Montana 2024 Form 2 Redesign Feedback Response

Thank you for providing feedback on the 2024 Montana Form 2 redesign. Below you will find our responses to that feedback.

General

We recommend using the 2D barcode for tax year 2024 and would greatly appreciate collaborating with any vendors to implement this. We are considering making the 2D barcode a requirement for tax year 2025. We will also be updating our administrative rules over the next year to reflect these changes.

Will the agency be providing a copy of the logo for our use since it is now a requirement to include it on the form?
A copy of the logo can be found in the MTST_TY24_SubstituteForm_Specifications_Draft_v1 document in the MTST.TY24.Resources folder on SES.

Will the agency consider adding a placeholder and/or text to the grid layer to indicate exact placement for the VID and for the date the page was last edited/published? If not, then could more specific instructions be added to the guide regarding row/column location and clearance required?
Please see the substitute forms specifications document mentioned above.

Continue to provide a 10x6 grid for 3rd party forms development.
This grid will continue to be on the vendor development copy.

Would prefer Form 2 base form (pages 1-2) and the subsequent schedules be separate pdfs/documents for the following reasons:
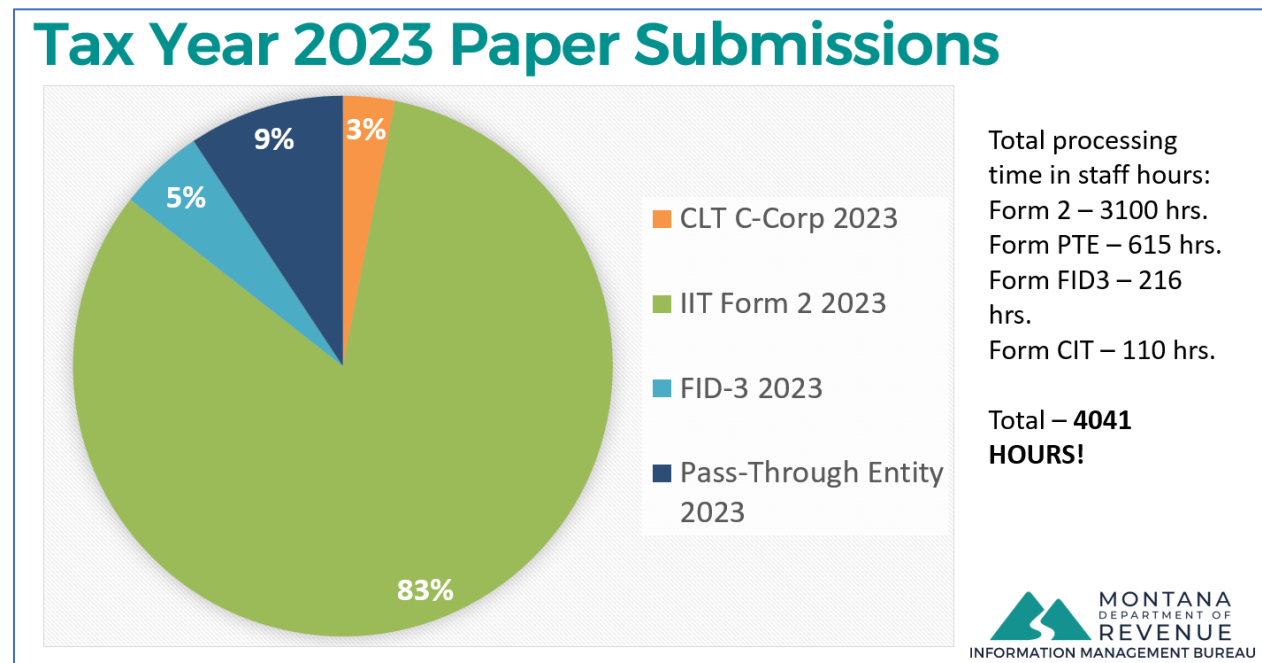1. It's unusual to have an individual income tax form be longer than 2-3 pages. We see this with business entity returns but not individual tax.
2. Taxpayers are forced to file and print a very long return even when pages and schedules do not apply to them.
3. Keeping the base form and supporting schedules separate makes the form more manageable from a development and testing perspective.
4. Adding a 2D barcode will further lengthen the number of pages in the return. Spacing for the 2D can be problematic and add more pages to the 11-page form you currently have.

The Form 2 and it's supporting schedules are delivered to vendors as one pdf for convenience. Each schedule maintains its Form 2 Page # in the bottom right corner to instruct taxpayers, preparers, and staff on the order of collation for the pages. This allows the full packet to be scanned in the order that our equipment and software are expecting. Please only print those pages necessary and required to each individual filing. In example, if a taxpayer only needs Form 2 and schedule 2EC, then our expectation is to receive only Form 2 and schedule 2EC. Please note, the submission of Form 2 may not require the inclusion of any schedules, but the submission of any schedules requires the inclusion of the Form 2 pages 1 & 2.

Can you confirm that the NOL form that was used in the last few years has been retired?
To clarify the 2023 Form NOL instructions, that is meant to apply to only 2023. For 2023, taxpayers with a farming loss would be the only filers of the 2023 Form NOL because the carryforward provision was repealed and there's no need for any other taxpayers to calculate a carryover from 2023 to 2024.

As for 2024, we will have the Form NOL-EBL for nonresidents/residents filing jointly with nonresidents to determine the amount of carryover to apply to the Montana source income reported on the Schedule II, Tax on MT Source Income. The form will be available later in the year.

Can you provide us an estimate on how many paper-filed returns the agency typically receives in a tax season?

Tax Year 2023 Paper Submissions

Pie chart:
- 3% CLT C-Corp 2023
- 83% IIT Form 2 2023
- 5% FID-3 2023
- 9% Pass-Through Entity 2023

Total processing time in staff hours:
Form 2 – 3100 hrs.
Form PTE – 615 hrs.
Form FID3 – 216 hrs.
Form CIT – 110 hrs.

Total – **4041 HOURS!**

MONTANA DEPARTMENT OF REVENUE
INFORMATION MANAGEMENT BUREAU

2D Barcode

Our coders strongly prefer that the form not have a 2D barcode added as they believe that updating, testing, and submitting 2D barcode test returns would add a significant amount of work for both the software vendors and the agency. We would prefer that the 2D barcode not be added until the 2025 season. The changes to this form so far will already be a lot of work for software developers to implement without the challenge of adding the 2D barcode at the same time. Does Montana plan to make the 2D barcode optional or required/mandated support for tax software companies?

We're strongly recommending the 2D barcode for TY2024 and would greatly appreciate working with any vendors to get this implemented. We will look at requiring the barcode for TY2025. We will also be updating our administrative rules over the next year.

It looks like each page should have its own barcode, is that correct? Some agencies have one barcode that includes data from several pages/forms.

To help prevent taxpayers from discarding necessary pages, the 2D barcodes will be located on
  o   Form 2 – pages 1 & 2.
  o   Schedule I – page 3.
  o   Schedule II – page 4 only.
  o   Schedule III – pages 6 & 7.
  o   Schedule IV – page 8.
  o   Schedule V – page 9.
  o   Schedule 2EC – page 10.

2D barcode – how should standard numeric fields display in the 2D? Should they always include a decimal and cents? We do not calculate cents, so our data would always contain ".00" at the end.

Our system does not calculate cents either. All fields should be rounded appropriately.

Does this take 3 of the 15 characters required for the field? So only 12-digit numbers would fit.

No, the field should accept all fifteen characters if necessary.

If a field is 0 on the form, what is expected to print in the 2D barcode? "0.00"? ".00"? Blank? If a numeric element is zero, do you want the zero to be submitted or left blank? These would be for actual dollar amount elements.

Please leave the field blank on the form and out of the barcode.

2D barcode fields of "IPv4 Address", "IPv6 Address" and "Signature Time Stamp" are unique and not requested by many other states. Are you able to provide further information as to what you would like displayed/calculated in these fields? We notice some elements have a value in the Field Reverence # column, whole others don't, notably the header elements (the first 7 in the about screenshot) and the Driver License/State ID elements. Does that have any significance with the barcode? We're thinking all the items in the spreadsheet should be included in the barcode, not only the ones with Field Reference numbers, but just want to make sure. Form 2

Page 1 – how are you going to handle foreign addresses? This is not stated in the specifications on how you want that information included in the 2D.

- IPv4 Address – [0-9]{1,3}\.[0-9]{1,3}\.[0-9]{1,3}\.[0-9]{1,3}
- IPv6 Address – [0-9A-F:]{1,39}
- Signature Time Stamp – MMDDYYYY:HHMMSS
- Primary/Secondary ID Type
- Primary/Secondary ID State
- Primary/Secondary ID Number
- Primary/Secondary ID Issue Date
- Primary/Secondary ID Expiration Date
- Foreign Address Indicator

These fields, and others, are being included in the specifications & requirements for those filings that will be filled out in-software only. These are meant to assist with our Fraud-related processes. If the field does not have a field reference number in the current specifications, you may assume that it is related to this.

Form 2 Page 1 - How are you going to handle foreign addresses? This is not stated in the specifications on how you want that information included in the 2D. I see a Foreign Address Indicator, but I do not see that on the form.
This is another element intended for web-based or in-app software's. The idea was to emulate portions of the MeF schema, to differentiate data.

There are many sections that are missing information.
- Format
- Minimum field size
- Maximum field size

I believe that most of these fields are located on the tab for Form2_Page1. We were attempting to capture certain data for those forms that are completed in web-based or in-app software. If your software produces a downloadable file, that is only fillable after the download we do not expect these fields to exist in the barcode. Form2_Page1 Excel file rows 11:14; 22:26; 32:36; 38. These elements do not exist on the paper form; however, we are expecting the data in the barcodes from forms that taxpayers complete in software before downloading them. We will update the specifications to include their min/max field sizes.

2D barcode, 'Sch_2' tab, fields A05000 and A05020 – is there a preferred display for these 8-character ratios? PDF page 5 shows "_ . _ _ _ _ _ _" and "...do not enter more than 1.000000" so I assume it would be of display 1.000000, 0.999991, 0.000001 etc.
Should the leading integer always be shown if it isn't 1? For example – "0.999991" or ".999991"? Same question on 2d barcode, 'Sch_3' tab, fields A07095, A07105 and Sch_2EC, fields A10175, A10215. Schedule 2 Page 1 – There are two spots for income ratios but just states "Field must accept decimal", need to know exactly what format and how you want the ratio to be sent in the 2D, you have an example on Schedule 2 Page 2 which should be included on this page.
Please keep the leading 0 for all values less than 1.

2D barcode, 'Sch_3' tab, field A06060 – "Pre-printed "CGR" at end of numeric Acct ID is never keyed." This field has a 10 maximum length and PDF page 6 shows "_ _ _ _ _ _ _ _ _ _ CGR". Just to confirm, this means the 2D barcode should only ever have the 10 variable characters entered by customers and never include "CGR"?
This is correct.

PDF page 11 "2024 Montana Form 2 Transition Schedule" has a "Save for 2D Barcode" layout element however there are no 2D barcode record layout specs included yet?
There will be no 2D barcode on the Transition Schedule.

Could you add a column with the expected barcode line number?
We are working on this.

Developer code, software, and form version – what is expected in these elements? There is not information related to know what is expected. Need to be specific otherwise vendors will guess at what to submit.
These are header fields as defined in the 2D Barcode Standards from FTA. Please review the except from the specifications below.

3.2.1 Header Information
There is information generic to all barcodes that should be placed first in the barcode data stream. The first two fields in the barcode comprise the header. The fields in the header are variable length and therefore can contain as much or as little data as is necessary. Each field in the barcode is delimited by a single carriage return. This separates each piece of data so it may be efficiently processed. The header information must be consistent among all barcodes and is defined below. (Note: The symbol <CR> is used to represent a single carriage return character.)

3.2.2 Header Field Definition and Order
Header Version Number – The version number will be incremented each time the standards group alters the physical structure of the 2-D barcode header. This allows intelligence to be applied to processing 2-D barcodes that were created using multiple header formats. By using version numbers, software can correctly interpret 2-D barcode headers whose format has changed across fiscal years or within fiscal years. This field is static for all barcodes and is currently "T1".
Developer Code – A four-digit code used to identify the Software Developer whose application produced the barcode. The purpose of this field is to allow forms to be traced to the vendor producing the 2-D barcode. Software Developer codes are assigned through the NACTP. If you are a company interested in developing a 2-D based tax product offering, contact NACTP at the address listed in Appendix 1 to request an ID. Also see Appendix 1 for a current list of Company IDs.
When a vendor has multiple software products that use the same calculation logic, then one vendor ID should suffice for those software products; if different calculation logic is used by any of that vendor's software product, that product should be assigned its own ID number for testing and approval.
[These multiple Vendor IDs are for use in the 2-D barcode specification in the "developer code" field, since software companies can support a different vendor code or ID printed on the actual graphic or form for these multiple products. 2-D barcode ID can vary because the developer can set the code by product, but the capability is not present for the form template, since not all products use the same form template, and the ID code is hard coded on the template.]

3.2.3 Government Specific Data

[These fields are optional — they can be included by agencies in their specifications, if desired.] The government Specific Data section immediately follows the Header Section. This is where the government places all the data and or fields it wishes to capture from a form. It is suggested that the following fields be added to the field layout before adding taxpayer data to the barcode data stream. These fields may be useful for your backend process. Include them only if your system requires them.

The following fields are NOT required. Do not include them if your backend process does not use them.

Jurisdiction – An alphanumeric identifier indicating the taxing jurisdiction. Use US Postal Service's official state abbreviations. All Federal tax forms should use the code "US". This field should always be upper case.

Description – An alphanumeric identifier used to describe the form being processed. The identifier can be used to route the barcode information to the correct system for further processing. If no special routing or identification information is needed, the field should be blank. In situations where agencies are processing different forms with the same equipment, it is important to be able to uniquely identify the form before further processing of the barcode information can occur. As agencies add 2-D barcodes to more of their forms, this field will become increasingly important. Remember to always assign a unique value to this field for each form or form set you are processing.

Specification Version – A number that identifies the version of the specifications used to produce the form barcode. These specifications are provided by the jurisdiction processing the form and describe the data layout in the barcode. Draft versions of the specifications are not assigned version numbers. The final version shall be "0", revision thereafter will increase numerically. It is the responsibility of the processing agency to communicate any revisions to final specifications to the software development community at large so that the specification version can be incremented. Software developers must increment the specification version number in the header of any barcode they produce if a new version of specifications is issued by the processing agency.

Software/Form Version – A vendor defined version number that reflects the software and form revision used to produce this barcode. This field can be used to track users that are submitting forms using old software. This indicator should be set once the barcode has been approved and incremented each time there is a change made to either the barcode itself or any fields contained in the barcode. This item will only be incremented when there are changes made that would affect the content of the barcode; it will reflect the current barcode release – it will not necessarily indicate the version number of the software release of the general tax product. Software developers must include a software/form version indicator of their choosing if the processing agency includes this field in their barcode header specifications. Further, software developers must increment this indicator when there are changes made that would affect the content or formatting of the barcode. Upon incrementing the software/form version indicator, software developers must inform their contact at the processing agency of the new indicator value.

End of Excerpt

Primary & Secondary ID Type – if not required are you expecting a blank element or is zero the default?

Primary ID Type – value must be one of the listed enumerations.

Secondary ID Type – Fields that are not required may be left blank on the form and out of the barcode data.

Numeric values that could be negative, the format is Numeric 0-9 but not sure if elements that allow negative if something should be stated for this, possibly in the rule or the format section.
We will update the specifications to clarify this.

Taxpayer DOB – The specifications show this as not required but I would think this element would be required on every return.
We will update the specifications to correct this.

Taxpayer and Spouse Signature – what is the purpose of this element? How would a software know if the taxpayer or spouse signed the physical return.
This is being removed from the 2D barcode specifications.

Schedule 5 – Lines A-C state they are not captured, does that mean you do not want those elements sent? If you do not want them sent, then I would not include them in specification.
We will update the specifications to correct this.

Form 2
It looks like the display of Dependent data has been fully removed from the form for TY2024. Is there a supporting schedule that is going to be included to list the dependent information?
No, this information has been completely removed from the Form 2.

Schedule I
On line 13 of the new Adjustments Schedule (Schedule I) the Form ETM reference has been removed. Is this international or will the taxpayer still need to complete and include the ETM if claiming the tribal income exemption?
This was unintentional and has been corrected.

On Schedule 1 lines 6 and 24 for other miscellaneous additions and subtractions what would the policy be if the taxpayer has more than two miscellaneous additions and subtractions? Would they be allowed to include any other subtractions on an additional statement or xml attachment? Same question as above if the taxpayer has more than one carryforward of an expired on repealed tax credit on line 13 of Schedule III.
For these lines, please input the first two codes and then attach an additional statement to the return.

On the MSA Schedule which is now Part II of Schedule I should the amount that is carried to line 3, part I be the amount reported on line 9 of the Schedule instead of line 7? Line 9 is the nonqualified withdrawals that are subject to a penalty and consider nonqualified withdrawals that are entered on line 8 and not subject to the 10% penalty.
Nonqualified withdrawals subject to the penalty should be reported on Part I, line 3. Part II, line 7 is for all nonqualified withdrawals, which are reported on Part I, line 3. All nonqualified

withdrawals are included in Montana taxable income, not just those subject to penalties. The 10% penalty that was reported on this schedule has been moved to Schedule IV, line 6.

Transition Schedule

For line 3 of the Transition Schedule would it be helpful to callout that the Earned Income Credit should be included in the 2023 federal refundable credits that should be entered on this line. While tax professionals know that federal refundable credits include the EIC a taxpayer attempting to do this on their own may not associate the EIC as a refundable credit for purposes of this line.

Other than updating the annual tax year items, the line items for the recovery calculation have not changed.

Support & Questions

Please contact DORe-Services@mt.gov.