



2007 Montana Form 2 Individual Income Tax Forms and Instructions

Inside this booklet...

- Form 2
- Form 2EC
- Form 2 Worksheets

If you need help...



mt.gov/revenue



(866) 859-2254 (toll free), or



(406) 444-6900 (Helena area)



(406) 444-2830 TDD

*This year, make it
easy on yourself.*

- ▶ File early.
The earlier you file, the better service we can provide in getting your tax return processed.
- ▶ File electronically.
It's simple, secure and convenient. This year, free online filing is available for Montana Form 2EC. See details inside.
- ▶ If you expect a refund, choose direct deposit.
This simple option will reduce the time it takes for you to receive your refund.
- ▶ If you owe taxes, choose direct debit.
When you file your tax return electronically, you can authorize us to withdraw the tax due from your bank account on a date you choose, up to the due date for the return.
- ▶ Find the answers you need.
Please take some time to visit our website at mt.gov/revenue, where you'll find tax season updates, frequently asked questions and other helpful filing information.

★ Tax Filing Deadline is April 15, 2008
★ Need to check the status of your refund?
Refer to Where's My Refund? information on the back cover.

For the year Jan 1 - Dec 31, 2007 or the tax year beginning 2007, ending 20

Check here if this is an Amended Return. Check here if this is a NOL Carryback. Your first name and initial, Last name, Deceased, Your social security number, Spouse's first name and initial, Last name, Deceased, Spouse's social security number, Mailing address, City, State, Zip+4

Filing Status 1. Single 2. Married filing jointly 3a. Married filing separately on the same form 3b. Married filing separately on separate forms. 3c. Married filing separately and spouse not filing. 4. Head of household Spouse's SSN

Residency Status (check only one box) 5a. Resident full year 5b. Nonresident full year 5c. Resident part-year

Table with columns for Exemptions (6a-6c) and Federal Income (7-21). Includes rows for Yourself, Spouse, and Dependents with checkboxes for 65 or older and Blind.

Enter amounts corresponding to your federal return. Round to nearest dollar. If no entry, leave blank.

Main table for Federal Income (7-21), Federal Adjusted Gross Income (22-37a), and Montana AGI (38-40). Includes rows for wages, interest, dividends, business income, deductions, and final AGI calculations.

Schedule V - Montana Tax Credits Enter on the corresponding line your Montana tax credits. File Schedule V with your Montana Form 2.	Column A (for single, joint, separate, or head of household)	Column B (for spouse when filing separately using filing status 3a)
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Nonrefundable credits that are single-year credits and HAVE NO carryover provision

1. Credit for an income tax liability paid to another state or country from Form 2, Schedules VI, line 10 or VII, line 10. 1.			1.
2. College contribution credit. Attach Form CC. 2.			2.
3. Qualified endowment credit. Attach Form QEC. 3.			3.
4. Energy conservation installation credit. Attach Form ENRG-C. 4.			4.
5. Alternative fuel credit. Attach Form AFCR. 5.			5.
6. Rural physician's credit. 6.			6.
7. Health insurance for uninsured Montanans credit. Attach Form HI. 7.			7.
8. Elderly care credit. Attach Form ECC. 8.			8.
9. Developmental disability account contribution credit. 9.			9.
10. Recycle credit. Attach Form RCYL. 10.			10.
11. Oilseed crushing and biodiesel/biolubricant production facility credit. Attach Form OSC. 11.			11.
12. Biodiesel blending and storage credit and attach Form BBSC. 12.			12.
13. Add lines 1 through 12 and enter result here and on Form 2, line 51. This is your total nonrefundable single-year credits. 13.			13.

Nonrefundable credits that HAVE a carryover provision

14. Contractor's gross receipts tax credit. 14.			14.
15. Geothermal systems credit. Attach Form ENRG-A. 15.			15.
16. Alternative energy systems credit. Attach Form ENRG-B. 16.			16.
17. Alternative energy production credit. Attach Form AEPC. 17.			17.
18. Dependent care assistance credit. Attach Form DCAC. 18.			18.
19. Historic property preservation credit. Attach federal Form 3468. 19.			19.
20. Montana capital company credit. 20.			20.
21. Infrastructure user's fee credit. 21.			21.
22. Empowerment zone credit. 22.			22.
23. Increasing research activities credit. Attach Form RSCH. 23.			23.
24. Mineral exploration incentive credit. Attach Form MINE-CRED. 24.			24.
25. Film employment production credit. Attach Form FPC. Report your credit on this line if you have made the one-time four year carry forward election. 25.			25.
26. Adoption credit. Attach federal Form 8839. 26.			26.
27. Add lines 14 through 26 and enter result here and on Form 2, line 52. This is your total nonrefundable carryover credits. 27.			27.

Refundable credits

28. Elderly homeowner/renter credit. Attach Form 2EC. 28.			28.
29. \$140 Homeowner income tax credit for property taxes. See page 35. 29.			29.
30. Film employment production credit. Attach Form FPC. 30.			30.
31. Film qualified expenditure credit. Attach Form FPC. 31.			31.
32. Insure Montana small business health insurance credit. Business EIN _____ 32.			32.
33. Add lines 28 through 32 and enter result here and on Form 2, line 62. This is your total refundable credits. 33.			33.

Montana Tax Credits

We have listed the 30 Montana tax credits available to you under three categories. With the exception of the capital gains tax credit, which is required to be applied before any other credit, you are not required to apply any of these 30 tax credits against your income tax liability in any particular order.

Nonrefundable single-year credits. Your nonrefundable single-year credits can only be used to offset your 2007 resident, nonresident, or part-year resident tax after capital gains credit and cannot reduce your tax

liability below zero. The unused portion that exceeded your 2007 income tax liability cannot be used in future years.

Nonrefundable carryover credits. Your nonrefundable carryover credits can be used to offset your 2007 resident, nonresident, or part-year resident tax after capital gains credit and cannot reduce your tax liability below zero. Your excess credits that were not applied against your 2007 income tax liability can be carried over and used to offset future year tax liabilities.

Refundable credits. Your refundable credits are applied against your income tax liability with any unused credit refunded to you.

NEW Line 26 - Adoption Credit You can claim a credit against your income tax liability if you finalized the adoption of an *eligible child* in 2007. An eligible child is:

- any child under age 18, or
- any disabled person physically or mentally unable to take care of himself or herself.

The amount of the credit is \$1,000 per child. If the amount of the credit exceeds your tax liability for 2007, you can carry forward the unused credit to the next five tax years. You are not eligible for this credit if you finalized an adoption before January 1, 2007 but have unused federal adoption credit that you are carrying forward. Attach a copy of federal Form 8839.

Refundable Credits Form 2, Schedule V, Lines 28 through 32

Line 28 - Elderly Homeowner/Renter Credit. You can receive a refundable residential property tax credit if you can answer yes to the following four statements:

- I was age 62 or older as of December 31, 2007.
- I resided in Montana for nine months or more during 2007.
- I occupied a Montana residence as an owner or renter for a total of six months or more during 2007.
- My gross household income was less than \$45,000 in 2007.

If you answered yes to these four statements, see Montana Form 2EC for further instructions and about how to calculate your 2007 elderly homeowner/renter credit.

After you have completed Form 2EC and when you file a Montana Form 2, enter the amount of your elderly homeowner/renter credit from Form 2EC, line 19, on Form 2, Schedule V, line 28.

NEW Line 29 - Homeowner Income Tax Credit for Property Taxes. The Montana Legislature enacted a law providing for a refundable \$140 individual income tax credit for residential property taxes paid in 2007. In order to claim the credit, you must answer yes to all of the following:

- The property for which the credit is claimed is a single-family dwelling, unit of a multiple-unit dwelling, manufactured home, or mobile home.
- I occupied the property as the owner for at least seven months in 2007.
- I paid property taxes in 2007 on the listed property.

The \$140 Homeowner Income Tax Credit for Property Taxes (credit) is based on property taxes you paid in 2007 on a principal residence you occupied as the owner for at least seven months in 2007. If you moved during the year, you are still eligible for the credit as long as the total amount of time you owned and occupied a Montana residence was at least seven months.

Please note: You must have been the direct owner of the residence in order to be eligible for the credit. If your

residence was owned by a partnership, corporation or other legal entity, the credit cannot be claimed even if you own interest in the entity. Also, only one claim can be made with respect to any property.

This tax *credit* is similar to the Property Tax Refund of up to \$400 (*refund*) many Montanans received in 2007 but there are reasons an individual could qualify for the *refund* but not the *credit* and vice versa. For instance, an individual who owned 20% or more of the entity that owned the residence could claim the *refund* as long as they met all the other qualifications but they cannot claim the *credit*. Additionally, the ownership and residency tests apply to separate years. For example, if you purchased and moved into a home December 15, 2006 and owned and occupied it as your residence for all of 2007, you are eligible for the \$140 *credit* but you were not eligible for the *refund*. Conversely, if you owned your residence for 25 years until you sold it and moved into a rental unit in March 2007, you were eligible for the *refund* but you are not eligible for the \$140 *credit*.

Qualified individuals who are 62 or older may also be eligible to claim the Elderly Homeowner/Renter credit on Form 2EC in addition to this credit.

To claim this credit, enter \$140 on Schedule V, line 29. When you sign your tax return, you are declaring that you can answer yes to the three questions above and are eligible for the credit.

Married taxpayers who jointly own the property and are filing separately on the same form may allocate this credit.

Line 30 - Film Employment Production Credit. You can receive a refundable film employment production credit if you made the one time election to apply the credit against your income tax liability and requested a refund of the unused credit by reporting it on Form 2, Schedule V, line 30. You can also elect to carry forward your credit. If you have made this election, see Form 2, Schedule V, line 25 for further details and instructions.

The film employment production credit is equal to the sum of 14% of the first \$50,000 or less that was compensated to each Montana resident who was employed in a state-certified production.

For further instructions on the film employment production credit and to calculate this credit, see Montana Form FPC. When you claim this credit, you will have to attach a copy of Montana Form FPC to your income tax return.

Line 31 - Film Qualified Expenditures Credit. You can receive a refundable film qualified expenditures credit for expenditures made in Montana in connection with your state-certified production. Your credit is equal to 9% of the total qualified expenses that you incurred in connection with your production.

Expenses that qualify for the calculation of this credit are expenses that occur in Montana by your production company and that are directly related to your production. These expenses include lodging expenses, restaurant

2007 Montana Homeowner Income Tax Credit for Property Taxes

Your first name and initial	Last name	Your social security number	If deceased, date of death	
Spouse's first name and initial	Last name	Spouse's social security number	If deceased, date of death	
Mailing address		City	State	Zip +4
Physical address if different (number and street)		City	State	Zip

A refundable tax credit of \$140 is available for qualifying homeowners for property taxes paid on the taxpayer's principal residence.

Yes No

Will you be filing a 2007 Montana individual income tax return? If you answer "Yes" to this question, **STOP here and do not complete this form.** The credit should be claimed when you file your individual income tax return.

If you are not required to file a Montana individual income tax return, but are eligible for this refundable credit based on the following qualifications, please complete this form and mail it to:

Department of Revenue, PO Box 6577, Helena, MT 59604-6577

Qualifications:

Yes No

The property is a single-family dwelling, unit of a multiple-unit dwelling, manufactured home, or mobile home.

Yes No

I occupied the property listed above as the owner for at least seven months in 2007.
 I paid property taxes on the listed property in 2007.

If you answered "No" to any of the three statements above, you are not eligible to file this form.

Name, address and telephone number of paid preparer, if applicable	Preparer SSN or FEIN
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If you wish to receive your refund by using direct deposit, enter your RTN# and ACCT# below. See instructions.

RTN#

ACCT#

Checking
 Savings

May the DOR discuss this tax return with your tax preparer? Yes No

<input checked="" type="checkbox"/>			<input checked="" type="checkbox"/>	
Your signature is required	Date	Daytime telephone number	Spouse's signature	Date

I declare under penalty of false swearing that the information in this return is true, correct and complete.

The \$140 Montana Homeowner Income Tax Credit for Property Taxes on Residential Property is based on property taxes you paid during 2007 on a principal residence you occupied as the owner for at least seven months in 2007. If you moved during the year, you are still eligible for the refundable tax credit as long as the total amount of time you owned and occupied a Montana residence was at least seven months.

Please note: You must have been the direct owner of the residence in order to be eligible for the credit. If your residence was owned by a partnership, corporation or other legal entity, the credit cannot be claimed even if you own interest in the entity. Also, only one claim can be made with respect to any property.

You may file for and receive this refundable tax credit even if your income for 2007 is below the filing threshold and you are not required to file an individual income tax return. If you are required to file a Montana individual income tax return and you qualify for this refundable tax credit, you can claim this credit when you file.

Qualified individuals who are 62 or older may also be eligible to claim the Elderly Homeowner/Renter Credit on Form 2EC in addition to this credit.

Questions? Please call us at (406) 444-6900 or TDD (406) 444-2830 for hearing impaired.