

## Tax Season and E-Services Update

The 2010 individual income tax filing season has begun and through the first six weeks taxpayers are filing at a quicker rate than the prior year. Over 4,000 more returns have been filed this year as compared to the same time period in 2009.

The department has continued to improve the tax booklets by using a color-coded, step-by-step approach to guide taxpayers through the task of filing their tax return. These booklets are designed to be useful no matter how one chooses to file. It will assist taxpayers filling out a paper form as well as make filing electronically easier for taxpayers.

Taxpayers who complete their state income tax returns can visit the department's offices in Helena, Missoula, Great Falls and Billings and use one of the department's computers to electronically file their state return for free.

Finally, the department continues to work with the volunteer tax assistance programs, VITA and AARP, who provide tax return preparation services at over 70 sites across the state.



### File Electronically – Individual Income Tax

The Montana Department of Revenue encourages taxpayers to try electronic filing – the simple, secure and convenient way to file their individual income tax return. On the department's website, [revenue.mt.gov](http://revenue.mt.gov), taxpayers can electronically file all of the Montana income tax returns for free.

2EZ – short form

2M – intermediate form

2 – long form

2EC – elderly homeowner/renter credit

There are several other options available to electronically file either your state or federal individual income tax returns or both:

- Use an authorized e-file tax professional to assist you in tax preparation and electronic filing. (Joint federal/state e-file)
- Purchase off-the-shelf tax preparation software to install on a personal computer with Internet access. (Joint federal/state e-file)

- Use one of the multiple online filing options available on the Internal Revenue Service website at *irs.gov* to file your federal taxes. Some of the services offered may be free or low-cost to use.
- Prepare and submit state and federal taxes online for free, if you qualify, through service such as *MontanaFreeFile.org*, a “one-stop” website that provides information on free tax preparation and electronic filing options to eligible taxpayers.

Electronic filing results in fewer errors and a faster refund. Taxpayers can even make an electronic payment if they have a tax obligation. Combining electronic filing with direct deposit will provide the quickest possible refund. The typical wait for a refund is 5-10 business days for an e-filed return or 6-10 weeks for a paper return.

### Where’s My Refund?



The department offers two very easy options to check on the status of your individual income tax refund. Both are available 24 hours a day, seven days a week. The only information you need to provide is your social security number and the amount of the refund you requested on your return.

#### 1. Online through Taxpayer Access Point (TAP)

On the department’s homepage, the “Where’s My Refund” icon appears in the upper left-hand corner. Click on the icon, then enter your social security number and your refund amount.

#### 2. By Telephone

Simply call “Where’s My Refund” at (406) 444-9840 and enter your information in response to the system’s prompts.



### File Electronically – Corporation and Partnership Returns

Businesses who file regular C-Corporation, Small Business Subchapter S and partnership returns can file these returns electronically by using a tax preparer who has purchased an authorized software package to send these returns to Montana electronically. At this time, there are no retail software packages available to consumers to submit their business returns electronically in Montana.

### File and Manage Tax Accounts Electronically on TAP

Through the department’s website taxpayers can file their returns and manage their accounts on-line through Taxpayer Access Point for the following taxes and fees:

- Individual Income Tax (IIT)
- Withholding Tax (WTH)
- Mineral Royalty Withholding Tax (MRW)
- Emergency Telephone Service Fee (911)
- Retail Telecommunication Excise Tax (RTE)
- Telecommunications Service Fee (TDD)
- Electricity and Electrical Energy License Tax (EEL)
- Wholesale Energy Transaction Tax (WET)
- Nursing Facility Utilization Fee (NFB)
- Hospital Facility Utilization Fee (HUF)
- Consumer Counsel Fee (CCT)
- Public Service Regulation Fee (PSR)
- Cigarette Tax (CIG)
- Other Tobacco Products Tax (OTP)
- Bentonite Production Tax (BEN)
- Cement and Mineral Tax (CGT)
- Misc. Mines Net Proceeds (MMN)
- Resource Indemnity Trust Tax (RIT)
- Lodging Facility Sales and Use Tax (LFT)
- Wine Tax (WIT)
- Beer and Hard Cider Tax (BET)
- Agency Liquor Store Account (LIQ)
- Liquor Vendor Account (LVA)
- On-Premises License (ONP)
- Brewery Storage Depot License (BSD)
- Domestic Brewery License (DBR)
- Distilled Spirits Mfr License (DSM)
- Winery License (DWR)
- Foreign Brewery Import License (FBI)
- Foreign Winery Import License (FWI)
- Vendor Rep License (VRL)
- Wholesale License (WSL)
- Connoisseur License (CON)
- Coal Gross Proceeds Tax (CGP)
- Coal Severance Tax (CST)
- Metal Mines Gross Proceeds (MMG)
- Metal Mines License Tax (MML)
- Rental Vehicle Tax (RVT)
- Bad Debts (BDT)

Managing accounts means taxpayers can view two years of prior returns; schedule estimated payments and view estimated payments made in the prior year; look-up any outstanding balance and make a payment through TAP; and manage those authorized to access and view their accounts on-line including tax preparers and other interested 3<sup>rd</sup> parties. TAP will also send taxpayers an email twice a year asking them to verify those they have authorized to access their accounts to ensure the access hasn't changed.

### **What If I Have To Pay?**

All of the taxes and fees included in TAP through the department's website can be paid using an e-check with no fee. A credit card option through TAP will be available in the near future.

Electronic payment options for individual income tax returns include paying online with a credit card (small fee) or with an e-check (for free) through Income Tax Express.

Businesses through Business Tax Express can pay Withholding Tax, Lodging and Facility Sales and Use Tax, Rental Vehicle Tax, Oil and Gas Production Tax, Cigarette Tax, Corporation License Tax, and Mineral Royalty Withholding Tax with a credit card (small fee) or with an ACH debit (for free).

## **Modernized e-File – Infrastructure for Joint Federal/State E-Filing**

When taxpayers file tax returns through software they purchase or through tax preparers they are using the joint federal/state e-filing system. For individual income tax the infrastructure is undergoing a major upgrade called “Modernized e-File” (MeF). This will replace the current IRS individual income tax return filing technology with a modernized, Internet-based electronic filing system.

### **What This Means for Taxpayers and Tax Preparers**

The new transaction-based system allows returns to transmit to the IRS in real time, improving turnaround times. This is a major improvement over the legacy system, which processes batch files several times per day. Taxpayers and practitioners can expect to see faster acknowledgements, usually in about five minutes in non-peak periods. This will allow them to address errors in real time; thus, enhancing customer service. MeF will specifically explain errors and clarify each error that triggers a rejection, whereas the legacy system provides one error code that could apply to multiple types of e-file errors. MeF will also support attachments in PDF format to accommodate late legislation and form changes, and eventually will support electronic filing of amended and prior year returns.

Montana is one of eleven participating states and only one of a handful of states who is ready to participate in this program as it is put into production. The department is currently testing files from several vendors and once these are approved the department will be ready to receive and process the associated state MeF individual income tax returns.

MeF will be rolled-out in phases and until it is fully implanted, the legacy system will continue to operate simultaneously with the new system. The Internal Revenue Service will control the number of returns that are initially processed through MeF. Those filing electronically will not even know if the return was processed through MeF versus the legacy system unless they receive the five minute acknowledgement.

### **MeF and Business Tax Returns**

The Modernized e-file system for federal purposes is currently processing electronically filed corporation, partnership, excise tax and exempt organization tax returns. Montana is currently receiving and processing corporation license tax, small business corporation and partnership returns filed electronically through MeF. Currently, these tax types can be submitted only through a tax preparer that has purchased a software package that has been tested and approved to send returns to Montana through MeF. As previously mentioned, there are no retail software packages available to consumers to submit their business returns electronically in Montana.