

More States Cracking Down on Tax Losses From Montana LLCs

By Michael J. Bologna 2026-01-30T04:45:01000-05:00

At least four states are developing tougher enforcement strategies against the “Montana loophole,” which encourages drivers to register expensive assets in other states to skirt their in-state sales tax and vehicle registration obligations.

Lawmakers in Indiana and Missouri are advancing legislation cracking down on residents abusing a tax sheltering strategy by which motorists set up Montana limited liability companies to purchase cars, boats, recreational vehicles, and aircraft. Montana has no statewide sales tax and very low vehicle registration and renewal fees, causing thousands of non-Montana residents to plate their vehicles in the Big Sky state each year.

“It is very hard to enforce this and that’s why we have this bill,” Missouri revenue director Patricia Vincent said. “We intend to do a lot of media on the issue, and we will give drivers 90 days to get right with the state. If not, we will actively go after them and assess penalties.”

Meanwhile, Georgia and Utah are implementing enforcement strategies created under legislation passed last year.

The Utah Tax Commission is currently sending [written notices](#) to every resident with a car, boat, or RV registered in another state. Taxpayers are given the option of voluntarily remitting their unpaid sales taxes and a \$150 fine within 60 days, or paying a much heavier penalty if the notice is ignored and the state has to deploy its auditors.

“We are just starting to get responses to those letters and we are getting a fair amount of voluntary compliance,” Commission Chairman John Valentine said in an interview this week. “I think folks really liked the idea of paying the \$150 and the sales tax, rather than twice the sales tax.”

A cottage industry of more than 200 registered agents has emerged in Montana over the last two decades, helping out-of-state drivers take advantage of the state’s lenient tax and registration rules.

Agents offer to file clients' LLC applications and manage all title, registration, and plating duties for as little as \$1,000. Out-of-state motorists using the scheme never have to set foot in Montana.

Billions in Lost Revenue

An [analysis by Bloomberg Tax](#) last year revealed there are likely more than 600,000 vehicles registered in Montana but operated in other states, resulting in billions of dollars in lost sales taxes and annual vehicle registration fees. The strategy is particularly attractive to drivers of high-end brands including Aston Martin, Ferrari, and Lamborghini, but aggressive online advertising in recent years has popularized the scheme with drivers of mid-range labels like Ford, General Motors and Toyota.

“This was happening 20 years ago, but it wasn't the problem it is today,” Vincent said. “With the internet and social media, you now have all these guys telling people, ‘Come to Montana and we'll save you money on taxes.’ That's just helped explode this across the United States.”

Indiana plans to attack the problem by enhancing the Department of Revenue's enforcement authority under [SB 243](#), an omnibus tax bill. The bill provides unspecified “investigative powers” to enforce sales and use tax laws in cases where a resident has evaded taxes by purchasing a motor vehicle through an out-of-state business entity.

An agency spokesperson said the department requested the language to address Montana registrations, but declined to discuss the legislation further. A [fiscal analysis](#) said the new authorities would “improve tax compliance, resulting in a potentially significant increase in sales tax revenue.”

Georgia on Jan. 1 doubled the title ad valorem tax penalty imposed on residents who fail to timely register motor vehicles owned through out-of-state LLCs. The previous 10% penalty assessed on any unpaid taxes was increased to 20% under [HB 551](#), which was enacted in May 2025.

Utah lawmakers [responded last year](#) with a tandem data-sharing and tax enforcement strategy under [SB 52](#). The law permits Utah's Uninsured Motorist Identification Database to share information with the Tax Commission to create a list of names and home addresses of thousands of possible tax scofflaws, who insure their vehicles and vessels in Utah but register them in another state. Utah is now contacting every name on the list, Valentine said.

The state also published [guidance](#) warning taxpayers that registering a vehicle in another state to avoid Utah taxes or registration requirements “is considered an attempt to evade tax obligations, which is prohibited under Utah law.”

The state sent its first tranche of letters to delinquent taxpayers in November. Those who don’t voluntarily settle up with the state by remitting unpaid sales taxes plus the \$150 penalty within 60 days risk penalties and interest of more than double that amount. Several additional waves of letters will be distributed before the commission launches its back-end enforcement later in the year, Valentine said.

The Utah Model

Missouri intends to target in-state owners of cars, RVs, and boats registered to out-of-state shell companies under [HB 2951](#). The bill follows the Utah model by authorizing the revenue department to use the state’s motorist insurance database to identify vehicles not properly titled and registered in Missouri.

While the legislative language is still being ironed out, Vincent said the department envisions a 90-day amnesty period prior to Dec. 1, during which delinquent taxpayers can register their vehicles, and pay all outstanding taxes and fees. After Dec. 1 the department will pursue an audit and enforcement strategy with much stricter penalties, she said.

Valentine and Vincent pointed to data sharing as the game-changing strategy for clamping down on out-of-state registrations. Without full lists of possible violators, revenue agents are merely responding to anecdotal tips about improperly registered vehicles driving through the state.

“We tried penalties alone and it didn’t really work,” Valentine said. “It was always ‘catch me if you can.’ We’ll see if this new strategy makes an impact. The great thing about the states is they can be laboratories of invention, and you see what model works.”

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