

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30

INTRODUCED BY Kaltel House BILL NO. 525

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT THE PAYMENT OF A PENALTY MAY NOT BE IMPOSED FOR NONPAYMENT OR UNDERPAYMENT OF ESTIMATED TAXES ON FEDERAL ANNUITY PAYMENTS UNLESS THE DEPARTMENT HAS ENTERED AN AGREEMENT FOR VOLUNTARY WITHHOLDING FROM THE FEDERAL ANNUITY PAYMENTS; AMENDING SECTION 15-30-241, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE 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. Estimated tax -- payment -- exceptions -- penalty. (1) (a) Each individual subject to tax under this chapter, except farmers or ranchers as defined in subsection (6), shall pay for the 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.

(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 United States throughout that tax year;

(iii) the underpayment was caused by reason of casualty, disaster, or other unusual circumstances that the department determines to constitute good cause; or

(iv) the individual retired in the tax year after having attained the age of 62 or if the individual became disabled in the tax year. In addition, payment of estimated taxes under this section is not required

1 in the tax year following the tax year in which the individual retired or became disabled.

2 (2) Estimated taxes must be paid in four installments according to one of the following schedules:

3 (a) For each taxpayer whose tax year begins on January 1, estimated tax payments are due on the
4 following dates:

5 Installment	Date
6 First	April 15
7 Second	June 15
8 Third	September 15
9 Fourth	January 15 of the following tax year

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

12 Installment	Date
13 First	15th day of the 4th 14 month following the 15 beginning of the tax year
16 Second	15th day of the 6th 17 month following the 18 beginning of the tax year
19 Third	15th day of the 9th 20 month following the 21 beginning of the tax year
22 Fourth	15th day of the month 23 following the close of the tax year

24 (3) (a) Except as provided in subsection (4), each installment must be 25% of the required annual
25 payment determined pursuant to subsection (1). If the taxpayer's tax situation changes, each succeeding
26 installment must be proportionally changed so that the balance of the required annual payment is paid in
27 equal installments over the remaining period of time.

28 (b) If the taxpayer's tax situation changes after the date for the first installment or any subsequent
29 installment, as specified in subsection (2)(a) or (2)(b), so that the taxpayer is required to pay estimated
30 taxes, the taxpayer shall pay 25% for each succeeding installment except for the first one in which a

1 payment is required. For estimated taxes required to be paid beginning with the second installment provided
 2 for in subsection (2)(a) or (2)(b), the taxpayer shall pay 50% for that installment and 25% for the third and
 3 fourth installments, respectively. For estimated taxes required to be paid beginning with the third installment
 4 provided for in subsection (2)(a) or (2)(b), the taxpayer shall pay 75% for that installment and 25% for the
 5 fourth installment.

6 (4) (a) If for any required installment the taxpayer determines that the installment payment is less
 7 than the amount determined under subsection (3)(a), the lower amount may be paid as an annualized
 8 income installment.

9 (b) For any required installment, the annualized income installment is the applicable percentage
 10 described in subsection (4)(c) applied to the tax computed on the basis of annualized taxable income in the
 11 tax year for the months ending before the due date for the installment less the total amount of any prior
 12 required installments for the tax year.

13 (c) For the purposes of this subsection (4), the applicable percentage is determined according to
 14 the following schedule:

15 Required Installment	Applicable Percentage
16 First	22.5%
17 Second	45%
18 Third	67.5%
19 Fourth	90%

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

24 (5) (a) If an estimated tax, an employer withholding tax, or a combination of estimated tax and
 25 employer withholding tax is underpaid, there must be added to the amount due under this chapter a penalty
 26 equal to 10% a year on the amount of the underpayment. The penalty is computed on the amount of the
 27 underpayment, as determined in subsection (5)(b), for the period from the time the payment was due to
 28 the date payment was made or to the 15th day of the 4th month of the year following the tax year in which
 29 the payment was to be made, whichever is earlier.

30 (b) For the purpose of determining the penalty in subsection (5)(a), the amount of the

1 underpayment is the required installment amount less the installment amount paid, if any, on or before the
2 due date for the installment.

3 (c) For the purpose of determining the penalty in subsection (5)(a), an estimated payment must be
4 credited against unpaid required installments in the order in which those installments are required to be
5 paid.

6 (d) For each married taxpayer filing separately on the same form, the penalty provided for in
7 subsection (5)(a) must be computed on the combined tax liability after reductions for credits and
8 withholding, as shown on the taxpayer's return.

9 (e) A penalty may not be imposed with respect to any underpayment of the fourth installment of
10 estimated taxes if:

11 (i) the taxpayer pays in full the amount computed on the return as payable; and

12 (ii) the taxpayer files a return on or before the last day of the month following the close of the tax
13 year referred to in subsection (2)(a) or (2)(b).

14 (f) A penalty may not be imposed with respect to any nonpayment or underpayment of estimated
15 taxes on any federal annuity payments unless the department has entered into an agreement for voluntary
16 state tax withholding from the federal annuity payments as provided in 15-30-215.

17 (6) For the purposes of this section, "farmer or rancher" means a taxpayer who derives at least
18 66 2/3% of the taxpayer's gross income, as defined in 15-30-101(7), from farming or ranching operations,
19 or both.

20 (7) The department shall promulgate rules governing reasonable extensions of time for paying the
21 estimated tax. An extension may not be for more than 6 months."

22

23 NEW SECTION. Section 2. Effective date -- retroactive applicability. [This act] is effective on
24 passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after
25 December 31, 1996.

26

-END-