

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.

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*House* BILL NO. *14*

INTRODUCED BY

*Robert Bob Brown*

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

*Bob Ream Hoger Van Valkenburg*

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR PAYMENT OF ESTIMATED INDIVIDUAL INCOME TAXES IN FOUR INSTALLMENTS; TO ESTABLISH THAT AN AMOUNT EQUAL TO 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 TAX YEAR MUST BE PAID THROUGH PAYMENT OF ESTIMATED TAXES, THROUGH EMPLOYER WITHHOLDING, OR THROUGH A COMBINATION OF BOTH; TO PROVIDE CERTAIN EXCEPTIONS FROM THE PAYMENT OF ESTIMATED TAXES; TO ALLOW PAYMENT OF ESTIMATED TAXES ON THE BASIS OF ANNUALIZED INSTALLMENTS; TO REQUIRE PAYMENT OF A PENALTY FOR FAILURE TO PAY THE REQUIRED INSTALLMENT OF ESTIMATED TAXES; TO PROVIDE AN APPROPRIATION; AMENDING SECTION 15-30-241, MCA; REPEALING SECTION 15-30-242, MCA; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY DATE."

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

**Section 1.** Section 15-30-241, MCA, is amended to read:

"15-30-241. Declaration-of-estimated Estimated tax -- payment -- exceptions -- penalty. (1) (a) Every Each individual subject to tax under this chapter, except farmers, or ranchers, or stockmen as defined in subsection

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~~(5), shall, at the time prescribed in subsection (3) of this section, make a declaration of his estimated tax pay for the taxable tax year, through employer withholding, as provided in 15-30-202, through payment of estimated tax in four installments, as provided in subsection (2) of this section, or through a combination of employer withholding and estimated tax payments, at least:~~

~~(i) 90% of the tax for the current tax year, less tax credits and withholding allowed the taxpayer; or~~

~~(ii) an amount equal to 100% of the individual's tax liability for the preceding tax year, if the preceding tax year was a period of 12 months and if the individual filed a return for the tax year. if his net income from sources other than wages, salaries, bonuses, or other emoluments can reasonably be expected to equal or exceed his net income from wages, salaries, bonuses or other emoluments, which are subject to withholding.~~

~~(b) Payment of estimated taxes under this section is not required if:~~

~~(i) the combined tax liability of employer withholding and estimated tax for the current year is less than \$500 after reductions for credits and withholding;~~

~~(ii) the individual did not have any tax liability for the preceding tax year, which was a tax year of 12 months, and if the individual was a citizen or resident of the~~



1 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  
10 disabled.

11 (2) ~~In the declaration required under subsection (1) of~~  
12 ~~this section, the individual shall state:~~

13 ~~(a) the amount which he estimates as the amount of tax~~  
14 ~~under 15-38-103 for the taxable year;~~

15 ~~(b) the amount which he estimates will be withheld from~~  
16 ~~wages paid by his employer if said individual is an~~  
17 ~~employee;~~

18 ~~(c) the excess of the amount estimated under subsection~~  
19 ~~(2)(a) over the amount estimated under subsection (2)(b),~~  
20 ~~which excess for purposes of this section shall be~~  
21 ~~considered the estimated tax for the taxable year;~~

22 ~~(d) such other information as may be prescribed in~~  
23 ~~rules promulgated by the department;~~

24 ~~(3) The declaration required under subsection (1) of~~  
25 ~~this section shall be filed with the department on or before~~

1 ~~April 15 of the taxable year, except that if the~~  
2 ~~requirements of subsection (1) of this section are first~~  
3 ~~met:~~

4 ~~(a) after April 1 and before October 1 of the taxable~~  
5 ~~year, the declaration shall be filed on or before October 15~~  
6 ~~of the taxable year;~~

7 ~~(b) after October 1 of the taxable year, the~~  
8 ~~declaration shall be filed on or before February 15 of the~~  
9 ~~succeeding taxable year;~~

10 ~~(4) An individual may make amendments of a declaration~~  
11 ~~filed during the taxable year under subsection (3) of this~~  
12 ~~section under rules prescribed by the department;~~

13 ~~(5) If, on or before February 15 of the succeeding~~  
14 ~~taxable year, the taxpayer files a return for the taxable~~  
15 ~~year for which the declaration is required and pays in full~~  
16 ~~the amount computed on his return as payable, then under~~  
17 ~~rules prescribed by the department:~~

18 ~~(a) if the declaration is not required to be filed~~  
19 ~~during the taxable year but is required to be filed on or~~  
20 ~~before such February 15, such return shall for the purposes~~  
21 ~~of this section be considered as such declaration; and~~

22 ~~(b) if the tax shown on the return is greater than the~~  
23 ~~estimated tax shown in a declaration previously made or in~~  
24 ~~the last amendments thereof, such return shall for the~~  
25 ~~purposes of this section be considered as the amendment of~~

1 ~~the declaration 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:

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:

Installment	Date
16 First	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  
 24 determines that the installment payment is less than the  
 25 amount determined under subsection (3)(a), the lower amount

1 may be paid as an annualized income installment.

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:

<u>Required Installment</u>	<u>Applicable Percentage</u>
<u>First</u>	<u>22.5%</u>
<u>Second</u>	<u>45%</u>
<u>Third</u>	<u>67.5%</u>
<u>Fourth</u>	<u>90%</u>

17 (d) A reduction in a required installment resulting  
 18 from the application of an annualized income installment  
 19 must be recaptured by increasing the amount of the next  
 20 required installment, determined under subsection (3)(a), by  
 21 the amount of the reduction. Any subsequent installment must  
 22 be increased by the amount of the reduction until the amount  
 23 has been recaptured.

24 (5) (a) If an estimated tax, an employer withholding  
 25 tax, or a combination of estimated tax and employer

1 withholding tax is underpaid, there must be added to the  
 2 amount due under this chapter a penalty equal to 10% a year  
 3 on the amount of the underpayment. The penalty is computed  
 4 on the amount of the underpayment, as determined in  
 5 subsection (5)(b), for the period from the time the payment  
 6 was due to the date payment was made or to the 15th day of  
 7 the 4th month of the year following the tax year in which  
 8 the payment was to be made, whichever is earlier.

9 (b) For the purpose of determining the penalty in  
 10 subsection (5)(a), the amount of the underpayment is the  
 11 difference between the required installment amount and the  
 12 installment amount paid, if any, on or before the due date  
 13 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 if:

1 (i) the taxpayer pays in full the amount computed on  
 2 the return 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 (6) For the purposes of this section, "farmer or  
 7 rancher" means a taxpayer who derives at least 66 2/3% of  
 8 the taxpayer's gross income, as defined in 15-30-101(7),  
 9 from farming or ranching operations, or both.

10 ~~{6}(7)~~ The department shall promulgate rules governing  
 11 reasonable extensions of time for filing declarations and  
 12 paying the estimated tax except in the case of taxpayers who  
 13 are abroad, and no such. An extension shall may not be for  
 14 more than 6 months.

15 ~~{7}--If--the--taxpayer--is--unable--to--make--his--own~~  
 16 ~~declaration,--the--declaration--shall--be--made--by--a--duely~~  
 17 ~~authorized-agent-or-by-the-guardian-or-other-person--charged~~  
 18 ~~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-15-30-321."~~

22 NEW SECTION. Section 2. Repealer. Section 15-30-242,  
 23 MCA, is repealed.

24 NEW SECTION. Section 3. Appropriation. There is  
 25 appropriated from the general fund to the department of

1 revenue \$77,971 for fiscal year 1993 to implement the  
 2 provisions of [this act].

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

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

DESCRIPTION OF PROPOSED LEGISLATION:

act to provide for payment of estimated individual income taxes in four installments; to establish that an amount equal to 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 tax year must be paid through payment of estimated taxes, through employer withholding, or through a combination of both; to provide certain exceptions from the payment of estimated taxes; to allow payment of estimated taxes on the basis of annualized installments; to require payment of a penalty for failure to pay the required installment of estimated taxes; to provide an appropriation.


FISCAL IMPACT:

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

	<u>FY93</u>
<u>Individual Income Tax Collections:</u> (Increase)	\$31,800,000

Fund Distribution:

General Fund	19,970,400
School Equalization	9,063,000
Debt Service	2,766,600

  
 STEVE YEAKER, BUDGET DIRECTOR  
 Office of Budget and Program Planning

DATE  
 1/8/92

  
 BOB GILBERT, PRIMARY SPONSOR

DATE  
 1/08/92

Fiscal Note for HB0014, as introduced

**HB 14**

APPROVED BY COMMITTEE  
ON TAXATION

HOUSE BILL NO. 14

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

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR PAYMENT  
OF ESTIMATED INDIVIDUAL INCOME TAXES IN FOUR INSTALLMENTS;  
TO ESTABLISH THAT AN AMOUNT EQUAL TO 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 TAX YEAR MUST BE PAID  
THROUGH PAYMENT OF ESTIMATED TAXES, THROUGH EMPLOYER  
WITHHOLDING, OR THROUGH A COMBINATION OF BOTH; TO PROVIDE  
CERTAIN EXCEPTIONS FROM THE PAYMENT OF ESTIMATED TAXES; TO  
ALLOW PAYMENT OF ESTIMATED TAXES ON THE BASIS OF ANNUALIZED  
INSTALLMENTS; TO REQUIRE PAYMENT OF A PENALTY FOR FAILURE TO  
PAY THE REQUIRED INSTALLMENT OF ESTIMATED TAXES; TO PROVIDE  
AN APPROPRIATION; AMENDING SECTION 15-30-241, MCA; REPEALING  
SECTION 15-30-242, MCA; AND PROVIDING EFFECTIVE DATES AND AN  
APPLICABILITY DATE."

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

**Section 1.** Section 15-30-241, MCA, is amended to read:

"15-30-241. ~~Declaration of estimated~~ Estimated tax --  
payment -- exceptions -- penalty. (1) (a) Every Each  
individual subject to tax under this chapter, except

~~farmers, or ranchers, or stockmen as defined in subsection~~  
~~(6), shall, at the time prescribed in subsection (3) of this~~  
~~section, make a declaration of his estimated tax pay~~ for the  
~~taxable tax year, through employer withholding, as provided~~  
~~in 15-30-202, through payment of estimated tax in four~~  
~~installments, as provided in subsection (2) of this section,~~  
~~or through a combination of employer withholding and~~  
~~estimated tax payments, at least:~~

(i) 90% of the tax for the current tax year, less tax  
credits and withholding allowed the taxpayer; or

(ii) an amount equal to 100% of the individual's tax  
liability for the preceding tax year, if the preceding tax  
year was a period of 12 months and if the individual filed a  
return for the tax year. if his net income from sources  
other than wages, salaries, bonuses, or other emoluments can  
reasonably be expected to equal or exceed his net income  
from wages, salaries, bonuses or other emoluments, which are  
subject to withholding.

(b) Payment of estimated taxes under this section is  
not required if:

(i) the combined tax liability of employer withholding  
and estimated tax for the current year is less than \$500  
after reductions for credits and withholding;

(ii) the individual did not have any tax liability for  
the preceding tax year, which was a tax year of 12 months,



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 (a) the amount which he estimates as the amount of tax  
15 under 15-30-103 for the taxable year;

16 (b) the amount which he estimates will be withheld from  
17 wages paid by his employer if said individual is an  
18 employee;

19 (c) the excess of the amount estimated under subsection  
20 (2)(a) over the amount estimated under subsection (2)(b);  
21 which excess for purposes of this section shall be  
22 considered the estimated tax for the taxable year;

23 (d) such other information as may be prescribed in  
24 rules promulgated by the department;

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

1 ~~this section shall be filed with the department on or before~~  
2 ~~April 15 of the taxable year, except that if the~~  
3 ~~requirements of subsection (1) of this section are first~~  
4 ~~met:~~

5 ~~(a) after April 1 and before October 1 of the taxable~~  
6 ~~year, the declaration shall be filed on or before October 15~~  
7 ~~of the taxable year;~~

8 ~~(b) after October 1 of the taxable year, the~~  
9 ~~declaration shall be filed on or before February 15 of the~~  
10 ~~succeeding taxable year;~~

11 ~~(4) An individual may make amendments of a declaration~~  
12 ~~filed during the taxable year under subsection (3) of this~~  
13 ~~section under rules prescribed by the department;~~

14 ~~(5) If, on or before February 15 of the succeeding~~  
15 ~~taxable year, the taxpayer files a return for the taxable~~  
16 ~~year for which the declaration is required and pays in full~~  
17 ~~the amount computed on his return as payable, then under~~  
18 ~~rules prescribed by the department:~~

19 ~~(a) if the declaration is not required to be filed~~  
20 ~~during the taxable year but is required to be filed on or~~  
21 ~~before such February 15, such return shall for the purposes~~  
22 ~~of this section be considered as such declaration; and~~

23 ~~(b) if the tax shown on the return is greater than the~~  
24 ~~estimated tax shown in a declaration previously made or in~~  
25 ~~the last amendments thereof, such return shall for the~~

1 ~~purposes of this section be considered as the amendment of~~  
2 ~~the declaration permitted by subsection (4) of this section~~  
3 ~~to be filed on or before such February 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:

<u>Installment</u>	<u>Date</u>
<u>First</u>	<u>April 15</u>
<u>Second</u>	<u>June 15</u>
<u>Third</u>	<u>September 15</u>
<u>Fourth</u>	<u>January 15 of the following tax year</u>

13 (b) For each taxpayer whose tax year begins on a date  
14 other than January 1, estimated tax payments are due on the  
15 following dates:

<u>Installment</u>	<u>Date</u>
<u>First</u>	<u>15th day of the 4th</u> <u>month following the</u> <u>beginning of the tax year</u>
<u>Second</u>	<u>15th day of the 6th</u> <u>month following the</u> <u>beginning of the tax year</u>
<u>Third</u>	<u>15th day of the 9th</u> <u>month following the</u> <u>beginning of the tax year</u>

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. 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. For  
20 estimated taxes required to be paid beginning with the third  
21 installment provided for in subsection (2)(a) or (2)(b), the  
22 taxpayer shall pay 75% for that installment and 25% for the  
23 fourth installment.

24 (4) (a) If for any required installment the taxpayer  
25 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 ~~difference--between--the~~ 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 ~~and--to~~ 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:

<u>Required Installment</u>	<u>Applicable Percentage</u>
<u>First</u>	<u>22.5%</u>
<u>Second</u>	<u>45%</u>
<u>Third</u>	<u>67.5%</u>
<u>Fourth</u>	<u>90%</u>

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

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 ~~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.

24 (e) A penalty may not be imposed with respect to any  
25 underpayment of the fourth installment of estimated taxes

1 if:

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.

16 ~~{7}-if-the-taxpayer-is-unable-to-make-his-own~~  
 17 ~~declaration-the-declaration-shall-be-made-by-a-duty~~  
 18 ~~authorized-agent-or-by-the-guardian-or-other-person-charged~~  
 19 ~~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-15-30-321."~~

23 NEW SECTION. Section 2. Repealer. Section 15-30-242,  
 24 MCA, is repealed.

25 NEW SECTION. Section 3. Appropriation. There is

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

4 NEW SECTION. 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-

HOUSE BILL NO. 14

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

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR PAYMENT  
OF ESTIMATED INDIVIDUAL INCOME TAXES IN FOUR INSTALLMENTS;  
TO ESTABLISH THAT AN AMOUNT EQUAL TO 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 TAX YEAR MUST BE PAID  
THROUGH PAYMENT OF ESTIMATED TAXES, THROUGH EMPLOYER  
WITHHOLDING, OR THROUGH A COMBINATION OF BOTH; TO PROVIDE  
CERTAIN EXCEPTIONS FROM THE PAYMENT OF ESTIMATED TAXES; TO  
ALLOW PAYMENT OF ESTIMATED TAXES ON THE BASIS OF ANNUALIZED  
INSTALLMENTS; TO REQUIRE PAYMENT OF A PENALTY FOR FAILURE TO  
PAY THE REQUIRED INSTALLMENT OF ESTIMATED TAXES; TO PROVIDE  
AN APPROPRIATION; AMENDING SECTION 15-30-241, MCA; REPEALING  
SECTION 15-30-242, MCA; AND PROVIDING EFFECTIVE DATES AND AN  
APPLICABILITY DATE."

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

**Section 1.** Section 15-30-241, MCA, is amended to read:

"15-30-241. ~~Declaration of estimated~~ Estimated tax --  
payment -- exceptions -- penalty. (1) (a) Every Each  
individual subject to tax under this chapter, except

farmers, or ranchers, or stockmen as defined in subsection  
(6), shall, at the time prescribed in subsection (3) of this  
section, make a declaration of his estimated tax pay for the  
taxable tax year, through employer withholding, as provided  
in 15-30-202, through payment of estimated tax in four  
installments, as provided in subsection (2) of this section,  
or through a combination of employer withholding and  
estimated tax payments, at least:

(i) 90% of the tax for the current tax year, less tax  
credits and withholding allowed the taxpayer; or

(ii) an amount equal to 100% of the individual's tax  
liability for the preceding tax year, if the preceding tax  
year was a period of 12 months and if the individual filed a  
return for the tax year. if his net income from sources  
other than wages, salaries, bonuses, or other emoluments can  
reasonably be expected to equal or exceed his net income  
from wages, salaries, bonuses or other emoluments, which are  
subject to withholding;

(b) Payment of estimated taxes under this section is  
not required if:

(i) the combined tax liability of employer withholding  
and estimated tax for the current year is less than \$500  
after reductions for credits and withholding;

(ii) the individual did not have any tax liability for  
the preceding tax year, which was a tax year of 12 months,

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 ~~(a) the amount which he estimates as the amount of tax~~  
15 ~~under 15-30-103 for the taxable year;~~

16 ~~(b) the amount which he estimates will be withheld from~~  
17 ~~wages paid by his employer if said individual is an~~  
18 ~~employee;~~

19 ~~(c) the excess of the amount estimated under subsection~~  
20 ~~(2)(a) over the amount estimated under subsection (2)(b),~~  
21 ~~which excess for purposes of this section shall be~~  
22 ~~considered the estimated tax for the taxable year;~~

23 ~~(d) such other information as may be prescribed in~~  
24 ~~rules promulgated by the department;~~

25 ~~(3) The declaration required under subsection (1) of~~

1 ~~this section shall be filed with the department on or before~~  
2 ~~April 15 of the taxable year, except that if the~~  
3 ~~requirements of subsection (1) of this section are first~~  
4 ~~met:~~

5 ~~(a) after April 1 and before October 1 of the taxable~~  
6 ~~year, the declaration shall be filed on or before October 15~~  
7 ~~of the taxable year;~~

8 ~~(b) after October 1 of the taxable year, the~~  
9 ~~declaration shall be filed on or before February 15 of the~~  
10 ~~succeeding taxable year;~~

11 ~~(4) An individual may make amendments of a declaration~~  
12 ~~filed during the taxable year under subsection (3) of this~~  
13 ~~section under rules prescribed by the department;~~

14 ~~(5) If on or before February 15 of the succeeding~~  
15 ~~taxable year, the taxpayer files a return for the taxable~~  
16 ~~year for which the declaration is required and pays in full~~  
17 ~~the amount computed on his return as payable, then under~~  
18 ~~rules prescribed by the department:~~

19 ~~(a) if the declaration is not required to be filed~~  
20 ~~during the taxable year but is required to be filed on or~~  
21 ~~before such February 15, such return shall for the purposes~~  
22 ~~of this section be considered as such declaration; and~~

23 ~~(b) if the tax shown on the return is greater than the~~  
24 ~~estimated tax shown in a declaration previously made or in~~  
25 ~~the last amendments thereof, such return shall for the~~

1 ~~purposes of this section be considered as the amendment of~~  
 2 ~~the declaration permitted by subsection (4) of this section~~  
 3 ~~to be filed on or before such February 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:

Installment	Date
First	April 15
Second	June 15
Third	September 15
Fourth	January 15 of the following tax year

13 (b) For each taxpayer whose tax year begins on a date  
 14 other than January 1, estimated tax payments are due on the  
 15 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

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. 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. For  
 20 estimated taxes required to be paid beginning with the third  
 21 installment provided for in subsection (2)(a) or (2)(b), the  
 22 taxpayer shall pay 75% for that installment and 25% for the  
 23 fourth installment.

24 (4) (a) If for any required installment the taxpayer  
 25 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 difference--between---the 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 and--to 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:

<u>Required Installment</u>	<u>Applicable Percentage</u>
<u>First</u>	<u>22.5%</u>
<u>Second</u>	<u>45%</u>
<u>Third</u>	<u>67.5%</u>
<u>Fourth</u>	<u>90%</u>

13 (d) A reduction in a required installment resulting  
 14 from the application of an annualized income installment  
 15 must be recaptured by increasing the amount of the next  
 16 required installment, determined under subsection (3)(a), by  
 17 the amount of the reduction. Any subsequent installment must  
 18 be increased by the amount of the reduction until the amount  
 19 has been recaptured.

20 (5) (a) If an estimated tax, an employer withholding

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 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.

24 (e) A penalty may not be imposed with respect to any  
 25 underpayment of the fourth installment of estimated taxes



1 if:  
 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.~~

16 ~~†7†--if--the--taxpayer--is--unable--to--make--his--own~~  
 17 ~~declaration--the--declaration--shall--be--made--by--a--duly~~  
 18 ~~authorized agent or by the guardian or other person--charged~~  
 19 ~~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 15-30-321."~~

23 NEW SECTION. Section 2. Repealer. Section 15-30-242,  
 24 MCA, is repealed.

25 NEW SECTION. Section 3. Appropriation. There is

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

4 NEW SECTION. 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-

HOUSE BILL NO. 14

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BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE FOR PAYMENT  
OF ESTIMATED INDIVIDUAL INCOME TAXES IN FOUR INSTALLMENTS;  
TO ESTABLISH THAT AN AMOUNT EQUAL TO 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 TAX YEAR MUST BE PAID  
THROUGH PAYMENT OF ESTIMATED TAXES, THROUGH EMPLOYER  
WITHHOLDING, OR THROUGH A COMBINATION OF BOTH; TO PROVIDE  
CERTAIN EXCEPTIONS FROM THE PAYMENT OF ESTIMATED TAXES; TO  
ALLOW PAYMENT OF ESTIMATED TAXES ON THE BASIS OF ANNUALIZED  
INSTALLMENTS; TO REQUIRE PAYMENT OF A PENALTY FOR FAILURE TO  
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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 15-30-241, MCA, is amended to read:

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payment -- exceptions -- penalty. (1) (a) Every Each  
individual subject to tax under this chapter, except

farmers, or ranchers, or stockmen as defined in subsection  
(6), shall, at the time prescribed in subsection (3) of this  
section, make a declaration of his estimated tax pay for the  
taxable tax year, through employer withholding, as provided  
in 15-30-202, through payment of estimated tax in four  
installments, as provided in subsection (2) of this section,  
or through a combination of employer withholding and  
estimated tax payments, at least:

(i) 90% of the tax for the current tax year, less tax  
credits and withholding allowed the taxpayer; or

(ii) an amount equal to 100% of the individual's tax  
liability for the preceding tax year, if the preceding tax  
year was a period of 12 months and if the individual filed a  
return for the tax year, if his net income from sources  
other than wages, salaries, bonuses, or other emoluments can  
reasonably be expected to equal or exceed his net income  
from wages, salaries, bonuses, or other emoluments, which are  
subject to withholding.

(b) Payment of estimated taxes under this section is  
not required if:

(i) the combined tax liability of employer withholding  
and estimated tax for the current year is less than \$500  
after reductions for credits and withholding;

(ii) the individual did not have any tax liability for  
the preceding tax year, which was a tax year of 12 months,

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 (a) the amount which he estimates as the amount of tax  
 15 under 15-30-103 for the taxable year;

16 (b) the amount which he estimates will be withheld from  
 17 wages paid by his employer if said individual is an  
 18 employee;

19 (c) the excess of the amount estimated under subsection  
 20 (2)(a) over the amount estimated under subsection (2)(b);  
 21 which excess for purposes of this section shall be  
 22 considered the estimated tax for the taxable year;

23 (d) such other information as may be prescribed in  
 24 rules promulgated by the department;

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

1 this section shall be filed with the department on or before  
 2 April 15 of the taxable year, except that if the  
 3 requirements of subsection (1) of this section are first  
 4 met:

5 (a) after April 1 and before October 1 of the taxable  
 6 year, the declaration shall be filed on or before October 15  
 7 of the taxable year;

8 (b) after October 1 of the taxable year, the  
 9 declaration shall be filed on or before February 15 of the  
 10 succeeding taxable year;

11 (4) An individual may make amendments of a declaration  
 12 filed during the taxable year under subsection (3) of this  
 13 section under rules prescribed by the department;

14 (5) If on or before February 15 of the succeeding  
 15 taxable year, the taxpayer files a return for the taxable  
 16 year for which the declaration is required and pays in full  
 17 the amount computed on his return as payable, then under  
 18 rules prescribed by the department:

19 (a) if the declaration is not required to be filed  
 20 during the taxable year but is required to be filed on or  
 21 before such February 15, such return shall for the purposes  
 22 of this section be considered as such declaration; and

23 (b) if the tax shown on the return is greater than the  
 24 estimated tax shown in a declaration previously made or in  
 25 the last amendments thereof, such return shall for the

1 ~~purposes of this section be considered as the amendment of~~  
2 ~~the declaration permitted by subsection (4) of this section~~  
3 ~~to be filed on or before such February 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 <u>Installment</u>	<u>Date</u>
9 <u>First</u>	<u>April 15</u>
10 <u>Second</u>	<u>June 15</u>
11 <u>Third</u>	<u>September 15</u>
12 <u>Fourth</u>	<u>January 15 of the following tax year</u>

13 (b) For each taxpayer whose tax year begins on a date  
14 other than January 1, estimated tax payments are due on the  
15 following dates:

16 <u>Installment</u>	<u>Date</u>
17 <u>First</u>	<u>15th day of the 4th</u> <u>month following the</u> <u>beginning of the tax year</u>
20 <u>Second</u>	<u>15th day of the 6th</u> <u>month following the</u> <u>beginning of the tax year</u>
23 <u>Third</u>	<u>15th day of the 9th</u> <u>month following the</u> <u>beginning of the tax year</u>

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. 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. For  
20 estimated taxes required to be paid beginning with the third  
21 installment provided for in subsection (2)(a) or (2)(b), the  
22 taxpayer shall pay 75% for that installment and 25% for the  
23 fourth installment.

24 (4) (a) If for any required installment the taxpayer  
25 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 difference--between---the 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 and--to 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:

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.

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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  
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1 if:

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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),  
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 18 ~~authorized-agent-or-by-the-guardian-or-other-person-charged~~  
 19 ~~with-the-care-of-the-person-or-property-of-such-taxpayer.~~

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