

Montana Tax News You Can Use

An e-newsletter for tax preparers and those interested in the state's tax system

The 2EC and tax-exempt residences

The Montana elderly homeowner/renter credit, commonly known as the 2EC, is a refundable credit of up to \$1,000 for Montana residents who meet the qualifications listed in the <u>Form 2EC</u> instructions. As part of their credit computation, claimants need to report the property tax they were billed for their residence and up to one acre of land, or report the rent they paid for their Montana residence.

Please be advised that rent paid to tax-exempt nonprofit housing, nursing homes, assisted care facility, and other residential homes and facilities do not qualify for the 2EC Elderly Homeowner/Renter Credit, per MCA 15-30-2341(3).

If you are unsure of the tax status of your client's residence, please contact the property tax department for the county that the residence is in. Please note that assessments for water and sewer do not constitute property tax paid. Although the residence may receive an assessment, it is still considered tax exempt and therefore rents paid by the claimant will not qualify for the 2EC Elderly Homeowner/Renter Credit.

DOR launches withholding compliance project

The department recently initiated a compliance project regarding withholding taxes. As part of the project, we ran a cross-match to identify employers who reported wage expense but did not withhold employee taxes for tax year 2011. The department identified more than 1,100 businesses as not having withheld taxes on the wages they paid in 2011. Many of these entities were one-person businesses with the officer being the sole employee.

The department sent letters to these businesses asking them to let us know why they hadn't withheld taxes on those wages. If they had withheld taxes but didn't report that to us, they would need to file an amended Montana Annual Withholding Tax Reconciliation Form MW-3 and W-2C(s) and pay the applicable amount due.

If these businesses do not respond to the letter, they may be liable for additional tax due or an estimated assessment, including penalties and interest. By working together we can hopefully assist you in helping any clients you may have who are in this situation avoid any unnecessary assessment. We appreciate your cooperation. For additional information, feel free to contact Larry Sullivan, Withholding Tax Unit Manager, at lsullivan@mt.gov or (406) 444-7701.

Saving web forms now an option

On January 7 we posted the Montana 2013 <u>downloadable tax forms</u> on our website. For the first time, you will be able to save the filled-in forms. If you run into any problems saving the forms, please contact <u>dorformsdesignteam@mt.gov</u> to report the problem.

Third-party access tutorials now online

We now have a tutorial on our website showing how you can establish an account and initiate account authorization from your clients. We also have a tutorial showing how taxpayers can authorize third-party account access. Visit our TAP help-webpage and click on the "TAP 3rd Party Access Tutorials" tab.

DOR tax specialist appearing at MSCPA event in Kalispell

The Kalispell chapter of the Montana Society of Certified Public Accountants will be hosting DOR tax specialist Brian Olsen on **February 4**, **from 11:45 a.m. to 2 p.m.**, **at the Red Lion in Kalispell**. He will discuss changes in state tax laws and rules, changes to forms, and changes in federal taxes and what impact they might have on Montana. Tamara Williams from the IRS will also be presenting. Contact Marija Berney at 862-2597 or at mberney@jccscpa.com. You must RSVP for this event by January 31.

Approved tax software for 2013

Every year tax software vendors seek approval to participate in the Montana federal/state electronic filing program. We test the software of each vendor to ensure that it's compatible with our electronic filing system. You can find the latest approval status of each product here (please note this is a new link that was updated with our new website).

For more information, email <u>dore-services@mt.gov</u>.

Target tax dates

January 31: While January 21 was the start date for accepting e-filed Montana individual income tax returns on Taxpayer Access Point (TAP), the IRS announced it will open the 2014 individual income tax filing season on January 31. Tax software companies whose products have been approved for Montana e-filing may begin accepting federal/state tax returns earlier in January and hold those returns until the IRS systems open on January 31. That means that if you e-filed your federal and state individual income tax returns in early January using IRS software or a third-party software provider, the state won't receive your return until January 31 or later.

February 18: We begin processing Montana individual income tax returns submitted via paper. Keep in mind that no matter how soon in the tax season you or your client submits a paper tax return, you'll receive your refund faster if you efile because of the extended time required to process paper.

March 1: The deadline for...

- · completing and returning a livestock reporting form
- reporting business equipment
- associations and organizations to apply for property tax exemption

Contact us

Visit us online at revenue.mt.gov or call us toll-free at (866) 859-2254 or in Helena at 444-6900.

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Montana Tax News You Can Use is published weekly during tax season and periodically at other times. It is for anyone who helps people file taxes

and meet their tax responsibility and for anyone simply interested in the state's tax system. It keeps you posted on what's happening at the department, lets you know about new ways of preparing and filing taxes and brings you up-to-date on some of the issues and trends popping up during tax season in Montana. To subscribe, please visit www.revenue.mt.gov and click on "sign me up."

We welcome your suggestions and ideas for articles, as well as your questions and comments. Please send them to DORWritingProject@mt.gov.