

HOUSE BILL NO. 863

INTRODUCED BY L. JONES, J. ESP, C. GLIMM, D. BEDEY, B. MERCER, E. TILLEMAN, K. WALSH

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING STATE FINANCE LAWS; ALLOWING THE DEPARTMENT OF REVENUE TO WAIVE INTEREST ON UNDERPAID ESTIMATED TAXES; PROVIDING AN APPROPRIATION; AMENDING SECTION-SECTION 15-30-2512 AND 17-7-102, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

**Section 1.** Section 15-30-2512, MCA, is amended to read:

**"15-30-2512. Estimated tax -- payment -- exceptions -- interest.** (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 15-30-2502, 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

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became disabled in the tax year. In addition, payment of estimated taxes under this section is not required in the tax year following the tax year in which the individual retired or became disabled.

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

(a) Subject to the due date provision in 15-30-2604(1)(b), for each taxpayer whose tax year begins on January 1, estimated tax payments are due on the following dates:

Installment	Date
First	April 15
Second	June 15
Third	September 15
Fourth	January 15 of the following tax year

(b) Subject to the due date provision in 15-30-2604(1)(b), for each taxpayer whose tax year begins on a date other than January 1, estimated tax payments are due on the following dates:

Installment	Date
First	15th day of the 4th month following the beginning of the tax year
Second	15th day of the 6th month following the beginning of the tax year
Third	15th day of the 9th month following the beginning of the tax year
Fourth	15th day of the month following the close of the tax year

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

(b) If the taxpayer's tax situation changes after the date for the first installment or any subsequent installment, as specified in subsection (2)(a) or (2)(b), so that the taxpayer is required to pay estimated taxes, the taxpayer shall pay 25% for each succeeding installment except for the first one in which a payment is required. For estimated taxes required to be paid beginning with the second installment provided for in subsection (2)(a) or (2)(b), the taxpayer shall pay 50% for that installment and 25% for the third and fourth installments, respectively. For estimated taxes required to be paid beginning with the third installment provided

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for in subsection (2)(a) or (2)(b), the taxpayer shall pay 75% for that installment and 25% for the fourth installment.

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

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

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

Required Installment	Applicable Percentage
First	22.5%
Second	45%
Third	67.5%
Fourth	90%

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

(5) (a) Subject to subsection (5)(e), if an estimated tax, an employer withholding tax, or a combination of estimated tax and employer withholding tax is underpaid, there must be added to the amount due under this chapter interest on the amount of the underpayment as provided in 15-1-216. The interest is computed on the amount of the underpayment, as determined in subsection (5)(b), for the period from the time the payment was due to the date payment was made or to the 15th day of the 4th month of the year following the tax year in which the payment was to be made, whichever is earlier.

(b) For the purpose of determining the amount of interest due in subsection (5)(a), the amount of

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

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

(d) Interest may not be charged with respect to any underpayment of the fourth installment of estimated taxes if:

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

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

(e) Interest on the underpayment of estimated tax may not be assessed against a taxpayer if the tax paid by the taxpayer from employer withholding and estimated tax payments satisfies the requirements of subsection (1)(a)(i) or (1)(a)(ii) and the taxpayer has paid approximately equal quarterly installments of estimated taxes.

(6) For the purposes of this section, "farmer or rancher" means a taxpayer who derives at least 66 2/3% of the taxpayer's gross income, determined for federal income tax purposes, from farming or ranching operations, or both.

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

(8) (a) Notwithstanding 15-1-206(2), the department may, in its discretion, waive the interest required to be added under subsection (5), for underpaid estimated taxes attributable to the 2024 tax year, if the taxpayer:

(i) timely files a Montana income tax return for the 2024 income tax year, as provided in 15-30-2604; and

(ii) when filing the return as provided in subsection (8)(a)(i), pays to the department any balance of income tax remaining unpaid.

(b) The waiver authority provided for under this subsection (8) terminates January 1, 2026."

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2       **Section 2.** Section 17-7-102, MCA, is amended to read:

3       **"17-7-102. (Temporary) Definitions.** As used in this chapter, the following definitions apply:

4       (1)     "Additional services" means different services or more of the same services.

5       (2)     "Agency" means all offices, departments, boards, commissions, institutions, universities,  
6 colleges, and any other person or any other administrative unit of state government that spends or encumbers  
7 public money by virtue of an appropriation from the legislature under 17-8-101.

8       (3)     "Approving authority" means:

9       (a)     the governor or the governor's designated representative for executive branch agencies;

10       (b)    the chief justice of the supreme court or the chief justice's designated representative for judicial  
11 branch agencies;

12       (c)     the speaker for the house of representatives;

13       (d)     the president for the senate;

14       (e)     appropriate legislative committees or a designated representative for legislative branch  
15 agencies; or

16       (f)     the board of regents of higher education or its designated representative for the university  
17 system.

18       (4)     (a) "Base budget" means the resources for the operation of state government that are of an  
19 ongoing and nonextraordinary nature in the current biennium. The base budget for the state general fund and  
20 state special revenue funds may not exceed that level of funding authorized by the previous legislature.

21       (b)     The term does not include:

22       (i)     funding for water adjudication if the accountability benchmarks contained in 85-2-271 are not  
23 met;

24       (ii)    funding for petroleum storage tank leak prevention if the accountability benchmarks in 75-11-  
25 521 are not met.

26       (5)     "Budget amendment" means a temporary appropriation as provided in Title 17, chapter 7, part  
27 4.

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(6) "Budget stabilization reserve" means the amount of unappropriated fund balance in the budget stabilization reserve fund up to 16% of all general revenue appropriations in the second year of the biennium.

(7) "Emergency" means a catastrophe, disaster, calamity, or other serious unforeseen and unanticipated circumstance that has occurred subsequent to the time that an agency's appropriation was made, that was clearly not within the contemplation of the legislature and the governor, and that affects one or more functions of a state agency and the agency's expenditure requirements for the performance of the function or functions.

(8) "Funds subject to appropriation" means those funds required to be paid out of the treasury as set forth in 17-8-101.

(9) "General revenue appropriations" means appropriations from the general fund ~~or~~ and the school equalization and property tax reduction account in 20-9-336.

(10) "Necessary" means essential to the public welfare and of a nature that cannot wait until the next legislative session for legislative consideration.

(11) "New proposals" means requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding. For purposes of establishing the present law base, the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal.

(12) "Operating reserve" means an amount equal to 8.3% of all general revenue appropriations in the second year of the biennium.

(13) "Present law base" means that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to:

(a) changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;

(b) changes in funding requirements resulting from constitutional or statutory schedules or formulas;

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(c) inflationary or deflationary adjustments; and

(d) elimination of nonrecurring appropriations.

(14) "Program" means a principal organizational or budgetary unit within an agency.

(15) "Requesting agency" means the agency of state government that has requested a specific budget amendment.

(16) "University system unit" means the board of regents of higher education; office of the commissioner of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and Helena; Montana state university, with campuses at Bozeman, Billings, Havre, and Great Falls; the agricultural experiment station, with central offices at Bozeman; the forest and conservation experiment station, with central offices at Missoula; the cooperative extension service, with central offices at Bozeman; the bureau of mines and geology, with central offices at Butte; the fire services training school at Great Falls; and the community colleges supervised and coordinated by the board of regents pursuant to 20-15-103. (Terminates June 30, 2028--sec. 11, Ch. 269, L. 2015.)

**17-7-102. (Effective July 1, 2028) Definitions.** As used in this chapter, the following definitions apply:

(1) "Additional services" means different services or more of the same services.

(2) "Agency" means all offices, departments, boards, commissions, institutions, universities, colleges, and any other person or any other administrative unit of state government that spends or encumbers public money by virtue of an appropriation from the legislature under 17-8-101.

(3) "Approving authority" means:

(a) the governor or the governor's designated representative for executive branch agencies;

(b) the chief justice of the supreme court or the chief justice's designated representative for judicial branch agencies;

(c) the speaker for the house of representatives;

(d) the president for the senate;

(e) appropriate legislative committees or a designated representative for legislative branch agencies; or

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(f) the board of regents of higher education or its designated representative for the university system.

(4) "Base budget" means the resources for the operation of state government that are of an ongoing and nonextraordinary nature in the current biennium. The base budget for the state general fund and state special revenue funds may not exceed that level of funding authorized by the previous legislature.

(5) "Budget amendment" means a temporary appropriation as provided in Title 17, chapter 7, part 4.

(6) "Budget stabilization reserve" means the amount of unappropriated fund balance in the budget stabilization reserve fund up to 16% of all general revenue appropriations in the second year of the biennium.

(7) "Emergency" means a catastrophe, disaster, calamity, or other serious unforeseen and unanticipated circumstance that has occurred subsequent to the time that an agency's appropriation was made, that was clearly not within the contemplation of the legislature and the governor, and that affects one or more functions of a state agency and the agency's expenditure requirements for the performance of the function or functions.

(8) "Funds subject to appropriation" means those funds required to be paid out of the treasury as set forth in 17-8-101.

(9) "General revenue appropriations" means appropriations from the general fund ~~or~~ and the school equalization and property tax reduction account in 20-9-336.

(10) "Necessary" means essential to the public welfare and of a nature that cannot wait until the next legislative session for legislative consideration.

(11) "New proposals" means requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding. For purposes of establishing the present law base, the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal.

(12) "Operating reserve" means an amount equal to 8.3% of all general revenue appropriations in



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3 operations and services at the level authorized by the previous legislature, including but not limited to:

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5 decreases;

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7 formulas;

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12 budget amendment.

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14 commissioner of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and  
15 Helena; Montana state university, with campuses at Bozeman, Billings, Havre, and Great Falls; the agricultural  
16 experiment station, with central offices at Bozeman; the forest and conservation experiment station, with central  
17 offices at Missoula; the cooperative extension service, with central offices at Bozeman; the bureau of mines and  
18 geology, with central offices at Butte; the fire services training school at Great Falls; and the community  
19 colleges supervised and coordinated by the board of regents pursuant to 20-15-103."

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21 NEW SECTION. **Section 3. Appropriation.** (1) There is appropriated \$100,000 from the Montana-  
22 Ireland trade and development special revenue account to the department of commerce for the biennium  
23 beginning July 1, 2025, for implementing the provisions of Senate Bill No. 320.

24 (2) It is the intent of the legislature that the appropriation be included in the base budget for the  
25 department of commerce for the biennium beginning July 1, 2027.

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27 NEW SECTION. **Section 4. Effective date.** [This act] is effective July 1, 2025.

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