



Tax Principles

The Montana Society of CPAs is an association representing CPAs across Montana. Many of our members are tax experts helping Montanans comply with a wide range of tax rules and regulations. We are a non-partisan organization and our legislative mission protecting the profession while fostering a strong business climate and seeking to create the best possible regulatory environment for our members and the people we serve.

We understand that in today's complex economy creating good tax policy can be quite difficult. To try to make the process easier below are guiding principles that can be used to evaluate bills. These principles are not listed by importance and any policy will need to balance its impact across a wide variety of issues.

1. **Equal treatment of taxpayers:** Similarly situated taxpayers should be taxed similarly.
2. **Certainty:** The tax rules should clearly specify how the amount of payment is determined, when payment of the tax should occur, and how payment is made.
3. **Convenience of payment:** Facilitating a required tax payment at a time or in a manner that is most convenient for the taxpayer is important.
4. **Effective tax administration:** Costs to collect a tax should be kept to a minimum for both the government and taxpayers.
5. **Information security:** Tax administration must protect taxpayer information from all forms of unintended and improper disclosure.
6. **Simplicity:** Simple tax laws are necessary so that taxpayers understand the rules and can comply with them correctly and in a cost-efficient manner.
7. **Neutrality:** Minimizing the effect of the tax law on a taxpayer's decisions as to how to carry out a transaction or whether to engage in a transaction is important.
8. **Economic growth and efficiency:** The tax system should not unduly impede or reduce the economy's productive capacity.
9. **Transparency and visibility:** Taxpayers should know that a tax exists and how and when it is imposed upon them and others.
10. **Minimum tax gap:** Structuring tax laws to minimize noncompliance is essential.
11. **Accountability to taxpayers:** Accessibility and visibility of information on tax laws and their development, modification, and purpose are necessary for taxpayers.
12. **Appropriate government revenues:** Tax systems should have appropriate levels of predictability, stability, and reliability to enable the government to determine the timing and amount of tax collections.

Below are questions to help evaluate how a proposed piece of legislation performs relative to these principles.

1. Will there be changes among the tax liabilities of taxpayers considered to be “similarly situated”? [Equity]
2. Will taxpayers find it more challenging to determine how much they owe, when the tax is due, or how to pay? [Certainty, Convenience of payment]
3. Will costs of tax collection increase? [Effective tax administration]
4. Is a new opportunity created for access to confidential information about other taxpayers? [Information security]
5. Will new or longer tax forms or new recordkeeping be needed? [Simplicity]
6. Will some taxpayers be inclined to change their behavior or decisions because of the tax change? [Neutrality]
7. Will the change harm the business climate or economic growth? [Economic growth and efficiency]
8. Will most taxpayers be unaware of the change? [Transparency]
9. If there is a new tax, will it be easy for taxpayers to avoid it? If a new deduction, exclusion, or credit is provided, will it be easy for ineligible taxpayers to claim the benefit? [Minimum tax gap]
10. Are taxpayers likely to be surprised by the proposal or wonder why the change to the tax system is warranted? [Accountability to taxpayers]
11. Will the government budget estimators have difficulty predicting the amount of the tax to be collected annually? Will the change affect the stability or reliability of the tax? [Appropriate government revenues]

If you have any questions please contact Allen Lloyd at allen@mscpa.org / 406.442.7301, or any member of our State Taxation Committee listed below. We look forward to working with you to make sure Montana’s tax structure is the best it can be.

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