

HB439 Examples  
Feb. 2 2005  
House Taxation Committee

Taxpayer pays \$100 in foreign taxes through a mutual fund.

**Current Law**

|                    | Federal       | Montana      |
|--------------------|---------------|--------------|
| Taxes Due          | 1000          | 150          |
| Foreign Tax Credit | (100.00)      | (100.00)     |
| Taxes Paid         | <u>900.00</u> | <u>50.00</u> |

By taking the credit twice, taxpayer is unjustly overcompensated for tl

**Proposed Law**

Taxpayer takes the credit once, spread across the two returns.

All credit on Federal return.

|                    | Federal       | Montana       |
|--------------------|---------------|---------------|
| Taxes Due          | 1000          | 150           |
| Foreign Tax Credit | (100.00)      | 0.00          |
| Taxes Paid         | <u>900.00</u> | <u>150.00</u> |

Credit on both returns.

|                    | Federal     | Montana       |
|--------------------|-------------|---------------|
| Taxes Due          | 50          | 150           |
| Foreign Tax Credit | (50.00)     | (50.00)       |
| Taxes Paid         | <u>0.00</u> | <u>100.00</u> |

All credit on the Montana return.

|                    | Federal     | Montana      |
|--------------------|-------------|--------------|
| Taxes Due          | 0           | 150          |
| Foreign Tax Credit | 0.00        | (100.00)     |
| Taxes Paid         | <u>0.00</u> | <u>50.00</u> |