MEMORANDUM

TO: Revenue Interim Committee

FROM: Brendan Beatty, Director

DATE: July 10, 2026

SUBJECT: 2027 Legislative Proposals

The following is a list of the Department of Revenue's (Department) proposed legislation, approved through the Executive Planning Process/Office of Budget and Program Planning (OBPP) for introduction to the 2027 Legislature. The Department requests the committee review and move its approval of these proposals for pre-introduction.

Please feel free to let me know if I can clarify anything or provide any additional information.

Division	DOR File No.	Short Tile	Fiscal Impact	Statutes Impacted
IMCD	DOR002	Withholding W2 Electronic Filing Threshold	$36k savings	15-30-2507

This bill would require electronic filing of withholding annual statements by employers.

Issue:
This bill seeks to further align Montana's filing standards with federal IRS requirements for employers filing 10 or more information returns. Currently, there is not an electronic filing requirement in Montana for employers submitting annual statements required by 15-30-2507. Receipt of paper annual statements from employers decrease processing efficiency, increases errors, and increases paper-handling costs. Electronic submission of an employer's annual statement accelerates wage verification for taxpayers, increases refund speeds, minimizes manual data entry, and supports modern fraud-prevention tools.

The phased implementation provides employers with adequate time to update payroll systems and processes while offering the department a structured timeline for outreach, system preparation, and rulemaking. The change supports faster wage crediting, reduces transcription errors, and significantly lowers the operational burden associated with paper processing.

Proposal:
The Department is seeking to bring electronic filing requirements in line with the IRS over three years. For Tax Year 2027, 15-30-2507 will require employers with 50 or more employees to file their annual statement required by 15-30-2507 electronically. For Tax Year 2028, employers with 26 or more employees will file their annual statement required by 15-30-2507 electronically. For Tax Year 2029, employers with 10 or more employees will file their annual statement required by 15-30-2507 electronically.

Division	DOR File No.	Short Tile	Fiscal Impact	Statutes Impacted
PAD	DOR007	Provide a 4-year reappraisal cycle for real property.	The Department is currently conducting an estimate of the bill's fiscal impact.	15-6-134; 15-6-240; 15-7-102; 15-7-110; 15-7-111; 77-1-208

This bill would create a 4-year reappraisal cycle for real property with a 25% phase in of value over each year of the reappraisal cycle.

Issue:
Prior to 2015, Montana law provided for a 6-year reappraisal cycle for many properties. In 2015, this changed to a 2-year cycle for appraisal. Currently, all property in Montana is reappraised on a 2-year cycle or annually.

The 2-year reappraisal cycle caused a significant increase in the Department's workload since implemented in 2015 to the extent that the Department cannot perform all its statutorily mandated tasks. For example, the Department lacks the resources to find and assess newly taxable property because staff is devoting its available time to maintaining the increased workload associated with the 2-year reappraisal cycle.

Proposal:
By moving to a 4-year reappraisal cycle with a 25% phase in of value change in each of the four years, the Department will be able to work more effectively on completing its legislatively mandated responsibilities.

Division	DOR File No	Short Tile	Fiscal Impact	Statutes Impacted
PAD	DOR008	Revise Qualifying Income Definition for PTAP, MDV, DFR programs.	The Department is currently conducting an estimate of the bill's fiscal impact.	15-6-301

<u>This bill changes the definition of "qualifying income" for property tax assistance programs.</u>

Issue:
Currently, the definition of "qualifying income" for PTAP, MDV, and DFR is federal adjusted gross income excluding capital and income losses as reported on a Montana individual income tax return. Changes to Montana's individual income tax laws in recent sessions make the starting point for a Montana income tax return the taxpayer's federal adjusted gross income. This eliminated the need for filing with Montana the accompanying federal schedules that are necessary to determine capital and income losses. However, without these federal schedules, it is no longer possible for the property assessment division to automatically identify and exclude capital and income losses from the Montana individual income tax return in all cases.

Proposal:
Amend 15-6-301 to remove "excluding capital and income losses" from the definition.

Division	DOR File No.	Short Tile	Fiscal Impact	Statutes Impacted
BIT	DOR010	Withholding tax remittance clean-up	None	15-30-2504

This bill proposes a clean-up of withholding tax remittance laws.

Issue:
Employers are required to mail the department a payment coupon showing $0 in situations where they did not pay any wages or withhold taxes during a reporting period.

Proposal:
Eliminate the unnecessary and outdated requirement for employers.

Division	DOR File No.	Short Tile	Fiscal Impact	Statutes Impacted
DO	DOR011	Modernize eStop Licensing Program	The Department is currently conducting an estimate of the bill's fiscal impact.	16-11-120; 16-11-122; 30-16-103; 30-16-104; 30-16-201; 30-16-202; 30-16-301; 30-16-302; 30-16-303; 50-50-203; 50-50-207; 50-50-214; 50-57-203; 80-7-106; 81-9-201; 81-20-201; 82-15-105

This bill seeks to modernize the state's licensing requirements, eliminate the Board of Review for licenses and department's obligations to administer the eStop program.

Issue:
In September 2026, the Department of Revenue (DOR) transferred administration of the eStop Business Licenses Program to the Department of Labor & Industry (DLI). After years of research and consideration, DOR decided to switch to DLI's licensing software, Accela, to improve technology and benefit our partner agencies and licensees. We are now planning to update and/or repeal sections of the existing statute under 30-16, the Small Business Licensing Coordination Act, which the state established in 1981. New software applications now offer conveniences and efficiencies that may eliminate the need for all or part of this statute.

Proposal:
Update eStop Licensing Program to reflect current practices, eliminate the Board of Review, and transfer administration of program to Department of Labor and Industry.

Division	DOR File No.	Short Tile	Fiscal Impact	Statutes Impacted
DO	DOR012	Miscellaneous Statutory Appropriations	Unknown (State Property Tax Assistance); no fiscal impact for cannabis tax.	15-6-702; 16-12-310; 17-7-502

<u>This bill provides the necessary appropriations to the Department to use fund balances in excess of $50 million for purposes of administering the State Property Tax Assistance Account. Also, to be consistent statewide with distributions of revenue to local governments, this bill establishes a statutory appropriation for the distribution of local-option cannabis taxes.</u>

Issue:
Section 15-6-702 creates a state property tax assistance account. When the balance exceeds $50 million in that account, the statute requires the Department to provide property tax assistance per primary residence in accordance with that section. However, there is not a statutory appropriation to do this work.

The Department is also seeking a statutory appropriation to record the distribution of local option cannabis taxes collected by the department and remitted back to counties and municipalities. This change makes these payments consistent with the statewide process for distributions of revenue to local governments.

Proposal:
Provide for a statutory appropriation for the Department to use the excess funds in accordance with 15-6-702.

Provide a statutory appropriation to record the distribution of local option cannabis taxes.