

## Summary of LC9000 to Revise Uniform Penalty and Interest Provisions

MCA Section	Provision	Waiver, Penalty, or Interest	Comment
15-1-206(2)	Waiver of interest	\$500/tax period	Current law waiver is \$100
15-1-206(2)	Waiver of additional interest (new waiver)	\$100/tax period	DOR may waive additional interest if taxpayer complies with all provisions of an installment plan
15-1-216(1)	Penalty for failure to file return	5% of tax due a month, not to exceed 25% of tax due	Penalty amount reduced by penalties imposed under subsection (2)
15-1-216(2)(a)(i)	Penalty for late payment of tax	0.5% a month, not to exceed 12% of tax due	Current law penalty is 1.2% a month, or fraction of a month
15-1-216(2)(a)(ii)(A)	No penalty if tax and interest paid within 30 days notice from DOR		Applies to all taxpayers & not just income taxpayers under SB 199.
15-1-216(2)(a)(ii)(B)	No penalty if income tax taxpayer pays at least 90% of tax when due		Contained in SB 199
15-1-216(2)(b)	Penalty for late payment of taxes held in trust for the state	No change--1.5% a month, not to exceed 15% of tax due	Penalty would apply to telephone fee (53-19-311, MCA) for assisting persons with disabilities
15-1-216(2)(c)	Interest on penalty under subsections (2)(a)(i) and (2)(b)	Penalty interest accrues daily on unpaid tax	Current law penalty interest assessed by month or fraction of a month
15-1-216(2)(d)	Exception to penalty under subsection (2)(a) or (2)(b)		Taxpayer shows reasonable cause
15-1-216(3)(a)	Substantial understatement penalty (new penalty)	Penalty equal to 20% of the understatement	Applies to Title 15, Title 16, chapter 11, Title 53, chapter 19, part 3, MCA
15-1-216(3)(a)(i)	Individual income taxes except withholding (Title 15, chapter 30, part 33)	Penalty equal to 20% of the understatement	Understatement is the greater of 10% of amount of tax required to be shown on return or \$3,000
15-1-216(3)(a)(ii)	All other taxes under Title 15, including withholding, and Title 16, chapter 11, and Title 53, chapter 19, part 3	Penalty equal to 20% of the understatement	Understatement exceeds the lesser of: 10% of the amount of tax required to be shown on the return if the understatement is greater than \$10,000; or \$500,000
15-1-216(3)(b)	Reduction in understatement penalty		
15-1-216(3)(b)(i)	Substantial authority for tax treatment		

<b>MCA Section</b>	<b>Provision</b>	<b>Waiver, Penalty, or Interest</b>	<b>Comment</b>
15-1-216(3)(b)(ii)	Relevant facts disclosed on return and reasonable basis for tax treatment		
15-1-216(4)	Penalty for purposely or knowingly failing to file a return or report as required under Title 15	15% of tax due a month or fraction of month, not to exceed 75% of tax due.	Current law penalty is not less than \$1,000 or more than \$10,000
15-1-216(5)(a)	Penalty for fraudulent return or report under Title 15 (new penalty)	75% of the tax due on underpayment of tax attributable to fraudulent amount reported	
15-1-216(5)(b)	Penalty for fraudulent claim for tax credit (new penalty)	75% of amount attributable to fraudulent amount of credit claimed	Applies when taxpayer has no tax liability and credit refundable
15-1-216(6)	Penalty for frivolous return or report (new penalty)	\$2,500 penalty	Return or report omits necessary information, shows substantially incorrect tax, or is based on frivolous position or taxpayer's actions to impede collection
15-1-216(7)	Revises interest rate for delinquent income taxes	Equal to the federal underpayment rate. Projected to be 7% for FY2014-2017	Current rate is the greater of the federal rate or 8%
15-1-216(8)	Clarifies tax, fees, and remittances subject to 15-1-216, MCA		Applies to Title 15, Title 16, and Title 53, chapter 19, part 3
15-30-2110(15)	Clarifies tax benefit rule for federal income tax refunds		Conforms with current Department of Revenue rules
15-30-2341(4)	References 15-1-216 related to fraudulent claim for elderly homeowner-renter credit		
15-30-2512(5)	Interest on underpayment of estimated taxes not assessed under certain conditions		Department of Revenue will adopt rules related to "approximately equal installments"