

# Federal Tax Cuts Could Make Montana Special Session 'Strong Possibility'

By [CORIN CATES-CARNEY \(/PEOPLE/CORIN-CATES-CARNEY\)](#) • JAN 5, 2018

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*Federal Tax Cuts Could Make Montana Special Session 'Strong Possibility'*



There's a "strong possibility" that Montana will have to call a special legislative session if the state is correct in how it's interpreting recently-passed changes to federal tax laws. That's according to state Department of Revenue Director Mike Kadas.

Kadas says if there's not a special session, Montana faces either a new \$46 million hole in its budget this year, or lawsuits from taxpayers. He says the state wants to be absolutely sure on the details of the new tax bill before moving forward.

The \$46 million revenue loss, under the state's initial reading of the law, is because Montana is slightly unusual in how coupled its tax code is with the federal tax code, Kadas says.

If this reading is correct, Kadas says, the state could have to call a special session in the next few months in order to avoid another revenue shortfall.

"That's a strong possibility," he said.

However, Kadas adds that it would be up the Governor or the Legislature to make that call.

If the state instead changes its interpretation of the law, it could result in Montana's Department of Revenue blocking taxpayers from getting deductions called for under the new federal law, deductions that might not apply to state taxes.

"See what happens is we'll get sued," Kadas said, "and then if we lose the suit we will owe millions of dollars in refunds to taxpayers."

Brent Mead with the Montana Policy Institute, which bends toward free-market thinking, agrees with that line of thinking - that the new federal tax code allows states to block those specific deductions in state taxes. He says it was not Congress's intent to for states to suffer this kind of revenue loss.

However, if there is a loss in revenue coming Montana's way as an immediate result of the new federal tax law, it should be met with state budget cuts, or belt-tightening, says Republican U.S. Senator Steve Daines, who supported the bill.

"I'll tell you what, if you can't find ways to cut, 2-3-4 percent in different places - that's something that Montana families have to do all the time," Daines said. "Moving wages up is a great way to increase revenue without increasing taxes. I'm confident this legislation is going to spark economic growth."

A \$46 million loss of revenue would represent about 2 percent of Montana's annual general fund budget. Montana has already cut around 4 percent of the 2 year budget lawmakers passed in 2017.

Montana Department of Revenue Director Mike Kadas says it could take another week, at least, before the state has settled on how it will proceed with its interpretation of the federal tax law.

On Thursday, Governor Steve Bullock's Budget Director called off a meeting with capitol reporters scheduled to explain the state's analysis of the new tax law. The meeting was called off, according to s spokesperson, because the state had no new information. The governor's spokesperson said the meeting was postponed because this is "unprecedented and complicated information for analysts and we would like to provide you with the most accurate details possible."

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