

Montana Tax News You Can Use

Montana Department of Revenue

January 19, 2017

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

IDs on Forms W-2 and 1099 Need to Remain Unmasked

The Department of Revenue no longer accepts Forms W-2 and 1099 with masked identification numbers. This is to comply with the submission standards of the Social Security Administration. To ensure proper compliance and avoid possible penalties, **we ask that all social security and federal employer identification numbers on Forms W-2 and 1099 be complete and unmasked if you are submitting paper forms.**

There are two ways to file your Forms W-2 and 1099 online. Use your [TransAction Portal](#) (TAP) withholding account to enter W-2 and 1099 forms, or use the [TAP](#) file upload service to submit your W-2 and 1099 files to the department. Online help can be found on TAP or on our website under [Online Services](#).

E-File for Disregarded Entity (DER)

You can file the Montana Disregarded Entity (DER) tax form electronically on Montana [TransAction Portal](#) (TAP). Visit the Department of Revenue website under [Online Services](#) for more TAP information.

Pass-Through Entity Withholding and Composite Tax 101

Pass-through entities, like partnerships, S corporations, and disregarded entities, are required to withhold tax on behalf of certain owners. Withholding is required on owners who are nonresident individuals, estates, trusts, foreign C corporations, and other pass-through entities.

Your time is valuable and pass-through entities and their rules are often complex. We've prepared a brief presentation on the basics of the revised pass-through withholding requirements.

[CLICK HERE](#) to learn the ins and outs of the pass-through entity withholding rules, available waivers from the withholding requirements, and the composite tax election.

DOR Tax Specialists Presenting Montana Tax Updates in January/February

Chapters of the Montana Society of Certified Public Accountants (MSCPA) will host DOR tax specialists Tracee Abel and David Merrien at events across the state in January and February. They will discuss changes in state tax laws and rules, changes to forms, and changes in federal taxes that impact Montana.

January 19, Great Falls, 12:00 p.m. to 2:00 p.m. at the O'Haire Motor Inn. Lunch is provided for \$10 for members and nonmembers. For registration details or to RSVP, contact Amanda Manuel at amanda.manuel@jccscca.com.

January 25, Webcast, 2:00 p.m. to 4:00 p.m. The Montana Society of Certified Public Accountants (MSCPA) will be hosting a two-hour webinar for members and nonmembers. For registration details, [click here](#).

February 2, Butte - 2016 Pass-Through Update, 4:00 p.m. to 6:00 p.m. at MacKenzie River Pizza. Free to Butte Chapter members or \$25 for nonmembers. RSVP by January 31 or request more details by contacting Brandon Clark at bclark@newlandpc.com.

New Net Operating Loss Form for Individuals, Trusts, and Estates - Waiver of Carryback Period - Available Online

The new Form NOL is available online: <http://revenue.mt.gov/home/individuals>.

The Department of Revenue updated Form NOL (Montana Net Operating Loss) to include instructions for trusts and estates following the adoption of new rule ARM 42.30.106 about the use of Montana net operating losses by fiduciaries. For individuals, the Montana NOL reportable by fiduciaries is computed starting with the Montana taxable income with the adjustment in IRC 172(d) to the extent it relates to fiduciaries.

In addition, in response to feedback from preparers, the department decided to include a dedicated schedule for the calculation of NOL deduction balance when carrying one or several NOL deductions forward. This new Schedule D was modelled after the worksheet serving the same purpose that taxpayers may find in IRS Pub. 536.

Moreover, Schedule C has been modified to indicate which NOL deduction balance must be used on Schedule D in case multiple NOL deductions are applied to the same tax year. New Schedule C also constitutes a convenient way to keep track of NOL balances year after year and use them in the order provided by statute.

Finally, the department would like to remind preparers and taxpayers that Montana requires a separate election to waive the carryback period. This election must be made on Schedule A, and be sent to the department with the tax return from the loss year. If you are using a software that does not allow you to attach this document to your submission, mail Schedule A to: P.O. Box 7149, Helena MT 59604-7149.

DOR Talks Taxes on Aging Horizons

Two members of the Department of Revenue team appeared on the Department of Public Health and Human Services' *Aging Horizons* TV show to talk about the Property Tax Assistance Program (PTAP), Montana Disabled Veteran (MDV) exemption, the Elderly Homeowner/Renter Tax Credit, e-filing, and where folks can get help from the department.

Aging Horizons is the weekly TV show that addresses tomorrow's aging issues, today. **The tax segment airs on Sunday, January 29, at 9:00 a.m. on Montana's ABC stations** (KWYB Butte/Bozeman; KFBB Great Falls; KHBB Helena; and KTMF Missoula/Kalispell). *In Billings only*, it will air Saturday at 9:00 a.m. on SWX and Sunday at 9:30 a.m. on NBC (KULR8). It will also be on YouTube at www.youtube.com/user/MontanaDPHHS.

New Two-Stage E-mail Scheme Targets Tax Professionals

From the IRS on January 11:

The Internal Revenue Service, state tax agencies, and tax industry leaders warned tax professionals to be alert to an email scam from cybercriminals posing as clients soliciting their services.

A new variation of this phishing scheme is targeting accounting and tax preparation firms nationwide. The scheme's objective is to collect sensitive information that will allow fraudsters to prepare fraudulent tax returns.

These latest phishing emails typically come in two stages. The first email is the solicitation, which asks tax professionals questions such as "I need a preparer to file my taxes." If the tax professional responds, the cybercriminal sends a second email. This second email typically has either an embedded web address or contains a PDF attachment that has an embedded web address.

In some cases, the phishing emails may appear to come from a legitimate sender or organization (perhaps even a friend or colleague) because they also have been victimized. Fraudsters have taken over their accounts to send phishing emails.

The tax professional may think they are downloading a potential client's tax information or accessing a site with the potential client's tax information. In reality, the cybercriminals are collecting the preparer's email address and password and possibly other information.

The IRS urges tax professionals and tax preparation firms to consider creating internal policies or obtain security experts' recommendations on how to address unsolicited emails seeking their services.

One tip: Never respond to or click on a link in an unsolicited email or PDF attachment from an unknown sender. As the IRS, states, and the tax industry make progress in the fight against identity theft, cybercriminals are becoming more sophisticated in their efforts to steal additional client information. Criminals need more data in their effort to impersonate clients and file fraudulent returns to claim refunds, and schemes like this can help in this effort.

Read more at [Protect Your Clients; Protect Yourself](#), the Security Summit initiative to increase awareness about the tax professional community.

Guard Against Identity Theft During Tax Season

As tax season begins, there is no better time for Montana's taxpayers to be mindful of the threat of identity theft. The Montana Department of Revenue would like to remind taxpayers of ways they can avoid the threat. Tax preparers can be an integral part of this prevention by sharing these tips with clients.

Here are some ways you can minimize the threat of identity theft:

- Use a secure internet connection if you file your taxes electronically, or mail your tax return directly from the post office if you file by paper.
- Protect your personal computer by using firewalls and anti-spam/virus software.
- Shred copies of your tax return, drafts, or calculation sheets you no longer need.
- Respond to all mail from the Montana Department of Revenue and the Internal Revenue Service (IRS) as soon as possible.
- Know that the department and the IRS will not contact you by email, text message, or social media. If the IRS needs information, they will contact you by mail. The department will contact you by mail or phone.
- Don't give out your Social Security number on the phone, through the mail, or on the internet unless you know for certain who you are giving the number to.
- If your Social Security number has been compromised, contact the IRS ID Theft Protection Specialized Unit at 1-800-908-4490.
- Research a tax preparer thoroughly before you hand over personal information.
- Check your credit report at least once a year to make sure no other accounts have been opened in your name.
- Consider setting up a security freeze on your credit information so no one can access it without your permission. Contact the three credit bureaus (Equifax, Experian, TransUnion) to request a security freeze.

The Department of Revenue takes its own precautions to guard against identify theft, including working closely with the IRS and other states on fraud protection activities, while increasing efforts internally to identify potentially fraudulent tax returns. You can read more at: revenue.mt.gov/fraud-prevention.

For more information about guarding against identity theft and what to do if you think you're a victim, go to the Department of Justice's identity theft website at dojmt.gov/consumer/identity-theft/.

Business Equipment Reporting Forms Due March 1

The department mailed 2017 personal property reporting forms to business owners January 3. Business and industrial taxpayers have until March 1 to report their business equipment or personal property to the department.

Businesses can submit their reporting form electronically through the department's TransAction Portal (TAP) at <https://tap.dor.mt.gov/> or complete the paper form they received and mail or deliver it to the department.

See the [December 15, 2016 issue](#) of *Tax News You Can Use* for additional details.

Livestock Reporting Forms Due March 1

The Department of Revenue mailed livestock reporting forms to Montana livestock owners last week.

About 18,500 Montanans who reported livestock last year received reporting forms. All livestock owners need to report by March 1 any livestock they owned as of February 1. Livestock owners can submit the [hardcopy form](#) or file online at ReportYourLivestock.mt.gov.

See the [December 15, 2016, issue](#) of *Tax News You Can Use* for additional details.

Approved Tax Software for Tax Year 2016

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 on the department's website under [Online Services > Tax Software](#).

Administrative Rule Activity

Go to revenue.mt.gov/rules for information about the department's current rulemaking activity, public hearing dates, and to sign up to receive future notices by email.

Contact MT DOR

Web: Revenue.mt.gov

Email: DORCustomerAssistance@mt.gov

Toll Free: 1-866-859-2254

Helena: (406) 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 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.

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