TAXATION.

JANUARY 14, 1992 FIRST READING.

JANUARY 15, 1992 COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.

SECOND READING, CONCURRED IN.

THIRD READING, CONCURRED IN. AYES, 33; NOES, 17.

RETURNED TO HOUSE.

IN THE HOUSE

JANUARY 15, 1992 RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1	HOUSE BILL NO. 17
2	INTRODUCED BY
3	BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE E AL
4	Bob Ream Hag - Valladay y Toste Se
5	A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR PAYMENT
6	OF ESTIMATED INDIVIDUAL INCOME TAXES IN FOUR INSTALLMENTS;
7	TO ESTABLISH THAT AN AMOUNT EQUAL TO AT LEAST 90 PERCENT OF
8	THE TAX DUE IN THE CURRENT TAX YEAR OR EQUAL TO 100 PERCENT
9	OF THE TAX LIABILITY IN THE PRECEDING TAX YEAR MUST BE PAID
10	THROUGH PAYMENT OF ESTIMATED TAXES, THROUGH EMPLOYER
11	WITHHOLDING, OR THROUGH A COMBINATION OF BOTH; TO PROVIDE
12	CERTAIN EXCEPTIONS FROM THE PAYMENT OF ESTIMATED TAXES; TO
13	ALLOW PAYMENT OF ESTIMATED TAXES ON THE BASIS OF ANNUALIZED
14	INSTALLMENTS; TO REQUIRE PAYMENT OF A PENALTY FOR FAILURE TO
15	PAY THE REQUIRED INSTALLMENT OF ESTIMATED TAXES; TO PROVIDE
16	AN APPROPRIATION; AMENDING SECTION 15-30-241, MCA; REPEALING
17	SECTION 15-30-242, MCA; AND PROVIDING EFFECTIVE DATES AND AN
18	APPLICABILITY DATE."
19	
20	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
21	Section 1. Section 15-30-241, MCA, is amended to read:
22	*15-30-241. Beclaration-of-estimated Estimated tax
23	payment exceptions penalty. (1) (a) Every Each
24	individual subject to tax under this chapter, except
25	farmers, or ranchers, or stockmen as defined in subsection

1	(b), Shally-at-the-time-prescribed-in-subsection-(37-of-this
2	section; -make-a-declaration-of-his-estimated-tax pay for the
3	taxable tax year, through employer withholding, as provided
4	in 15-30-202, through payment of estimated tax in four
5	installments, as provided in subsection (2) of this section,
6	or through a combination of employer withholding and
7	estimated tax payments, at least:
8	(i) 90% of the tax for the current tax year, less tax
9	credits and withholding allowed the taxpayer; or
10	(ii) an amount equal to 100% of the individual's tax
11	liability for the preceding tax year, if the preceding tax
12	year was a period of 12 months and if the individual filed a
13	return for the tax year. if-his-net-income-from-sources
14	other-than-wages;-salaries;-bonuses;-or-other-emoluments-can
15	reasonably-be-expected-to-equal-orexceedhisnetincome
16	from-wages;-salaries;-bonuses-or-other-emoluments;-which-are
17	subject-to-withholding.
18	(b) Payment of estimated taxes under this section is
19	not required if:
20	(i) the combined tax liability of employer withholding
21	and estimated tax for the current year is less than \$500
22	after reductions for credits and withholding;
23	(ii) the individual did not have any tax liability for
24	the preceding tax year, which was a tax year of 12 months.
25	and if the individual was a citizen or resident of the

_	united States throughout that tax year;
2	(iii) the underpayment was caused by reason of casualty,
3	disaster, or other unusual circumstances that the department
4	determines to constitute good cause; or
5	(iv) the individual retired in the tax year after having
6	attained the age of 62 or if the individual became disabled
7	in the tax year. In addition, payment of estimated taxes
8	under this section is not required in the tax year following
9	the tax year in which the individual retired or became
0	disabled.
1	(2) In-the-declaration-required-under-subsection-(1)-of
2	this-section,-the-individual-shall-state:
3	ta)the-amount-which-he-estimates-as-the-amount-oftax
4	under-15-30-103-for-the-taxable-year;
5	(b)the-amount-which-he-estimates-will-be-withheld-from
6	wagespaidbyhisemployerifsaidindividualisan
7	employee;
8	(c)the-excess-of-the-amount-estimated-under-subsection
9	(2)(a)overtheamount-estimated-under-subsection-(2)(b);
0	which-excess-for-purposes-of-this-sectionshallbe
1	considered-the-estimated-tax-for-the-taxable-year;
2	<pre>fd)suchotherinformationasmaybe-prescribed-in</pre>
3	rules-promulgated-by-the-department.
4	+3)The-declaration-required-undersubsection++)of

April15ofthetaxableyear,exceptthatifth
requirements-of-subsection-(1)-ofthissectionarefirs
met:
(a)afterAprill-and-before-October-l-of-the-taxabl
yeary-the-declaration-shall-be-filed-on-or-before-October-1
of-the-taxable-year;
(b)afterOctoberlofthetaxableyearyth
declarationshallbe-filed-on-or-before-Pebruary-15-of-th
succeeding-taxable-year-
(4)An-individual-may-make-amendments-of-adeclaratio
filedduringthe-taxable-year-under-subsection-(3)-of-thi
section-under-rules-prescribed-by-the-department-
(5)If,-on-or-beforePebruary19ofthesucceedin
taxableyear;thetaxpayer-files-a-return-for-the-taxabl
year-for-which-the-declaration-is-required-and-pays-inful
theamountcomputedonhis-return-as-payable;-then-unde
rules-prescribed-by-the-department:
{a}if-the-declaration-isnotrequiredtobefile
duringthetaxableyear-but-is-required-to-be-filed-on-o
before-such-Pebruary-157-such-return-shall-for-thepurpose
of-this-section-be-considered-as-such-declaration;-and
fb}ifthe-tax-shown-on-the-return-is-greater-than-th
estimated-tax-shown-in-a-declaration-previously-madeori
thelastamendmentsthereofysuchreturnshall-for-th
-

this-section-shall-be-filed-with-the-department-on-or-before

purposes-of-this-section-be-considered-as-the--amendment--of

25

1	thedeclaration-permitted-by-subsection-(4)-of-this-section
2	to-be-filed-on-or-before-such-February-15. Estimated taxes
3	must be paid in four installments according to one of the
4	following schedules:
5	(a) For each taxpayer whose tax year begins on January
6	1, estimated tax payments are due on the following dates:
7	Installment Date
8	First April 15
9	Second June 15
10	Third September 15
11	Fourth January 15 of the following tax year
12	(b) For each taxpayer whose tax year begins on a date
13	other than January 1, estimated tax payments are due on the
14	following dates:
15	Installment Date
16	Pirst 15th day of the 4th
17	month following the
18	beginning of the tax year
19	Second 15th day of the 6th
20	month following the
21	beginning of the tax year
22	Third 15th day of the 9th
23	month following the
24	beginning of the tax year
25	Fourth 15th day of the month

1	following the close of the tax year
2	(3) (a) Except as provided in subsection (4), each
3	installment must be 25% of the required annual payment
4	determined pursuant to subsection (1). If the taxpayer's tax
5	situation changes, each succeeding installment must be
6	proportionally changed so that the balance of the required
7	annual payment is paid in equal installments over the
8	remaining period of time.
9	(b) If the taxpayer's tax situation changes after the
10	date for the first installment or any subsequent
11	installment, as specified in subsection (2)(a) or (2)(b), so
12	that the taxpayer is required to pay estimated taxes, the
13	taxpayer shall pay 25% for each succeeding installment
14	except for the first one in which a payment is required. For
15	estimated taxes required to be paid beginning with the
16	second installment provided for in subsection (2)(a) or
17	(2)(b), the taxpayer shall pay 50% for that installment and
18	25% for the third and fourth installments, respectively. For
19	estimated taxes required to be paid beginning with the third
20	installment provided for in subsection (2)(a) or (2)(b), the
21	taxpayer shall pay 75% for that installment and 25% for the
22	fourth installment.
23	(4) (a) If for any required installment the taxpayer

determines that the installment payment is less than the

amount determined under subsection (3)(a), the lower amount

2	(b) For any required installment, the annualized income
3	installment is the difference between the applicable
4	percentage described in subsection (4)(c) applied to the tax
5	computed on the basis of annualized taxable income in the
6	tax year for the months ending before the due date for the
7	installment and to the total amount of any prior required
8	installments for the tax year.
9	(c) For the purposes of this subsection (4), the
10	applicable percentage is determined according to the
11	following schedule:
L2	Required Installment Applicable Percentage
13	First 22.5%
14	Second 45%
14 15	Second         45%           Third         67.5%
15	Third 67.5%
15 16	Third         67.5%           Fourth         90%
15 16 17	Third 67.5%  Fourth 90%  (d) A reduction in a required installment resulting
15 16 17	Third 67.5%  Fourth 90%  (d) A reduction in a required installment resulting from the application of an annualized income installment must be recaptured by increasing the amount of the next
15 16 17 18	Third 67.5%  Fourth 90%  (d) A reduction in a required installment resulting  from the application of an annualized income installment
15 16 17 18 19	Third  67.5%  Fourth  90%  (d) A reduction in a required installment resulting from the application of an annualized income installment must be recaptured by increasing the amount of the next required installment, determined under subsection (3)(a), by the amount of the reduction. Any subsequent installment must
15 16 17 18 19 20	Third 67.5%  Fourth 90%  (d) A reduction in a required installment resulting from the application of an annualized income installment must be recaptured by increasing the amount of the next required installment, determined under subsection (3)(a), by
15 16 17 18 19 20 21	Third  67.5%  Fourth  90%  (d) A reduction in a required installment resulting from the application of an annualized income installment must be recaptured by increasing the amount of the next required installment, determined under subsection (3)(a), by the amount of the reduction. Any subsequent installment must be increased by the amount of the reduction until the amount

may be paid as an annualized income installment.

<u> •</u>	withho	lding	tax i	is un	derpa	iid,	ther	ce mu	<u>st</u>	be	adde	<u>ed 1</u>	<u>to</u>	the
ž	amount	due	under	r thi	s cha	pter	: a p	enal	ty e	equa.	l to	10%	a	year
9	on the	amou	nt of	the	under	рауп	ient.	. The	pei	nalt	y is	3 C	omp	uted
9	on t	he a	mount	of	the	und	erpa	ymen	t,_	as	dete	ermi	ned	in
<u> </u>	subsec	tion	(5)(b)	), <b>f</b> c	r the	e per	iod	from	the	e ti	me th	ne j	payı	ment
<u> </u>	was d	ue t	o the	date	payı	nent	was	made	or	to	the 1	LSth	da	y of
<u>t</u>	the 4t	h mon	th of	the	year	foll	lowi	ng th	e t	ax	year	in	W	hich
<u>t</u>	the pa	yment	was t	to be	made	e, wh	nich	ever	is	earl	ier.			

- 9 (b) For the purpose of determining the penalty in subsection (5)(a), the amount of the underpayment is the difference between the required installment amount and the installment amount paid, if any, on or before the due date for the installment.
- 14 (c) For the purpose of determining the penalty in
  15 subsection (5)(a), an estimated payment must be credited
  16 against unpaid required installments in the order in which
  17 those installments are required to be paid.
- 18 (d) For each married taxpayer filing separately on the

  19 same form, the penalty provided for in subsection (5)(a)

  20 must be computed on the combined tax liability after

  21 reductions for credits and withholding, as shown on the

  22 taxpayer's return.
- 23 (e) A penalty may not be imposed with respect to any
  24 underpayment of the fourth installment of estimated taxes

25 <u>if:</u>

1	<u>(i)</u>	the	taxpayer	pays	in full	the	amount	computed	on
2	the retu	rn as	payable;	and					

- 3 (ii) the taxpayer files a return on or before the last 4 day of the month following the close of the tax year 5 referred to in subsection (2)(a) or (2)(b).
- (6) For the purposes of this section, "farmer or 6 7 rancher" means a taxpayer who derives at least 66 2/3% of the taxpayer's gross income, as defined in 15-30-101(7), 8 9 from farming or ranching operations, or both.

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- +6+(7) The department shall promulgate rules governing reasonable extensions of time for filing-declarations-and paying the estimated tax except-in-the-case-of-taxpayers-who are-abroad; -and-no-such. An extension shall may not be for 14 more than 6 months.
  - (7)--If---the---taxpayer--is--unable--to--make--his--own declaration---the--declaration--shall--be--made--by--a--duly authorized-agent-or-by-the-quardian-or-other-person--charged with-the-care-of-the-person-or-property-of-such-taxpayer-
- 19 (8)--Any--individual--who-fails-to-file-a-declaration-of 20 estimated-tax-as-required-by-this-section-is-not-subject--to 21 the-penalties-set-forth-in-15-38-321-"
- 22 NEW SECTION. Section 2. Repealer. Section 15-30-242, 23 MCA, is repealed.
- NEW SECTION. Section 3. Appropriation. 24 There is 25 appropriated from the general fund to the department of

- revenue \$77,971 for fiscal year 1993 to implement the 1 provisions of [this act].
- NEW SECTION. Section 4. Effective dates 3 applicability. (1) Except for the purposes of subsection (2), [this act] is effective July 1, 1992, and applies to tax years beginning after December 31, 1992.
- (2) For the purposes of promulgating administrative rules to implement [section 1], [this act] is effective on passage and approval.

-End-

# STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0014, as introduced.

# SCRIPTION OF PROPOSED LEGISLATION:

lact to provide for payment of estimated individual income taxes in four installments; to establish that an amount equal , at least 90 percent of the tax due in the current tax year or equal to 100 percent of the tax liability in the preceding ux year must be paid through payment of estimated taxes, through employer withholding, or through a combination of both; to ovide certain exceptions from the payment of estimated taxes; to allow payment of estimated taxes on the basis of mualized installments; to require payment of a penalty for failure to pay the required installment of estimated taxes; to rovide an appropriation.

#### ISCAL IMPACT:

he proposal would accelerate individual income tax collections in FY93. The estimated increase in individual income tax ollections in FY93, based on estimates in HJR1, as introduced, would be \$31.8 million (the executive estimate is \$34 illion).

	<u>FY93</u>
Individual Income Tax Collections: (Increase)	\$31,800,000
Fund Distribution:	
General Fund	19,970,400
School Equalization	9,063,000
Debt Service	2,766,600

BUDGET DIRECTOR

Office of Budget and Program Planning

BOB GILBERT, PRIMARY SPONSOR

Fiscal Note for HB0014, as introduced

52nd Legislature Special Session 1/92

25

individual

HB 0014/02

HB 0014/02

# APPROVED BY COMMITTEE ON TAXATION

1	HOUSE BILL NO. 14
2	INTRODUCED BY GILBERT, B. BROWN, HARRINGTON, TOWE, REAM,
3	HAGER, VAN VALKENBURG, CRIPPEN, HANSON, ECK, FOSTER, SCHYE
4	BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE
5	
6	A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR PAYMENT
7	OF ESTIMATED INDIVIDUAL INCOME TAXES IN FOUR INSTALLMENTS;
8	TO ESTABLISH THAT AN AMOUNT EQUAL TO AT LEAST 90 PERCENT OF
9	THE TAX DUE IN THE CURRENT TAX YEAR OR EQUAL TO 100 PERCENT
.0	OF THE TAX LIABILITY IN THE PRECEDING TAX YEAR MUST BE PAID
.1	THROUGH PAYMENT OF ESTIMATED TAXES, THROUGH EMPLOYER
. 2	WITHHOLDING, OR THROUGH A COMBINATION OF BOTH; TO PROVIDE
. 3	CERTAIN EXCEPTIONS FROM THE PAYMENT OF ESTIMATED TAXES; TO
4	ALLOW PAYMENT OF ESTIMATED TAXES ON THE BASIS OF ANNUALIZED
LS	INSTALLMENTS; TO REQUIRE PAYMENT OF A PENALTY FOR FAILURE TO
16	PAY THE REQUIRED INSTALLMENT OF ESTIMATED TAXES; TO PROVIDE
17	AN APPROPRIATION; AMENDING SECTION 15-30-241, MCA; REPEALING
8.	SECTION 15-30-242, MCA; AND PROVIDING EFFECTIVE DATES AND AN
L <b>9</b>	APPLICABILITY DATE."
20	
21	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
22	Section 1. Section 15-30-241, MCA, is amended to read:
23	"15-30-241. Declaration-of-estimated Estimated tax
24	payment exceptions penalty. (1) (a) Every Each

1	tarmers, or tanchers, or stockmen as defined in Subsection
2	(6), shall, at-the-time-prescribed-in-subsection-(3)-of-this
3	${\tt section_7-make-a-declaration-of-his-estimated-tax} \ \underline{\tt pay} \ \ {\tt for} \ \ {\tt the}$
4	taxable tax year, through employer withholding, as provided
5	in 15-30-202, through payment of estimated tax in four
6	installments, as provided in subsection (2) of this section,
7	or through a combination of employer withholding and
8	<pre>estimated tax payments, at least:</pre>
9	(i) 90% of the tax for the current tax year, less tax
0	credits and withholding allowed the taxpayer; or
1	(ii) an amount equal to 100% of the individual's tax
2	liability for the preceding tax year, if the preceding tax
.3	year was a period of 12 months and if the individual filed a
4	return for the tax year. if-his-net-income-from-sources
.5	other-than-wages;-salaries;-bonuses;-or-other-emoluments-can
.б	reasonably-be-expected-to-equal-orexceedhisnetincome
.7	from-wagesy-salariesy-bonuses-or-other-emolumentsy-which-are
.8	subject-to-withhelding-
.9	(b) Payment of estimated taxes under this section is
0!	not required if:
!1	(i) the combined tax liability of employer withholding
!2	and estimated tax for the current year is less than \$500
23	after reductions for credits and withholding;
24	(ii) the individual did not have any tax liability for
	the proceeding tay year upich was a ray year of 12 months

subject to tax under this chapter, except

25

-	and if the individual was a citizen of resident of the
2	United States throughout that tax year;
ı	(iii) the underpayment was caused by reason of casualty,
1	disaster, or other unusual circumstances that the department
5	determines to constitute good cause; or
5	(iv) the individual retired in the tax year after having
7	attained the age of 62 or if the individual became disabled
8	in the tax year. In addition, payment of estimated taxes
9	under this section is not required in the tax year following
Đ	the tax year in which the individual retired or became
1	disabled.
2	(2) In-the-declaration-required-under-subsection-(1)-of
3	this-section;-the-individual-shall-state:
4	(a)the-amount-which-he-estimates-as-the-amount-oftax
5	under-15-30-103-for-the-taxable-year?
5	(b)the-amount-which-he-estimates-will-be-withheld-from
7	wagespaidbyhisemployerifsaidindividualisan
В	employee;
9	<pre>fc}the-excess-of-the-amount-estimated-under-subsection</pre>
0	(2)(a)overtheamount-estimated-under-subsection-(2)(b);
1	which-excess-for-purposes-of-this-sectionshallbe
2	considered-the-estimated-tax-for-the-taxable-year;
3	<pre>+d)suchotherinformationasmaybe-prescribed-in</pre>
4	rules-promulgated-by-the-department:

+3)--The-declaration-required-under--subsection--(1)--of

-3-

25

1	this-section-shall-be-filed-with-the-department-on-or-before
2	April15ofthetaxableyear;exceptthatifthe
3	requirements-of-subsection-(1)-ofthissectionarefirst
4	met:
5	(a)afterAprill-and-before-October-l-of-the-taxable
6	year,-the-declaration-shall-be-filed-on-or-before-October-15
7	of-the-taxable-year;
8	tb)afterOctober1ofthetaxableyear;the
9	declarationshallbe-filed-on-or-before-Pebruary-15-of-the
10	succeeding-taxable-year.
11	(4)An-individual-may-make-amendments-of-adeclaration
12	filedduringthe-taxable-year-under-subsection-(3)-of-this
13	section-under-rules-prescribed-by-the-department:
14	(5)Ify-on-or-beforePebruary15ofthesucceeding
15	taxableyear;thetaxpayer-files-a-return-for-the-taxable
16	year-for-which-the-declaration-is-required-and-pays-inful:
17	theamountcomputedonhis-return-as-payable;-then-under
18	rules-prescribed-by-the-department:
19	(a)if-the-declaration-isnotrequiredtobefile
20	duringthetaxableyear-but-is-required-to-be-filed-on-o
21	before-such-February-157-such-return-shall-for-thepurpose
22	of-this-section-be-considered-as-such-declaration;-and
23	<pre>fb}ifthe-tax-shown-on-the-return-is-greater-than-th</pre>
24	estimated-tax-shown-in-a-declaration-previously-madeori

HB 14

the--last--amendments--thereofy--such--return--shall-for-the

1	purposes-of-this-section-be-considered-as-theamendmentof
2	thedeclaration-permitted-by-subsection-(4)-of-this-section
3	to-be-filed-on-or-before-such-Pebruary-15: Estimated taxes
4	must be paid in four installments according to one of the
5	following schedules:
6	(a) For each taxpayer whose tax year begins on January
7	1, estimated tax payments are due on the following dates:
8	Installment Date
9	First April 15
L O	Second June 15
11	Third September 15
. 2	Fourth January 15 of the following tax year
.3	(b) For each taxpayer whose tax year begins on a date
L <b>4</b>	other than January 1, estimated tax payments are due on the
L 5	following dates:
16	Installment Date
L <b>7</b>	First 15th day of the 4th
8.	month following the
.9	beginning of the tax year
20	Second 15th day of the 6th
21	month following the
22	beginning of the tax year
23	Third 15th day of the 9th
4	month following the
.5	beginning of the tax year

-5-

1	Fourth 15th day of the month
2	following the close of the tax year
3	(3) (a) Except as provided in subsection (4), each
4	installment must be 25% of the required annual payment
5	determined pursuant to subsection (1). If the taxpayer's tax
6	situation changes, each succeeding installment must be
7	proportionally changed so that the balance of the required
8	annual payment is paid in equal installments over the
9	remaining period of time.
10	(b) If the taxpayer's tax situation changes after the
11	date for the first installment or any subsequent
12	installment, as specified in subsection (2)(a) or (2)(b), so
13	that the taxpayer is required to pay estimated taxes, the
14	taxpayer shall pay 25% for each succeeding installment
15	except for the first one in which a payment is required. Fo
16	estimated taxes required to be paid beginning with the
17	second installment provided for in subsection (2)(a) o
18	(2)(b), the taxpayer shall pay 50% for that installment and
19	25% for the third and fourth installments, respectively. Fo
20	estimated taxes required to be paid beginning with the thir
21	installment provided for in subsection (2)(a) or (2)(b), th
22	taxpayer shall pay 75% for that installment and 25% for th
23	fourth installment.
24	(4) (a) If for any required installment the taxpaye

determines that the installment payment is less than the

-6-

Ŧ	amount determined under subsection (3)(a), the lower amount
2	may be paid as an annualized income installment.
3	(b) For any required installment, the annualized income
4	installment is the differencebetweenthe applicable
5	percentage described in subsection (4)(c) applied to the tax
6	computed on the basis of annualized taxable income in the
7	tax year for the months ending before the due date for the
8	installment andto LESS the total amount of any prior
9	required installments for the tax year.
.0	(c) For the purposes of this subsection (4), the
.1	applicable percentage is determined according to the
.2	following schedule:
. 3	Required Installment Applicable Percentage
.4	First 22.5%
. 5	Second 45%
L <b>6</b>	Third 67.5%
17	Fourth 90%
8.	(d) A reduction in a required installment resulting
9	from the application of an annualized income installment
20	must be recaptured by increasing the amount of the next
21	required installment, determined under subsection (3)(a), by
22	the amount of the reduction. Any subsequent installment must
23	be increased by the amount of the reduction until the amount
24	has been recaptured.
, 5	(5) (a) If an estimated tax, an employer withholding

-7-

1	tax,	or	a	comb	inat	ion	of	est	imate	d ta	х а	nd	empl	oyer
2	withho	lding	g ta	x is	und	erpa	id,	ther	e mus	t be	ad	ded	to	the
3	amount	due	e un	der	this	cha	pter	ap	enalt	y equ	al t	0 10	l% a	year
4	on the	amo	unt	of t	he u	nder	раул	nent.	The	penal	ty	is	comp	uted
5	on t	he a	amou	int	of	the	und	lerpa	yment	, as	de	tern	nined	lin
6	subsec													
7										or to				
8	the 4t													
9	the pa													
									·			<u> </u>		

- 10 (b) For the purpose of determining the penalty in

  11 subsection (5)(a), the amount of the underpayment is the

  12 difference—between—the required installment amount and LESS

  13 the installment amount paid, if any, on or before the due

  14 date for the installment.
- 15 (c) For the purpose of determining the penalty in
  16 subsection (5)(a), an estimated payment must be credited
  17 against unpaid required installments in the order in which
  18 those installments are required to be paid.
- 19 (d) For each married taxpayer filing separately on the
  20 same form, the penalty provided for in subsection (5)(a)
  21 must be computed on the combined tax liability after
  22 reductions for credits and withholding, as shown on the
  23 taxpayer's return.
  - (e) A penalty may not be imposed with respect to any underpayment of the fourth installment of estimated taxes

-8-

HB 14

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- 2 (i) the taxpayer pays in full the amount computed on
  3 the return as payable; and
- 4 (ii) the taxpayer files a return on or before the last
  5 day of the month following the close of the tax year
  6 referred to in subsection (2)(a) or (2)(b).
- 7 (6) For the purposes of this section, "farmer or 8 rancher" means a taxpayer who derives at least 66 2/3% of 9 the taxpayer's gross income, as defined in 15-30-101(7), 10 from farming or ranching operations, or both.
- 11 (6)(7) The department shall promulgate rules governing
  12 reasonable extensions of time for filing-declarations-and
  13 paying the estimated tax except-in-the-case-of-taxpayers-who
  14 are-abroad; and-no-such. An extension shall may not be for
  15 more than 6 months.
  - (7)--If---the---taxpayer--is--unable--to--make--his--own declaration;--the--declaration--shall--be--made--by--a--duly authorized-agent-or-by-the-guardian-or-other-person--charged with-the-care-of-the-person-or-property-of-such-taxpayer:
- 20 (0)--Any--individual--who-fails-to-file-a-declaration-of
  21 estimated-tax-as-required-by-this-section-is-not-subject--to
  22 the-penalties-set-forth-in-15-30-321."
- NEW SECTION. Section 2. Repealer. Section 15-30-242,
  MCA, is repealed.
- 25 <u>NEW SECTION.</u> Section 3. Appropriation. There is

- appropriated from the general fund to the department of revenue \$77,971 for fiscal year 1993 to implement the provisions of [this act].
- NEW SECTION. Section 4. Effective dates --
  applicability. (1) Except for the purposes of subsection

  (2), [this act] is effective July 1, 1992, and applies to

  tax years beginning after December 31, 1992.
- 8 (2) For the purposes of promulgating administrative 9 rules to implement [section 1], [this act] is effective on 10 passage and approval.

-End-

1	HOUSE BILL NO. 14
2	INTRODUCED BY GILBERT, B. BROWN, HARRINGTON, TOWE, REAM,
3	HAGER, VAN VALKENBURG, CRIPPEN, HANSON, ECK, FOSTER, SCHYE
4	BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE
5	
6	A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR PAYMENT
7	OF ESTIMATED INDIVIDUAL INCOME TAXES IN FOUR INSTALLMENTS;
8	TO ESTABLISH THAT AN AMOUNT EQUAL TO AT LEAST 90 PERCENT OF
9	THE TAX DUE IN THE CURRENT TAX YEAR OR EQUAL TO 100 PERCENT
10	OF THE TAX LIABILITY IN THE PRECEDING TAX YEAR MUST BE PAID
11	THROUGH PAYMENT OF ESTIMATED TAXES, THROUGH EMPLOYER
12	WITHHOLDING, OR THROUGH A COMBINATION OF BOTH; TO PROVIDE
13	CERTAIN EXCEPTIONS FROM THE PAYMENT OF ESTIMATED TAXES; TO
14	ALLOW PAYMENT OF ESTIMATED TAXES ON THE BASIS OF ANNUALIZED
15	INSTALLMENTS; TO REQUIRE PAYMENT OF A PENALTY FOR FAILURE TO
16	PAY THE REQUIRED INSTALLMENT OF ESTIMATED TAXES; TO PROVIDE
17	AN APPROPRIATION; AMENDING SECTION 15-30-241, MCA; REPEALING
18	SECTION 15-30-242, MCA; AND PROVIDING EFFECTIVE DATES AND AN
19	APPLICABILITY DATE."
20	
21	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
22	Section 1. Section 15-30-241, MCA, is amended to read:
23	"15-30-241. Beclaration-of-estimated Estimated tax
24	payment exceptions penalty. (1) (a) Every Each
25	individual subject to tax under this chapter, except

1	farmers, or ranchers, or stockmen as defined in subsection
2	(6), shally-at-the-time-prescribed-in-subsection-(3)-of-this
3	section;-make-a-declaration-of-his-estimated-tax pay for the
4	taxable tax year, through employer withholding, as provided
5	in 15-30-202, through payment of estimated tax in four
6	installments, as provided in subsection (2) of this section,
7	or through a combination of employer withholding and
8	estimated tax payments, at least:
9	(i) 90% of the tax for the current tax year, less tax
10	credits and withholding allowed the taxpayer; or
11	(ii) an amount equal to 100% of the individual's tax
12	liability for the preceding tax year, if the preceding tax
13	year was a period of 12 months and if the individual filed a
14	return for the tax year. if-his-net-income-from-sources
15	other-than-wages;-salaries;-bonuses;-or-other-emoluments-car
16	reasonably-be-expected-to-equal-orexceedhisnetincome
17	from-wages;-salaries;-bonuses-or-other-emoluments;-which-are
18	subject-to-withholding.
19	(b) Payment of estimated taxes under this section is
20	not required if:

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the preceding tax year, which was a tax year of 12 months,

(i) the combined tax liability of employer withholding

(ii) the individual did not have any tax liability for

and estimated tax for the current year is less than \$500

after reductions for credits and withholding;

3	(iii) the underpayment was caused by reason of casualty,
4	disaster, or other unusual circumstances that the department
5	determines to constitute good cause; or
6	(iv) the individual retired in the tax year after having
7	attained the age of 62 or if the individual became disabled
8	in the tax year. In addition, payment of estimated taxes
9	under this section is not required in the tax year following
10	the tax year in which the individual retired or became
11	disabled.
12	(2) In-the-declaration-required-under-subsection-(1)-of
13	this-section,-the-individual-shall-state:
14	<pre>fa}the-amount-which-he-estimates-as-the-amount-oftax</pre>
15	under-15-30-103-for-the-taxable-year;
16	(b)the-amount-which-he-estimates-will-be-withheld-from
17	wagespaidbyhisemployerifsaidindividualisan
18	employee;
19	<pre>{c}the-excess-of-the-amount-estimated-under-subsection</pre>
20	(2)(a)overtheamount-estimated-under-subsection-(2)(b)7
21	which-excessforpurposesofthissectionshallbe
22	considered-the-estimated-tax-for-the-taxable-year;
23	<pre>fd}suchotherinformationasmaybe-prescribed-in</pre>
24	rules-promulgated-by-the-department:

and if the individual was a citizen or resident of the

United States throughout that tax year;

1	this-section-shall-be-filed-with-the-department-on-or-befor
2	April15ofthetaxableyear,exceptthatifth
3	requirements-of-subsection-(1)-ofthissectionarefirs
4	met:
5	ta}afterAprill-and-before-October-l-of-the-taxabl
6	yearthe-declaration-shall-be-filed-on-or-before-October-l
7	of-the-taxable-year;
8	tb}after0ctober1ofthetaxableyear;th
9	declarationshallbe-filed-on-or-before-Pebruary-15-of-th
10	succeeding-taxable-year-
11	+4)An-individual-may-make-amendments-of-adeclaratio
12	filedduringthe-taxable-year-under-subsection-(3)-of-thi
13	section-under-rules-prescribed-by-the-department-
14	(5)If7-on-or-beforePebruary15ofthesucceeding
15	taxableyear;thetaxpayer-files-a-return-for-the-taxabl
16	year-for-which-the-declaration-is-required-and-pays-inful
17	theamountcomputedonhis-return-as-payable; then-unde
18	rules-prescribed-by-the-department:
19	(a)if-the-declaration-isnotrequiredtobefile
20	duringthetaxableyear-but-is-required-to-be-filed-on-c
21	before-such-Pebruary-15,-such-return-shall-for-thepurpose
22	of-this-section-be-considered-as-such-declaration; and
23	<pre>fb)ifthe-tax-shown-on-the-return-is-greater-than-th</pre>
24	estimated-tax-shown-in-a-declaration-previously-madeori

(3)--The-declaration-required-under--subsection--(1)--of

the--last--amendments--thereofy--such--return--shall-for-the

pt	rposes-of-this-section-be-considered-as-theamendmentof
tł	edeclaration-permitted-by-subsection-(4)-of-this-section
te	-be-filed-on-or-before-such-Pebruary-15- Estimated taxes
mı	st be paid in four installments according to one of the
£	ollowing schedules:
	(a) For each taxpayer whose tax year begins on January
1	estimated tax payments are due on the following dates:
Ir	nstallment Date
F	rst April 15
Se	cond June 15
Th	nird September 15
Fo	ourth January 15 of the following tax year
	(b) For each taxpayer whose tax year begins on a date
<u>ot</u>	her than January 1, estimated tax payments are due on the
fo	ollowing dates:
Ţī	nstallment Date
F	rst 15th day of the 4th
_	month following the
_	beginning of the tax year
Se	cond 15th day of the 6th
	month following the
_	beginning of the tax year
Th	nird 15th day of the 9th
_	month following the
	beginning of the tax year

1	Fourth 15th day of the month
2	following the close of the tax year
3	(3) (a) Except as provided in subsection (4), each
4	installment must be 25% of the required annual payment
5	determined pursuant to subsection (1). If the taxpayer's tax
6	situation changes, each succeeding installment must be
7	proportionally changed so that the balance of the required
8	annual payment is paid in equal installments over the
9	remaining period of time.
10	(b) If the taxpayer's tax situation changes after the
11	date for the first installment or any subsequent
1 2	installment, as specified in subsection (2)(a) or (2)(b), so
13	that the taxpayer is required to pay estimated taxes, the
14	taxpayer shall pay 25% for each succeeding installment
15	except for the first one in which a payment is required. For
16	estimated taxes required to be paid beginning with the
17	second installment provided for in subsection (2)(a) or
18	(2)(b), the taxpayer shall pay 50% for that installment and
19	25% for the third and fourth installments, respectively. Por
20	estimated taxes required to be paid beginning with the third
21	installment provided for in subsection (2)(a) or (2)(b), the
22	
23	taxpayer shall pay 75% for that installment and 25% for the
	fourth installment.
24	(4) (a) If for any required installment the taxpayer

HB 14

determines that the installment payment is less than the

1	amount determined under subsection (3)(a), the lower amount
2	may be paid as an annualized income installment.
3	(b) For any required installment, the annualized income
4	installment is the differencebetweenthe applicable
5	percentage described in subsection (4)(c) applied to the tax
6	computed on the basis of annualized taxable income in the
7	tax year for the months ending before the due date for the
8	installment andto LESS the total amount of any prior
9	required installments for the tax year.
10	(c) For the purposes of this subsection (4), the
11	applicable percentage is determined according to the
12	following schedule:
13	Required Installment Applicable Percentage
14	First 22.5%
15	Second 45%
16	<u>Third</u> 67.5%
17	Fourth 90%
18	(d) A reduction in a required installment resulting
19	from the application of an annualized income installment
20	must be recaptured by increasing the amount of the next
21	required installment, determined under subsection (3)(a), by
22	the amount of the reduction. Any subsequent installment must
23	be increased by the amount of the reduction until the amount
24	has been recaptured.
25	(5) (a) If an estimated tax, an employer withholding

-7-

1	tax, or a combination of estimated tax and employer
2	withholding tax is underpaid, there must be added to the
3	amount due under this chapter a penalty equal to 10% a year
4	on the amount of the underpayment. The penalty is computed
5	on the amount of the underpayment, as determined in
6	subsection (5)(b), for the period from the time the payment
7	was due to the date payment was made or to the 15th day of
8	the 4th month of the year following the tax year in which
9	the payment was to be made, whichever is earlier.
10	(b) For the purpose of determining the penalty in
11	subsection (5)(a), the amount of the underpayment is the
12	differencebetween-the required installment amount and LESS
13	the installment amount paid, if any, on or before the due
14	date for the installment.
15	(c) For the purpose of determining the penalty in
16	subsection (5)(a), an estimated payment must be credited
17	against unpaid required installments in the order in which
18	those installments are required to be paid.
19	(d) For each married taxpayer filing separately on the
20	same form, the penalty provided for in subsection (5)(a)
21	must be computed on the combined tax liability after
22	reductions for credits and withholding, as shown on the
23	taxpayer's return.
24	(e) A penalty may not be imposed with respect to any
25	underpayment of the fourth installment of estimated taxes

HB 14

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- 2 (i) the taxpayer pays in full the amount computed on
  3 the return as payable; and
- 4 (ii) the taxpayer files a return on or before the last
  5 day of the month following the close of the tax year
  6 referred to in subsection (2)(a) or (2)(b).
  - (6) For the purposes of this section, "farmer or rancher" means a taxpayer who derives at least 66 2/3% of the taxpayer's gross income, as defined in 15-30-101(7), from farming or ranching operations, or both.
  - (6)(7) The department shall promulgate rules governing reasonable extensions of time for filing-declarations-and paying the estimated tax except-in-the-case-of-taxpayers-who are-abroady-and-no-such. An extension shall may not be for more than 6 months.
  - t7;--If---the---taxpayer--is--unable--to--make--his--own declaration;--the--declaration--shall--be--made--by--a--duly authorized-agent-or-by-the-guardian-or-other-person--charged with-the-care-of-the-person-or-property-of-such-taxpayer-
- 20 †8;--Any--individual--who-fails-to-file-a-declaration-of
  21 estimated-tax-as-required-by-this-section-is-not-subject--to
  22 the-penalties-set-forth-in-15-38-321:"
- NEW SECTION. Section 2. Repealer. Section 15-30-242,
- 24 MCA, is repealed.
- 25 NEW SECTION. Section 3. Appropriation. There is

- appropriated from the general fund to the department of revenue \$77,971 for fiscal year 1993 to implement the provisions of [this act].
  - NEW SECTION. Section 4. Effective dates -applicability. (1) Except for the purposes of subsection
    (2), [this act] is effective July 1, 1992, and applies to
    tax years beginning after December 31, 1992.
- 8 (2) For the purposes of promulgating administrative 9 rules to implement (section 1), {this act} is effective on 10 passage and approval.

-End-

9

1	HOUSE BILL NO. 14
2	INTRODUCED BY GILBERT, B. BROWN, HARRINGTON, TOWE, REAM,
3	HAGER, VAN VALKENBURG, CRIPPEN, HANSON, ECK, FOSTER, SCHYE
4	BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE
5	
6	A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR PAYMENT
7	OF ESTIMATED INDIVIDUAL INCOME TAXES IN FOUR INSTALLMENTS;
8	TO ESTABLISH THAT AN AMOUNT EQUAL TO AT LEAST 90 PERCENT OF
9	THE TAX DUE IN THE CURRENT TAX YEAR OR EQUAL TO 100 PERCENT
10	OF THE TAX LIABILITY IN THE PRECEDING TAX YEAR MUST BE PAID
11	THROUGH PAYMENT OF ESTIMATED TAXES, THROUGH EMPLOYER
12	WITHHOLDING, OR THROUGH A COMBINATION OF BOTH; TO PROVIDE
13	CERTAIN EXCEPTIONS FROM THE PAYMENT OF ESTIMATED TAXES; TO
14	ALLOW PAYMENT OF ESTIMATED TAXES ON THE BASIS OF ANNUALIZED
15	INSTALLMENTS; TO REQUIRE PAYMENT OF A PENALTY FOR FAILURE TO
16	PAY THE REQUIRED INSTALLMENT OF ESTIMATED TAXES; TO PROVIDE
17	AN APPROPRIATION; AMENDING SECTION 15-30-241, MCA; REPEALING
18	SECTION 15-30-242, MCA; AND PROVIDING EFFECTIVE DATES AND AN
19	APPLICABILITY DATE."
20	
21	BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
22	Section 1. Section 15-30-241, MCA, is amended to read:
23	"15-30-241. Beclaration-of-estimated Estimated tax
24	payment exceptions penalty. (1) (a) Every Each
25	individual subject to tax under this chapter, except

•	Tarmers, of tanchers, or scookmen as derined in subsection
2	(6), shallat-the-time-prescribed-in-subsection-(3)-of-thi
3	section,-make-a-declaration-of-his-estimated-tax pay for th
4	taxable tax year, through employer withholding, as provide
5	in 15-30-202, through payment of estimated tax in fou
6	installments, as provided in subsection (2) of this section
7	or through a combination of employer withholding an
8	estimated tax payments, at least:

(i) 90% of the tax for the current tax year, less tax

- 10 credits and withholding allowed the taxpayer; or 11 (ii) an amount equal to 100% of the individual's tax 12 liability for the preceding tax year, if the preceding tax 13 year was a period of 12 months and if the individual filed a 14 return for the tax year, if-his-net-income-from-sources 15 other-than-wages;-salaries;-bonuses;-or-other-emoluments-can 16 reasonably-be-expected-to-equal-or--exceed--his--net--income 17 from-wages;-salaries;-bonuses-or-other-emoluments;-which-are 18 subject-to-withholding:
- (b) Payment of estimated taxes under this section is 19 20 not required if:
- 21 (i) the combined tax liability of employer withholding 22 and estimated tax for the current year is less than \$500 23 after reductions for credits and withholding:
- 24 (ii) the individual did not have any tax liability for the preceding tax year, which was a tax year of 12 months, 25

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1	and if the individual was a citizen or resident of the
2	United States throughout that tax year;
3	(iii) the underpayment was caused by reason of casualty,
4	disaster, or other unusual circumstances that the department
5	determines to constitute good cause; or
6	(iv) the individual retired in the tax year after having
7	attained the age of 62 or if the individual became disabled
8	in the tax year. In addition, payment of estimated taxes
9	under this section is not required in the tax year following
10	the tax year in which the individual retired or became
11	disabled.
12	(2) In-the-declaration-required-under-subsection-(1)-of
13	this-section;-the-individual-shall-state:
14	ta)the-amount-which-he-estimates-as-the-amount-oftax
15	under-15-30-103-for-the-taxable-year;
16	<pre>(b)the-amount-which-he-estimates-will-be-withheld-from</pre>
17	wagespaidbyhisemployerifsaidindividualisan
18	empłoyee;
19	{c}the-excess-of-the-amount-estimated-under-subsection
20	t2)(a)overtheamount-estimated-under-subsection-(2)(b);
21	whichexcessforpurposesofthissectionshallbe
22	considered-the-estimated-tax-for-the-taxable-year;
23	<pre>td)suchotherinformationasmaybe-prescribed-in</pre>
24	rules-promutgated-by-the-department:
25	+11

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this-section-shall-be-filed-with-the-department-on-or-before
April---15---of---the--taxable--year;--except--that--if--the
requirements-of-subsection-(1)-of--this--section--are--first
met:
    (a)--after--April--1-and-before-October-1-of-the-taxable
year;-the-declaration-shall-be-filed-on-or-before-October-15
of-the-taxable-year;
    tb)--after--October--i--of---the---taxable---year;---the
declaration -- shall -- be-filed -on-or-before-Pebruary-15-of-the
succeeding-taxable-year-
    (4)--An-individual-may-make-amendments-of-a--declaration
filed--during--the-taxable-year-under-subsection-(3)-of-this
section-under-rules-prescribed-by-the-department-
    +5)--ify-on-or-before--Pebruary--15--of--the--succeeding
taxable--year; -- the--taxpayer-files-a-return-for-the-taxable
year-for-which-the-declaration-is-required-and-pays-in--full
the--amount--computed--on--his-return-as-payable;-then-under
rules-prescribed-by-the-department:
    taj--if-the-declaration-is--not--required--to--be--filed
during--the--taxable--year-but-is-required-to-be-filed-on-or
before-such-Pebruary-157-such-return-shall-for-the--purposes
of-this-section-be-considered-as-such-declaration; -and
    (b)--if--the-tax-shown-on-the-return-is-greater-than-the
estimated-tax-shown-in-a-declaration-previously-made--or--in
the--last--amendments--thereofy--such--return--shall-for-the
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purposes-of-this-	section-be-considered-as-theamendmentof
thedeclaration-	-permitted-by-subsection-(4)-of-this-section
to-be-filed-on-or	-before-such-Pebruary-15: Estimated taxes
must be paid i	in four installments according to one of the
following schedul	les:
(a) For each	n taxpayer whose tax year begins on January
l, estimated tax	payments are due on the following dates:
Installment	Date
First	April 15
Second	June 15
Third	September 15
Fourth	January 15 of the following tax year
(b) For each taxpayer whose tax year begins on a date	
other than January 1, estimated tax payments are due on the	
following dates:	
Installment	Date
First	15th day of the 4th
	month following the
	beginning of the tax year
Second	15th day of the 6th
	month following the
	beginning of the tax year
Third	15th day of the 9th
	month following the
	beginning of the tax year

Fourth 15th day of the mon	r ii
following the close of the tax yes	a r
(3) (a) Except as provided in subsection (4), each	ch
installment must be 25% of the required annual payme	nt
determined pursuant to subsection (1). If the taxpayer's to	аx
situation changes, each succeeding installment must	be
proportionally changed so that the balance of the require	ed
annual payment is paid in equal installments over t	he
remaining period of time.	
(b) If the taxpayer's tax situation changes after t	h <u>e</u>
date for the first installment or any subseque	nt
installment, as specified in subsection (2)(a) or (2)(b),	so
that the taxpayer is required to pay estimated taxes, t	he
taxpayer shall pay 25% for each succeeding installme	nt
except for the first one in which a payment is required. F	or.
estimated taxes required to be paid beginning with t	he
second installment provided for in subsection (2)(a)	or
(2)(b), the taxpayer shall pay 50% for that installment a	ınd
25% for the third and fourth installments, respectively. F	
estimated taxes required to be paid beginning with the thi	
installment provided for in subsection (2)(a) or (2)(b), t	
taxpayer shall pay 75% for that installment and 25% for t	
fourth installment.	
(4) (a) If for any required installment the taxpa	vei
ist taile for any required installment the corpor	

determines that the installment payment is less than the

1	amount determined under subsection (3)(a), the lower amount	
2	may be paid as an annualized income installment.	
3	(b) For any required installment, the annualized income	
4	installment is the differencebetweenthe applicable	
5	percentage described in subsection (4)(c) applied to the tax	
6	computed on the basis of annualized taxable income in the	
7	tax year for the months ending before the due date for the	
8	installment andto LESS the total amount of any prior	
9	required installments for the tax year.	
10	(c) For the purposes of this subsection (4), the	
11	applicable percentage is determined according to the	
12	following schedule:	
13	Required Installment Applicable Percentage	
14	First 22.5%	
15	Second 45%	
16	Third 67.5%	
17	Fourth 90%	
18	(d) A reduction in a required installment resulting	
19	from the application of an annualized income installment	
20	must be recaptured by increasing the amount of the next	
21	required installment, determined under subsection (3)(a), by	
22	the amount of the reduction. Any subsequent installment must	
23	be increased by the amount of the reduction until the amount	
24	has been recaptured.	
25	(5) (a) If an estimated tax, an employer withholding	

-7-

1	tax, or a combination of estimated tax and employer
2	withholding tax is underpaid, there must be added to the
3	amount due under this chapter a penalty equal to 10% a year
4	on the amount of the underpayment. The penalty is computed
5	on the amount of the underpayment, as determined in
6	subsection (5)(b), for the period from the time the payment
7	was due to the date payment was made or to the 15th day of
8	the 4th month of the year following the tax year in which
9	the payment was to be made, whichever is earlier.
10	(b) For the purpose of determining the penalty in
11	subsection (5)(a), the amount of the underpayment is the
12	differencebetween-the required installment amount and LESS
13	the installment amount paid, if any, on or before the due
14	date for the installment.
15	(c) For the purpose of determining the penalty in
16	subsection (5)(a), an estimated payment must be credited
17	against unpaid required installments in the order in which
18	those installments are required to be paid.
19	(d) For each married taxpayer filing separately on the
20	same form, the penalty provided for in subsection (5)(a)
21	must be computed on the combined tax liability after
22	reductions for credits and withholding, as shown on the
23	taxpayer's return.
24	(e) A penalty may not be imposed with respect to any
25	underpayment of the fourth installment of estimated taxes

1	if:

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- 2 (i) the taxpayer pays in full the amount computed on
  3 the return as payable; and
- 4 (ii) the taxpayer files a return on or before the last
  5 day of the month following the close of the tax year
  6 referred to in subsection (2)(a) or (2)(b).
- 7 (6) For the purposes of this section, "farmer or 8 rancher" means a taxpayer who derives at least 66 2/3% of 9 the taxpayer's gross income, as defined in 15-30-101(7), 10 from farming or ranching operations, or both.
  - t6)(7) The department shall promulgate rules governing reasonable extensions of time for filing-declarations-and paying the estimated tax except-in-the-case-of-taxpayers-who are-abroady-and-no-such. An extension shall may not be for more than 6 months.
  - (7)--If---the---taxpayer--is--unable--to--make--his--own declaration,--the--declaration--shall--be--made--by--a--duly authorized-agent-or-by-the-guardian-or-other-person--charged with-the-care-of-the-person-or-property-of-such-taxpayer.
- 20 t0;--Any--individual--who-fails-to-file-a-declaration-of
  21 estimated-tax-as-required-by-this-section-is-not-subject--to
  22 the-penalties-set-forth-in-15-30-321-"
- NEW SECTION. Section 2. Repealer. Section 15-30-242,
  MCA, is repealed.
- 25 NEW SECTION. Section 3. Appropriation. There is

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appropriated from the general fund to the department of revenue \$77,971 for fiscal year 1993 to implement the provisions of [this act].

4 <u>NEW SECTION.</u> Section 4. Effective dates -5 applicability. (1) Except for the purposes of subsection
6 (2), [this act] is effective July 1, 1992, and applies to
7 tax years beginning after December 31, 1992.

8 (2) For the purposes of promulgating administrative 9 rules to implement (section 1), [this act) is effective on 10 passage and approval.

-End-

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