



Dan Bucks
Director

Montana Department of Revenue



Brian Schweitzer
Governor

MEMORANDUM

To: Revenue and Transportation Interim Committee Members

From: Dan R. Bucks, Director *Dan R. Bucks*

Date: September 10, 2008

Subject: Response to Question Raised at July 9, 2008 RATIC Meeting

Representative Lake asked the department to consider using a separate form for gathering income-tax related information instead of using the Realty Transfer Certificate (RTC).

Response:

The question assumes that the Realty Transfer Certificate contains information that is exclusively either income tax related or property tax related. That assumption is not correct. For example, social security numbers (SSN) and federal employment identification numbers (FEIN) are included on the Realty Transfer Certificate because those numbers are used for both property tax and income tax purposes. Similarly, confidential sales price information on the Realty Transfer Certificate is used for both property and income tax purposes. There are at least six laws or functions administered through the property tax system that require or benefit from access to income tax information through tax identification numbers. In return, there are three laws or functions administered through the income tax system that require or benefit from access to property tax records, again through these taxpayer identifiers.

In the course of tax administration, tax identifier and sales price information needs to end up in both the confidentially protected property tax and income tax records. Requiring the confidential tax identification numbers to be separated on one form from confidential sales price information on another form would:

- Increase government costs and duplicate staff efforts by handling two forms with duplicate names, address and property identifier information that would, in the end, have to be combined together in both the property and income tax systems through an expensive and inaccurate name and address matching process,

- Increase security risks by having confidential information on two separate forms the extra and separate handling of which actually increases risk of unauthorized disclosure and violation of the privacy rights of taxpayers,
- Create taxpayer inconvenience and costs by increasing the potential for errors or unnecessary taxpayer contacts by the department due to the imperfect process of combining the information on two forms through name and address matching.
- Increase private sector reporting costs by requiring land title associations and others to file multiple forms with duplicate and overlapping name, address and property information.

Separating information that is now in the single Realty Transfer Certificate form into two forms appears to only have downsides in terms of increased security risks and increased costs and inconvenience for citizens, businesses and the department and no clear corresponding benefits.