SENATE TAXATION
EXHIBIT NO. 1
DATE 2-21-2013
BILL NO. 282

Here is a set of rate tables with two rates that makes the income tax part of LC0909 revenue neutral in 2014:

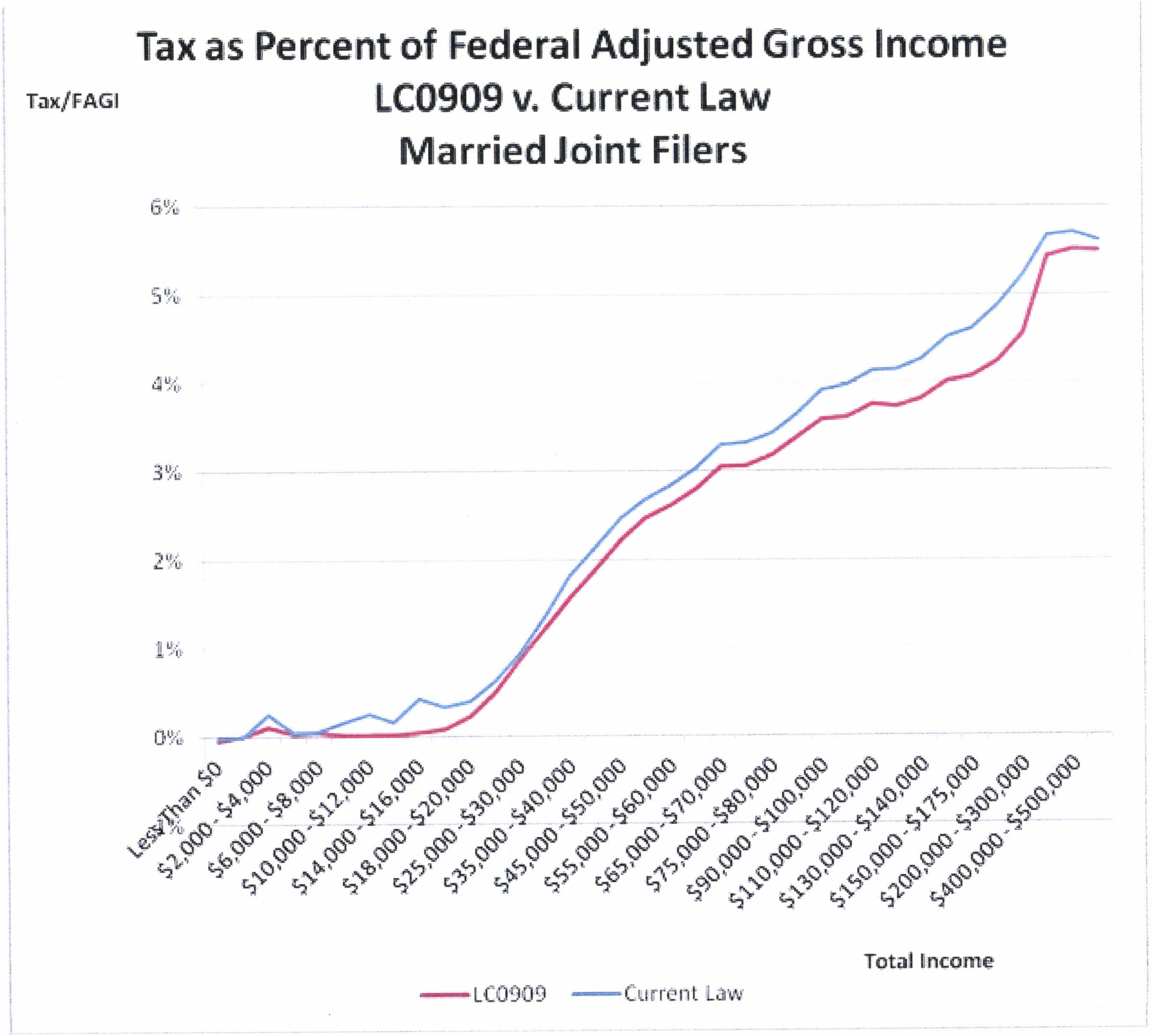
For ordinary income

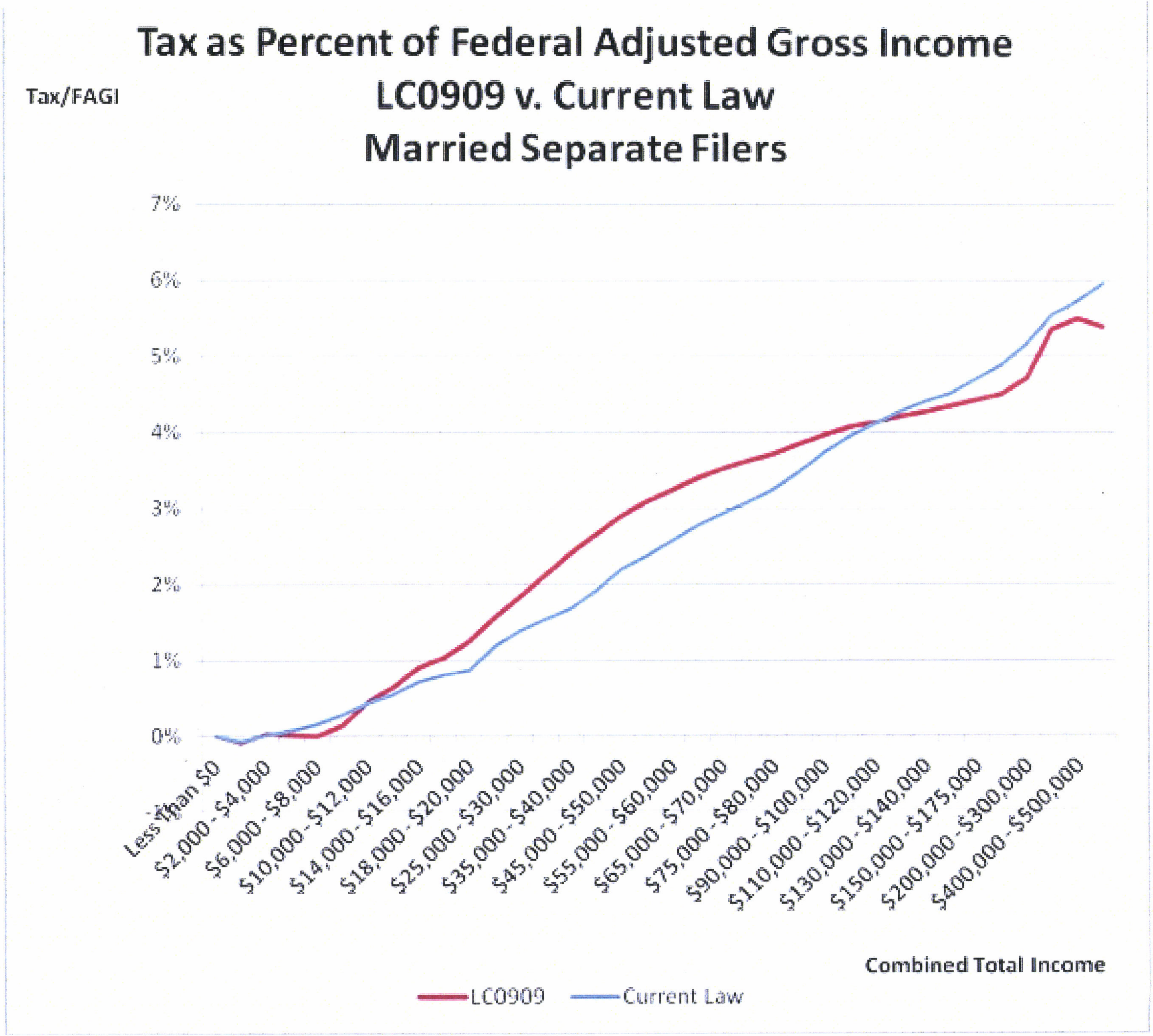
| | |
|---|---|
| Joint Returns | 4% of taxable income up to $15,600 and 5.9% of taxable income over $15,600 |
| Single and Married Separate | 4% of taxable income up to $7,800 and 5.9% of taxable income over $7,800 |
| Head of Household | 4% of taxable income up to $11,700 and 5.9% of taxable income over $11,700 |

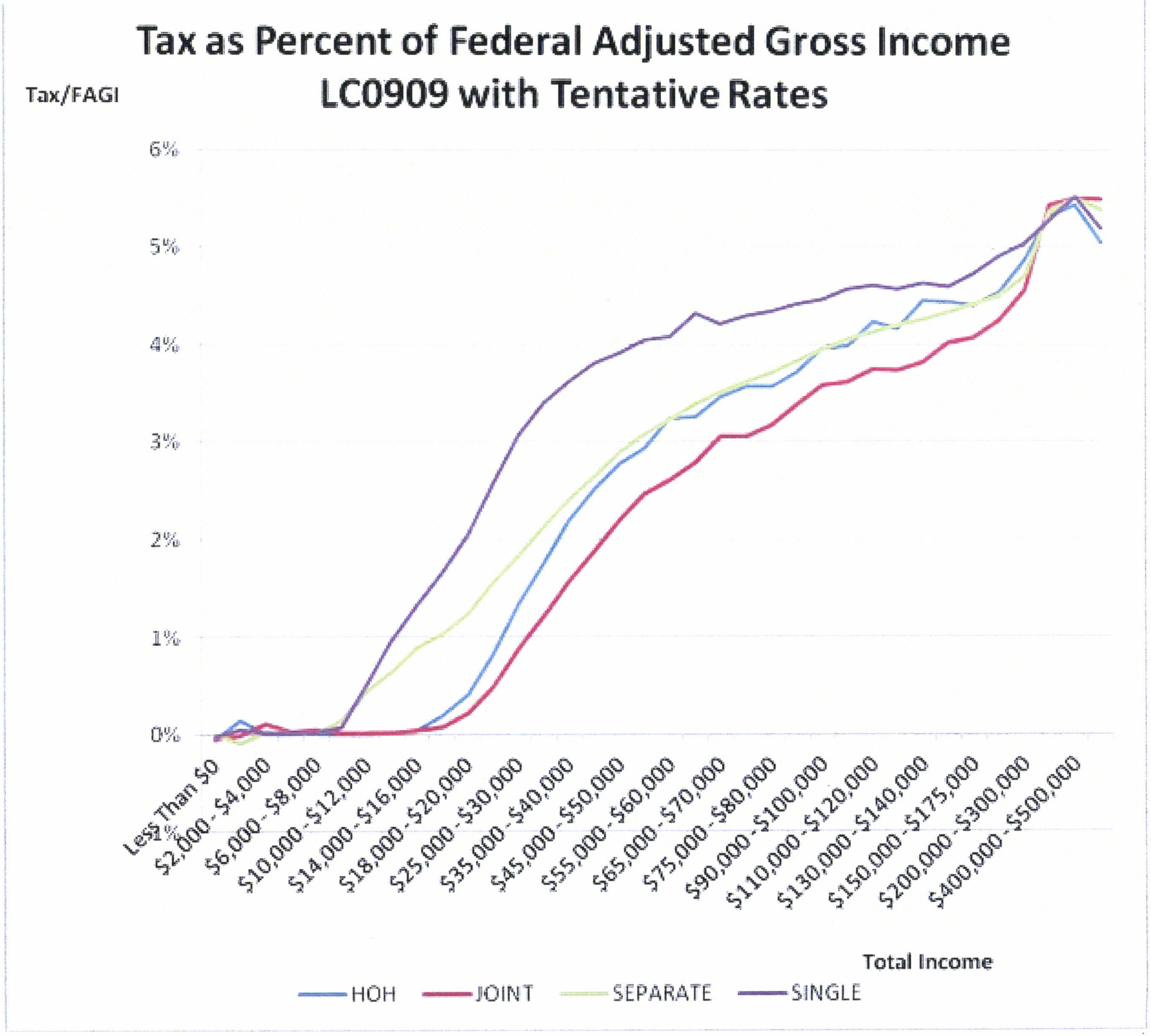
Capital gains differential

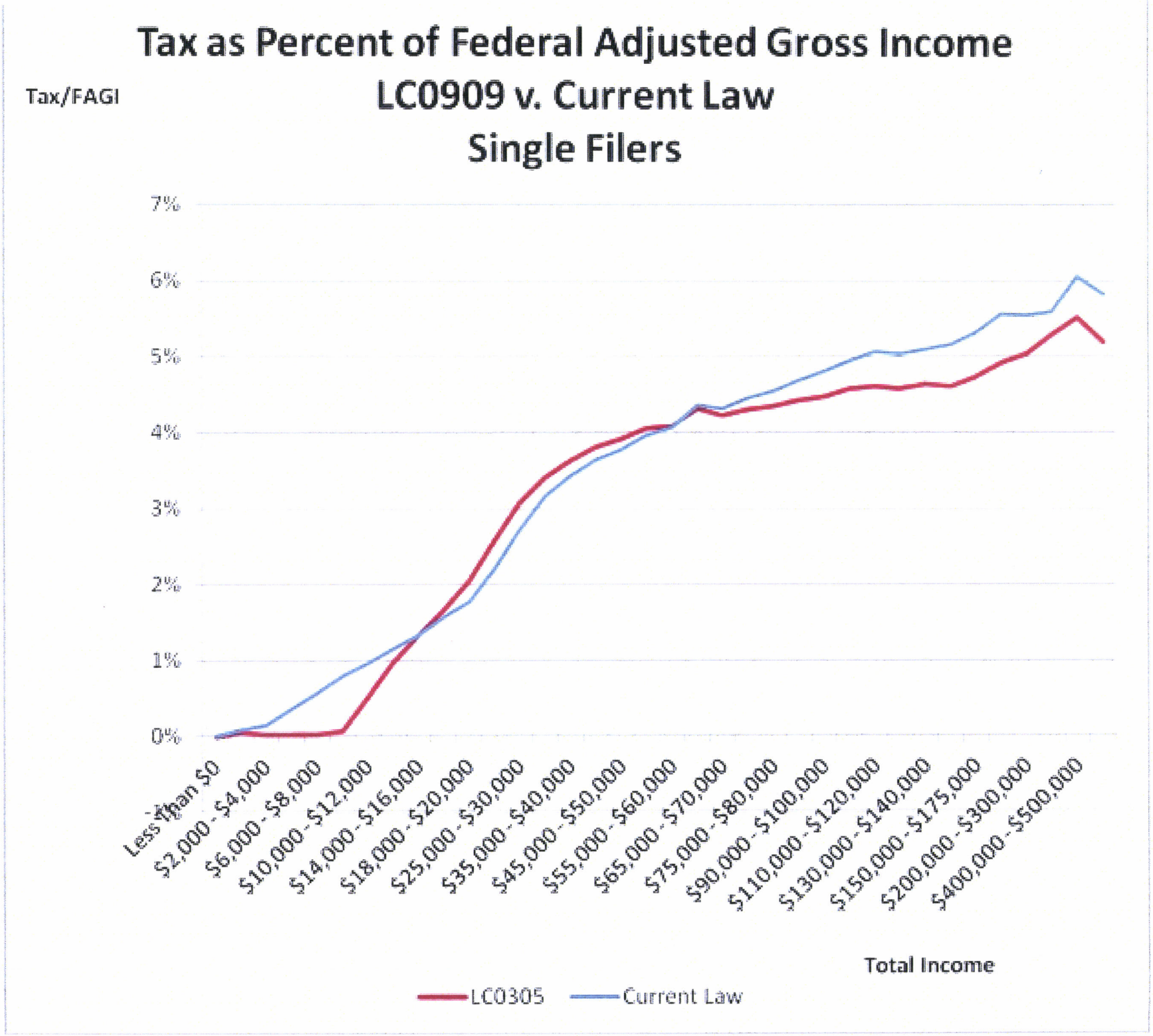
For taxpayers in the 4% rate bracket, tax is reduced by 2% of capital gains income.

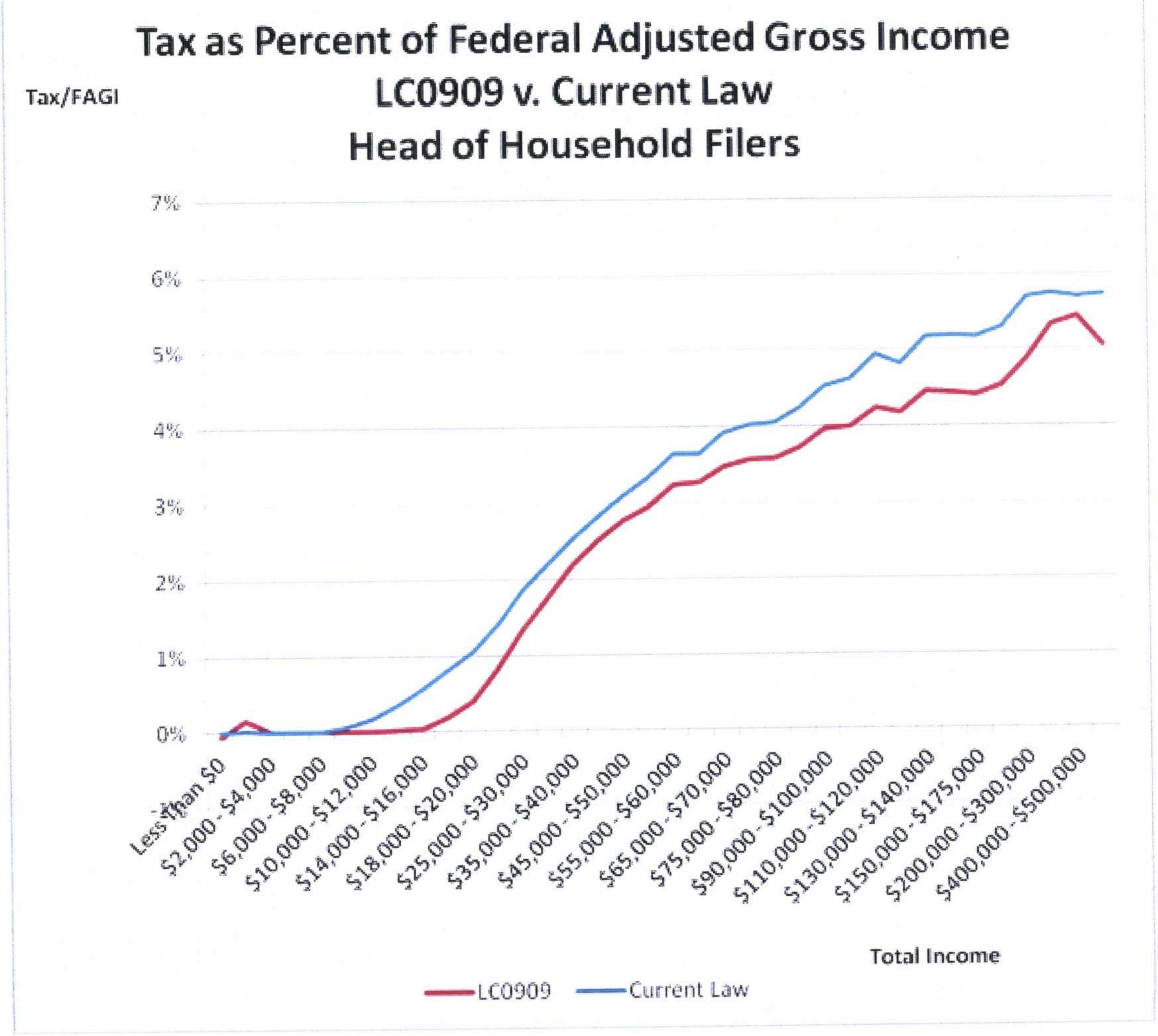
For taxpayers in the 5.9% rate bracket, tax is reduced by 1.75% of capital gains income.


Tax as Percent of Federal Adjusted Gross Income
LC0909 v. Current Law
Married Joint Filers
Tax/FAGI
6%
5%
4%
3%
2%
1%
0%
Less Than $0
$2,000 - $4,000
$6,000 - $8,000
$10,000 - $12,000
$14,000 - $16,000
$18,000 - $20,000
$25,000 - $30,000
$35,000 - $40,000
$45,000 - $50,000
$55,000 - $60,000
$65,000 - $70,000
$75,000 - $80,000
$90,000 - $100,000
$110,000 - $120,000
$130,000 - $140,000
$150,000 - $175,000
$200,000 - $300,000
$400,000 - $500,000
Total Income
LC0909
Current Law


Tax as Percent of Federal Adjusted Gross Income
LC0909 v. Current Law
Married Separate Filers
Tax/FAGI
7%
6%
5%
4%
3%
2%
1%
0%
Less than $0
$2,000 - $4,000
$6,000 - $8,000
$10,000 - $12,000
$14,000 - $16,000
$18,000 - $20,000
$25,000 - $30,000
$35,000 - $40,000
$45,000 - $50,000
$55,000 - $60,000
$65,000 - $70,000
$75,000 - $80,000
$90,000 - $100,000
$110,000 - $120,000
$130,000 - $140,000
$150,000 - $175,000
$200,000 - $300,000
$400,000 - $500,000
Combined Total Income
LC0909
Current Law


Tax as Percent of Federal Adjusted Gross Income
LC0909 with Tentative Rates
Tax/FAGI
6%
5%
4%
3%
2%
1%
0%
-1%
Less Than $0
$2,000 - $4,000
$6,000 - $8,000
$10,000 - $12,000
$14,000 - $16,000
$18,000 - $20,000
$25,000 - $30,000
$35,000 - $40,000
$45,000 - $50,000
$55,000 - $60,000
$65,000 - $70,000
$75,000 - $80,000
$90,000 - $100,000
$110,000 - $120,000
$130,000 - $140,000
$150,000 - $175,000
$200,000 - $300,000
$400,000 - $500,000
Total Income
HOH
JOINT
SEPARATE
SINGLE


Tax as Percent of Federal Adjusted Gross Income
LC0909 v. Current Law
Single Filers
Tax/FAGI
7%
6%
5%
4%
3%
2%
1%
0%
Less than $0
$2,000 - $4,000
$6,000 - $8,000
$10,000 - $12,000
$14,000 - $16,000
$18,000 - $20,000
$25,000 - $30,000
$35,000 - $40,000
$45,000 - $50,000
$55,000 - $60,000
$65,000 - $70,000
$75,000 - $80,000
$90,000 - $100,000
$110,000 - $120,000
$130,000 - $140,000
$150,000 - $175,000
$200,000 - $300,000
$400,000 - $500,000
Total Income
LC0305
Current Law


Tax as Percent of Federal Adjusted Gross Income
LC0909 v. Current Law
Head of Household Filers
Tax/FAGI
7%
6%
5%
4%
3%
2%
1%
0%
Less than $0
$2,000 - $4,000
$6,000 - $8,000
$10,000 - $12,000
$14,000 - $16,000
$18,000 - $20,000
$25,000 - $30,000
$35,000 - $40,000
$45,000 - $50,000
$55,000 - $60,000
$65,000 - $70,000
$75,000 - $80,000
$90,000 - $100,000
$110,000 - $120,000
$130,000 - $140,000
$150,000 - $175,000
$200,000 - $300,000
$400,000 - $500,000
Total Income
LC0909
Current Law

## Calculations of Individual Income Tax

Calculation of Montana individual income tax begins with the taxpayer's Federal Adjusted Gross Income. Several adjustments are made to determine Montana Adjusted Gross Income:

- Income taxed by the state but exempted by the federal government is added,
- Income exempted by the state but taxed by the federal government is subtracted,
- Deposits to Montana tax-advantaged savings accounts are subtracted,
- Taxable withdrawals from Montana tax-advantaged savings accounts are added,
- Net adjustments from filing a joint federal return and separate state returns are added, and
- Recoveries of costs deducted in previous years (primarily refunds of federal taxes previously deducted) are subtracted.

The values of the taxpayer's exemptions and either itemized or standard deductions are subtracted to determine Montana Taxable Income. The value of exemptions and maximum and minimum standard deductions are adjusted for inflation each year:

**Personal Income Tax Exemptions and Deductions**

| | | Single and Separate Returns | | Joint Returns | |
|---|---|---|---|---|---|
| Year | Exemption Amount | Min. Standard Deduction | Max. Standard Deduction | Min. Standard Deduction | Max. Standard Deduction |
| TY 2008 | $2,140 | $1,780 | $4,010 | $3,560 | $8,020 |
| TY 2009 | $2,110 | $1,750 | $3,950 | $3,500 | $7,900 |
| TY 2010 | $2,130 | $1,770 | $3,990 | $3,540 | $7,980 |
| TY 2011 | $2,190 | $1,820 | $4,110 | $3,640 | $8,220 |
| TY 2012 | $2,240 | $1,860 | $4,200 | $3,720 | $8,400 |

Tax liability is calculated from the rate table. The rate table is adjusted for inflation each year:

**Marginal Tax Rate Structure**

| Year | TY 2008 | TY 2009 | TY 2010 | TY 2011 | TY 2012 |
|---|---|---|---|---|---|
| 1% of the first | $ 2,600 | $ 2,600 | $ 2,600 | $ 2,700 | $ 2,700 |
| 2% of the next | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 |
| 3% of the next | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 |
| 4% of the next | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 |
| 5% of the next | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 |
| 6% of the next | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 | $ 1,400 |
| 6.9% of remaining | NA | NA | NA | NA | NA |

**Marginal Tax Rate Income Limits**

| Year | TY 2008 | TY 2009 | TY 2010 | TY 2011 | TY 2012 |
|---|---|---|---|---|---|
| 1.0% | $ 2,600 | $ 2,600 | $ 2,600 | $ 2,700 | $ 2,700 |
| 2.0% | $ 4,000 | $ 4,500 | $ 4,600 | $ 4,700 | $ 4,800 |
| 3.0% | $ 7,000 | $ 6,900 | $ 6,900 | $ 7,200 | $ 7,300 |
| 4.0% | $ 9,500 | $ 9,300 | $ 9,400 | $ 9,700 | $ 9,900 |
| 5.0% | $ 12,200 | $ 12,000 | $ 12,100 | $ 12,500 | $ 12,700 |
| 6.0% | $ 15,600 | $ 15,400 | $ 15,600 | $ 16,000 | $ 16,400 |
| 6.9% | Unlimited | Unlimited | Unlimited | Unlimited | Unlimited |

Any credits the taxpayer may claim are subtracted from the tax liability to give the net tax.

- Taxpayers with capital gains income are allowed a credit equal to two percent of their capital gains. In effect, this taxes capital gains at a lower rate than other income.
- Other credits generally are a percentage of a certain type of qualifying expenditure the taxpayer has made.

## Income, Deductions, Credits, and Tax Liability

The next six tables show information about individual line items on full year residents' income tax returns for 2010 and 2011. For each line item, the table shows the count of the number of returns with a value on that line and the sum of those values.

**Montana Individual Income Tax**
**Income Reported on Full Year Residents Returns**
**2010 and 2011**

| | 2010 | | 2011 | |
|---|---|---|---|---|
| | Count | Total | Count | Total |
| **Income Items** | | | | |
| Wage and salary income | 421,463 | 13,389,961,904 | 423,456 | 13,995,864,062 |
| Taxable interest income | 240,816 | 442,982,605 | 225,949 | 376,776,615 |
| Ordinary dividend income | 119,123 | 504,422,291 | 117,392 | 465,229,931 |
| Taxable refunds of state/local income taxes | 96,094 | 98,658,563 | 101,375 | 93,414,687 |
| Alimony received | 841 | 13,600,236 | 853 | 14,061,191 |
| Business income (Schedule C) | 77,115 | 690,830,410 | 76,742 | 702,186,969 |
| Capital gains income | 100,817 | 992,631,808 | 104,234 | 1,015,745,318 |
| Supplemental gains income | 15,454 | 42,063,648 | 15,606 | 41,883,741 |
| IRA distributions - Taxable amt | 47,190 | 548,647,754 | 49,255 | 592,390,356 |
| Pension and annuity income - Taxable amt | 95,294 | 1,658,178,065 | 96,945 | 1,752,608,148 |
| Rent, royalty, partnership, etc. income | 97,166 | 1,823,262,638 | 99,493 | 2,075,865,357 |
| Farm income | 19,293 | -145,068,389 | 19,031 | -127,273,409 |
| Unemployment compensation | 49,163 | 273,285,163 | 42,763 | 192,982,355 |
| Social Security Benefits* | 109,426 | 2,555,665,116 | 112,747 | 1,772,577,379 |
| Taxable social security benefits | 67,920 | 603,827,076 | 71,557 | 651,771,496 |
| Other income | 46,097 | -408,809,713 | 45,029 | -511,295,537 |
| **Total income** | 530,507 | 20,528,474,059 | 534,102 | 21,332,211,280 |
| * Indented items either are part of another line or include another line. They are not part of the total. | | | | |
| **Federal Adjustments to Income** | | | | |
| Educator expenses | 11,028 | 3,786,558 | 11,264 | 2,648,529 |
| Business expenses | 617 | 1,616,008 | 651 | 1,816,393 |
| Health Savings Account deduction | 7,345 | 21,882,122 | 8,108 | 24,675,845 |
| Moving expenses | 2,791 | 4,265,332 | 3,105 | 4,732,783 |
| One-half self-employment tax | 59,722 | 69,819,591 | 61,796 | 76,908,913 |
| Self-employed SEP, SIMPLE, and qual. plans | 2,721 | 43,089,605 | 2,709 | 42,298,279 |
| Self-employed health insurance deduction | 22,532 | 110,816,477 | 22,587 | 116,579,020 |
| Penalty on early withdrawal of savings | 3,845 | 701,262 | 3,517 | 592,044 |
| Alimony paid | 1,143 | 14,315,593 | 1,162 | 15,690,176 |
| IRA deduction | 14,573 | 53,329,887 | 14,530 | 54,281,327 |
| Student loan interest deduction | 45,288 | 34,202,184 | 45,162 | 36,245,983 |
| Tuition & fees deduction | 5,601 | 11,733,181 | 5,870 | 12,398,266 |
| Domestic production activities deduction | 6,596 | 43,123,307 | 6,743 | 43,533,192 |
| Federal write-ins | 316 | 4,462,208 | 357 | 2,343,863 |
| **Total adjustments to income** | 139,614 | 417,143,315 | 140,434 | 434,744,613 |
| **Federal Adjusted Gross Income** | 530,550 | 20,111,330,744 | 534,142 | 20,897,466,667 |

## Montana Individual Income Tax
### Income Reported on Full Year Residents Returns
### 2010 and 2011

| | 2010 | | 2011 | |
|---|---|---|---|---|
| | Count | Total | Count | Total |
| **Montana Additions to Federal Adjusted Gross Income** | | | | |
| Interest on other states' municipal bonds | 18,034 | 114,983,672 | 18,327 | 102,910,306 |
| Dividends not included in FAGI | 429 | 1,336,567 | 343 | 1,016,687 |
| Taxable federal refunds | 87,977 | 126,671,602 | 81,226 | 111,495,115 |
| Recoveries of amounts deducted in earlier years | 560 | 1,297,408 | 207 | 449,680 |
| Additions to federal taxable social security or railroad retirement | 7,724 | 12,238,467 | 7,677 | 11,813,870 |
| Allocation of compensation to spouse | 500 | 7,780,635 | 511 | 8,361,792 |
| Medical savings account nonqualified withdrawals | 82 | 101,799 | 98 | 121,307 |
| First-time homebuyer's account nonqualified withdrawals | <10 | 13,722 | <10 | 12,589 |
| Farm and ranch risk management account taxable distributions | <10 | 191 | <10 | 10,576 |
| Dependent care assistance credit adjustment | 64 | 106,629 | 39 | 49,938 |
| Smaller federal estate and trust taxable distributions | 85 | 66,413 | 83 | 786,659 |
| Federal net operating loss carryover | 4,689 | 323,147,050 | 4,617 | 405,545,941 |
| Federal taxes paid by your S. corporation | 67 | 192,807 | 44 | 48,077 |
| Title plant depreciation | 11 | 16,290 | <10 | 793 |
| Group health premiums reimbursed by Insure Montana credit | 1,051 | 6,032,688 | 813 | 4,207,414 |
| Other additions | 5,228 | 142,065,523 | 4,839 | 155,292,435 |
| **Total Montana Additions** | 114,737 | 736,051,463 | 108,232 | 802,123,179 |

## Montana Individual Income Tax
### Income Reported on Full Year Residents Returns
### 2010 and 2011

| | 2010 | | 2011 | |
|---|---|---|---|---|
| | Count | Total | Count | Total |
| **Montana Subtractions from Federal Adjusted Gross Income** | | | | |
| Federal bonds exempt interest | 22,473 | 31,017,274 | 20,514 | 25,764,777 |
| Exempt tribal income | 7,252 | 200,800,212 | 7,175 | 290,700,359 |
| Exempt unemployment compensation | 48,182 | 268,585,687 | 42,763 | 192,982,355 |
| Exempt worker's comp benefits | 327 | 1,990,149 | 150 | 786,281 |
| Capital gains from small business investment companies | 55 | 148,811 | 40 | 95,032 |
| State tax refunds included in federal AGI | 102,810 | 103,291,864 | 108,024 | 97,908,499 |
| Recoveries of amounts deducted in earlier years | 145 | 223,591 | 23 | 145,508 |
| Exempt active duty military salary | 4,760 | 153,852,927 | 4,410 | 148,526,725 |
| Nonresident exempt military income | 117 | 4,739,141 | 120 | 4,212,397 |
| Exempt life insurance premiums reimbursement (National Guard) | 56 | 69,491 | 46 | 14,795 |
| Exempt pension income | 43,797 | 142,365,778 | 44,929 | 150,693,545 |
| Elderly interest exclusion | 70,510 | 40,226,852 | 70,622 | 36,798,111 |
| Exempt retirement disability income (under age 65) | 181 | 786,572 | 83 | 364,329 |
| Exempt tip income | 13,732 | 43,592,519 | 13,883 | 46,381,919 |
| Exempt income of child taxed to parent | 61 | 113,876 | 110 | 252,806 |
| Exempt health insurance premiums taxed to employee | 191 | 677,282 | 211 | 843,169 |
| Student loan repayments taxed to health care professional | 173 | 476,765 | 257 | 666,300 |
| Medical care savings account exempt deposits | 7,812 | 18,732,448 | 7,997 | 19,395,678 |
| First-time homebuyer exempt savings account deposits | 140 | 358,024 | 155 | 395,135 |
| Family education savings account exempt deposits | 2,760 | 6,547,256 | 2,798 | 6,528,702 |
| Farm and ranch risk management accounts exempt deposits | <10 | 0 | 0 | 0 |
| Subtraction to federal taxable social security/Tier 1 railroad retirement | 33,973 | 125,569,526 | 35,183 | 133,165,545 |
| Subtraction for federal taxable Tier II railroad retirement | 3,006 | 37,812,494 | 3,007 | 38,836,218 |
| Subtraction for spouse filing joint return: passive loss carryover | 69 | 143,794 | 43 | 88,064 |
| Subtraction for spouse filing joint return: capital loss adjustment | 2,763 | 4,409,741 | 1,647 | 3,153,880 |
| Allocation of compensation to spouse | 504 | 7,903,312 | 530 | 8,523,680 |
| Montana net operation loss carryover | 4,362 | 308,241,632 | 4,255 | 390,379,263 |
| 40% capital gain exclusion on pre-1987 installment sales | 319 | 1,155,423 | 49 | 123,493 |
| Business expense of recycled material | 124 | 204,911 | 108 | 266,011 |
| Sales of land to beginning farmers | <10 | 5,956 | <10 | 55,961 |
| Larger federal estate and trust taxable distributions | 95 | 190,390 | 151 | 383,119 |
| Wage deduction reduced by federal targeted jobs credit | 146 | 1,190,418 | 72 | 458,655 |
| Certain gains recognized by liquidating corporation | 117 | 794,177 | <10 | 7,069 |
| Other subtractions | 4,620 | 164,001,056 | 4,773 | 165,965,197 |
| **Total Montana Subtractions** | 255,249 | 1,670,219,349 | 255,523 | 1,764,862,577 |

15-30-2110 This $ is deferred

**Montana Individual Income Tax**
**Deductions Reported on Full Year Residents Returns**
**2010 and 2011**

| | 2010 | | 2011 | |
|---|---|---|---|---|
| | Count | Total | Count | Total |
| **Deductions** | | | | |
| Total medical expenses* | 133,552 | 545,701,986 | 133,861 | 545,817,871 |
| Deductible medical expenses | 71,855 | 304,436,666 | 70,306 | 301,438,269 |
| Medical insurance premiums not deducted elsewhere | 102,983 | 353,880,862 | 103,615 | 364,569,523 |
| Long-term care insurance premiums | 13,471 | 27,300,594 | 13,475 | 33,985,594 |
| Federal Income Tax | | | | |
| Federal income tax withheld* | 250,870 | 9,270,288,809 | 264,724 | 9,664,747,196 |
| Federal income tax estimated payments* | 47,104 | 530,290,626 | 47,233 | 582,210,945 |
| Last year's federal income tax paid (e.g. with return)* | 48,675 | 231,044,373 | 54,015 | 278,790,903 |
| Federal income tax from previous years* | 4,742 | 19,035,603 | 4,763 | 22,612,278 |
| Total federal income tax deduction | 279,100 | 1,015,360,042 | 291,483 | 1,132,026,533 |
| State or Local Sales Tax* | n/a | n/a | 433 | 446,177 |
| Local income taxes | 302 | 112,039 | 305 | 198,088 |
| Real estate taxes | 210,973 | 400,710,387 | 211,586 | 411,428,092 |
| Personal property taxes | 162,911 | 52,671,671 | 167,216 | 52,698,081 |
| Other deductible taxes | 27,639 | 10,298,211 | 25,435 | 9,209,030 |
| Home mortgage interest | 159,911 | 1,075,407,210 | 159,013 | 1,008,850,204 |
| Unreported home mortgage interest | 6,404 | 17,246,577 | 6,341 | 16,732,698 |
| Unreported points | 23,243 | 6,774,876 | 22,487 | 6,128,734 |
| Qualified mortgage ins premiums | 19,897 | 23,239,755 | 20,847 | 20,843,664 |
| Investment interest | 8,402 | 37,072,979 | 8,840 | 33,364,845 |
| Contributions by cash or check | 169,405 | 443,302,712 | 169,378 | 454,876,219 |
| Contributions other than cash or check | 71,377 | 59,815,976 | 72,985 | 64,804,361 |
| Carryover of contributions from previous years | 3,841 | 34,781,509 | 3,662 | 36,451,707 |
| Child and dependent care expenses | 833 | 1,468,425 | 851 | 1,607,286 |
| Casualty and theft losses | 499 | 4,921,842 | 659 | 9,738,044 |
| Business Expenses | | | | |
| Unreimbursed employee business expenses* | 56,556 | 169,613,690 | 57,209 | 185,407,740 |
| Other business expenses* | 143,319 | 116,861,859 | 147,012 | 126,923,598 |
| Total business expenses* | 162,360 | 286,475,549 | 166,296 | 312,331,338 |
| Net deductible unreimbursed business expenses | 57,089 | 198,644,087 | 58,739 | 219,574,473 |
| Political contributions | 9,052 | 822,083 | 7,867 | 729,898 |
| All other miscellaneous deductions not subject to 2% floor | 2,126 | 7,634,906 | 2,701 | 5,625,034 |
| Gambling losses | 1,191 | 10,772,563 | 1,246 | 12,302,315 |
| **Total itemized deductions** | 310,090 | 4,086,694,686 | 318,088 | 4,197,628,869 |
| **Standard deductions** | 200,210 | 708,794,565 | 197,549 | 4,911,586,629 |
| **Total deductions** | 525,972 | 4,795,489,251 | 530,331 | 4,911,586,629 |

* Indented items either are part of another line or include another line. They are not part of the total.

Only Revenue if Feds grant

## Montana Individual Income Tax
## Exemptions, Taxable Income, Tax, and Payments Reported on Full Year Residents Returns
## 2010 and 2011

| | 2010 | | 2011 | |
|---|---|---|---|---|
| | Count | Total | Count | Total |
| **Exemptions *** | | | | |
| Self Exemption | | 493,735 | | 497,933 |
| Self 65 and Over Exemption | | 90,519 | | 93,702 |
| Self Blind Exemption | | 1,256 | | 1,200 |
| **TotalTaxpayer Exemptions** | 493,749 | 585,510 | 497,933 | 592,835 |
| Spouse Exemption | | 184,292 | | 183,860 |
| Spouse 65 and Over Exemption | | 32,812 | | 33,820 |
| Spouse Blind Exemption | | 382 | | 332 |
| **Total Spouse Exemptions** | 85,573 | 107,100 | 84,858 | 106,747 |
| Dependent Exemptions | 131,513 | 234,626 | 130,760 | 234,454 |
| **Total Exemptions** | 493,749 | 927,236 | 497,933 | 934,036 |
| **Value of Exemptions** | | 2,060,760,090 | | 2,132,354,820 |
| **Taxable Income** | | | | |
| Federal Adjusted Gross Income | 530,550 | 20,111,330,744 | 534,142 | 20,897,466,667 |
| +Montana Additions | 114,737 | 736,051,463 | 108,232 | 802,123,179 |
| -Montana Subtractions | 255,249 | 1,670,219,349 | 255,523 | 1,764,862,577 |
| -Deductions | 525,972 | 4,795,489,251 | 530,331 | 4,911,586,629 |
| -Value of Exemptions | 532,444 | 2,060,760,090 | 536,062 | 2,132,354,820 |
| Montana Taxable Income = Fed. AGI w/ Adjustments | 435,815 | 13,665,846,344 | 441,007 | 14,315,590,822 |
| Tax from Tax Table | 435,092 | 759,477,805 | 440,273 | 796,136,740 |
| Capital Gains Credit | 39,364 | 19,642,186 | 46,926 | 19,621,982 |
| **Tax before Credits & Adjustments** | 432,294 | 739,835,619 | 436,944 | 776,514,758 |
| Tax on Lump Sum Distributions | 41 | 10,565 | 42 | 6,980 |
| Recapture of Credits Claimed Previously | 18 | 47,148 | 18 | 44,518 |
| **Total Tax** | | 739,893,332 | | 776,566,256 |
| **Payments** | | | | |
| Montana income tax withheld from wages | 415,554 | 616,475,936 | 419,642 | 650,148,991 |
| Tax withheld from mineral royalties | 2,654 | 3,072,891 | 2,753 | 3,759,669 |
| Tax withheld by pass-through entities | 138 | 136,693 | 126 | 255,697 |
| Estimated tax payments | 44,664 | 151,637,977 | 45,077 | 160,667,538 |
| Extension payments | 4,387 | 29,393,406 | 4,671 | 26,679,620 |
| **Total Payments** | | 800,716,903 | | 841,511,515 |

Reducing Fed Amt Instead

Reduction

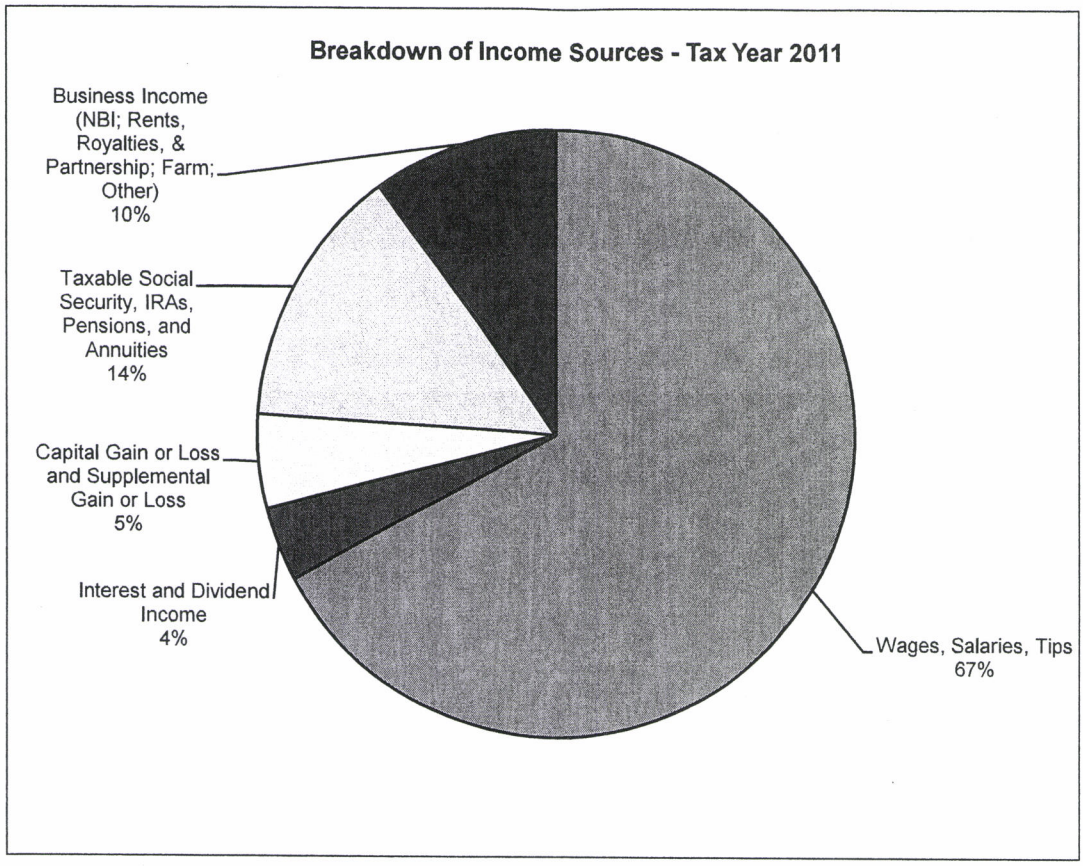
* Taxpayers claim exemptions for themselves and their spouses by checking boxes on the return. The counts for exemptions show the number of returns where the taxpayer claimed at least one exemption for themself, their spouse, or dependents. The totals column shows the number and type of exemptions claimed. For the taxpayer and spouse, the totals column shows the numbers of basic exemptions and extra exemptions for being 65 or over or blind. Only the total number of taxpayer and spouse exemptions was recorded. For dependent exemptions, the count is the number of returns claiming at least one dependent, and the total is the number of dependents claimed.

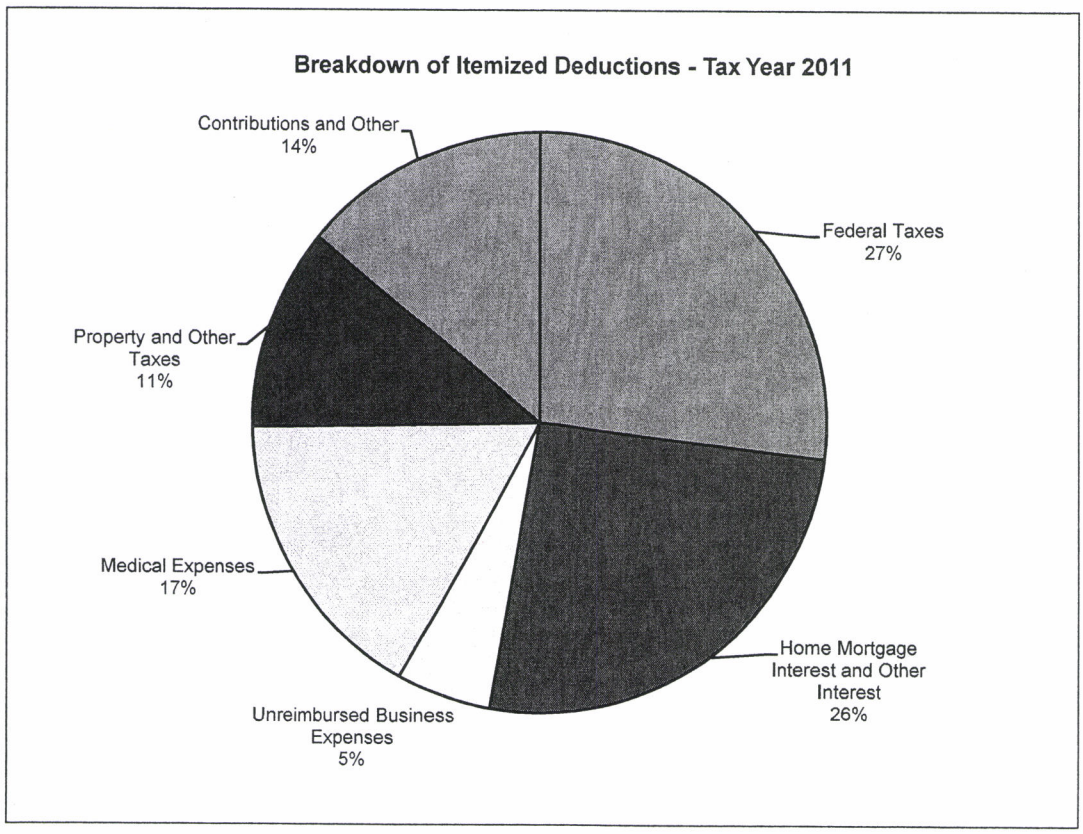
## Montana Individual Income Tax
## Credits Reported on Full Year Residents Returns
## 2010 and 2011

| | 2010 | | 2011 | |
|---|---|---|---|---|
| | Count | Total | Count | Total |
| **Credits** | | | | |
| **Non-Refundable and No Carryover Credits** | | | | |
| Other states' income tax credit | 11,308 | 20,608,363 | 11,471 | 19,090,209 |
| College contribution tax credit | 2,900 | 253,119 | 2,840 | 238,141 |
| Qualified endowment tax credit | 612 | 1,737,766 | 577 | 1,755,033 |
| Energy conservation tax credit | 28,704 | 10,233,928 | 16,645 | 5,588,577 |
| Alternative fuel tax credit | 43 | 25,281 | 17 | 26,822 |
| Rural physician's tax credit | 14 | 51,712 | 0 | 0 |
| Insurance for uninsured Montanans credit | 349 | 276,066 | 262 | 192,670 |
| Elderly care tax credit | 53 | 75,912 | 52 | 77,468 |
| Recycling tax credit | 109 | 492,609 | 94 | 538,163 |
| Oil seed crushing/biodiesel facility credit | 0 | 0 | <10 | 8,536 |
| Biodiesel blending/storage tank credit | <10 | 907 | <10 | 46,755 |
| **Non-Refundable but With Carryover Credits** | | | | |
| Contractor's gross receipts tax credit | 584 | 3,887,979 | 636 | 4,426,212 |
| Geothermal systems tax credit | 290 | 453,992 | 241 | 318,928 |
| Alternative energy systems credit | 2,476 | 1,377,478 | 1,534 | 823,533 |
| Alternative energy production tax credit | <10 | 11,360 | <10 | 7,290 |
| Dependent care assistance credit | <10 | 14,595 | 10 | 26,039 |
| Historic property preservation tax credit | 22 | 495,691 | 24 | 105,214 |
| Infrastructure user fee credit | 13 | 45,258 | 12 | 24,414 |
| Empowerment zone credit | <10 | 600 | <10 | 475 |
| Research activities tax credit | 17 | 149,977 | <10 | 149,633 |
| Mineral exploration tax credit | 12 | 26,895 | 0 | 0 |
| Film production employment tax credit | 0 | 0 | 0 | 0 |
| Adoption credit | 324 | 322,517 | 289 | 274,849 |
| Total Non-Refundable Credits | 45,199 | 40,542,005 | 33,106 | 33,718,961 |
| **Refundable Credits** | | | | |
| Elderly homeowner/renter tax credit* | 17,127 | 8,467,974 | 16,593 | 8,167,841 |
| Film production employment tax credit | <10 | 11,480 | <10 | 5,316 |
| Film qualified expenditure tax credit | <10 | 17,217 | <10 | 20,067 |
| Insure MT small business health insurance credit | 952 | 2,890,619 | 833 | 2,156,183 |
| Emergency lodging credit | 0 | 0 | <10 | 863 |
| Total Refundable Credits | 18,080 | 11,387,290 | 17,429 | 10,350,270 |
| **Total Credits** | 81,807 | 73,350,621 | 65,928 | 62,934,220 |

* Credits claimed on tax returns. See the Property Tax section for credits claimed with no income tax return.

Some repealed & some gone


Breakdown of Income Sources - Tax Year 2011
Business Income (NBI; Rents, Royalties, & Partnership; Farm; Other) 10%
Taxable Social Security, IRAs, Pensions, and Annuities 14%
Capital Gain or Loss and Supplemental Gain or Loss 5%
Interest and Dividend Income 4%
Wages, Salaries, Tips 67%


Breakdown of Itemized Deductions - Tax Year 2011
Contributions and Other 14%
Federal Taxes 27%
Property and Other Taxes 11%
Medical Expenses 17%
Home Mortgage Interest and Other Interest 26%
Unreimbursed Business Expenses 5%

## Income, Deductions, Credits, and Tax Liability

The following tables show Montana adjusted gross income, deductions, taxable income and tax liability by decile group for full year Montana residents only. Each decile is 10 percent of the population of full year resident returns, sorted by adjusted gross income. Group 1 is the 10 percent with the lowest incomes, while group 10 is the 10 percent with the highest incomes. In these tables, married couples who file separate returns on the same form are counted as two returns, and their income and tax is counted separately. Figures for non-residents and part-year residents would not be as useful as total income and the income that is apportioned to Montana varies widely for these individuals.

**Deciles of Montana Adjusted Gross Income**
**Full Year Residents**
**2010 and 2011**

| | 2010 | | | | 2011 | | | |
|---|---|---|---|---|---|---|---|---|
| Decile Group | Returns | Income Range | Montana Adjusted Gross Income | | Returns | Income Range | Montana Adjusted Gross Income | |
| | | | $ million | % of total | | | $ million | % of total |
| 1 | 53,253 | less than $3,229 | -$632.7 | -3% | 53,618 | less than $3,424 | -$722.8 | -4% |
| 2 | 53,254 | $3,229 to $8,067 | $301.8 | 2% | 53,618 | $3,424 to $8,467 | $320.2 | 2% |
| 3 | 53,254 | $8,068 to $13,023 | $560.0 | 3% | 53,618 | $8,468 to $13,549 | $589.0 | 3% |
| 4 | 53,253 | $13,024 to $18,346 | $833.3 | 4% | 53,618 | $13,550 to $19,021 | $871.3 | 4% |
| 5 | 53,254 | $18,347 to $24,183 | $1,129.5 | 6% | 53,618 | $19,022 to $25,025 | $1,177.2 | 6% |
| 6 | 53,254 | $24,184 to $31,280 | $1,469.6 | 8% | 53,618 | $25,026 to $32,469 | $1,532.9 | 8% |
| 7 | 53,253 | $31,281 to $39,695 | $1,882.6 | 10% | 53,618 | $32,470 to $41,269 | $1,969.2 | 10% |
| 8 | 53,254 | $39,696 to $50,856 | $2,392.7 | 12% | 53,618 | $41,270 to $52,896 | $2,504.5 | 13% |
| 9 | 53,254 | $50,857 to $70,800 | $3,165.0 | 17% | 53,618 | $52,897 to $74,019 | $3,321.7 | 17% |
| 10 | 53,254 | more than $70,800 | $8,075.4 | 42% | 53,619 | more than $74,019 | $8,371.5 | 42% |
| All | 532,537 | | $19,177.2 | | 536,181 | | $19,934.7 | |

**Deductions by Decile Group**
**Full Year Residents**
**2010 and 2011**

| | 2010 | | | | | 2011 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Decile Group | % Returns Itemize | Itemized Deductions | | Standard Deductions | | % Returns Itemize | Itemized Deductions | | Standard Deductions | |
| | | $ million | average | $ million | average | | $ million | average | $ million | average |
| 1 | 33% | $152.0 | $8,558 | $77.8 | $2,191 | 34% | $145.1 | $8,047 | $79.1 | $2,223 |
| 2 | 28% | $92.4 | $6,167 | $79.0 | $2,064 | 28% | $96.5 | $6,414 | $81.6 | $2,116 |
| 3 | 37% | $133.4 | $6,717 | $82.1 | $2,457 | 38% | $137.0 | $6,666 | $84.1 | $2,543 |
| 4 | 43% | $174.5 | $7,573 | $97.6 | $3,229 | 43% | $180.4 | $7,761 | $101.6 | $3,347 |
| 5 | 47% | $208.5 | $8,329 | $113.4 | $4,017 | 48% | $215.9 | $8,326 | $114.9 | $4,150 |
| 6 | 57% | $269.8 | $8,851 | $100.8 | $4,427 | 60% | $294.4 | $9,149 | $98.3 | $4,583 |
| 7 | 74% | $415.6 | $10,506 | $71.3 | $5,206 | 77% | $440.3 | $10,629 | $67.4 | $5,529 |
| 8 | 85% | $566.6 | $12,453 | $47.7 | $6,156 | 86% | $587.8 | $12,680 | $46.4 | $6,385 |
| 9 | 92% | $740.3 | $15,153 | $28.2 | $6,417 | 92% | $757.6 | $15,369 | $28.6 | $6,610 |
| 10 | 97% | $1,333.5 | $25,894 | $11.0 | $6,288 | 97% | $1,342.8 | $25,932 | $12.0 | $6,507 |
| All | 59% | $4,086.7 | $11,607 | $708.8 | $3,282 | 60% | $4,197.6 | $11,679 | $714.0 | $3,362 |

## Deductions as Percent of Montana Adjusted Gross Income
Full Year Residents
2010 and 2011

| Decile Group | 2010 Itemized Deductions | 2010 Standard Deductions | 2010 All | 2011 Itemized Deductions | 2011 Standard Deductions | 2011 All |
|---|---|---|---|---|---|---|
| 1 | -30% | -59% | -36% | -25% | -54% | -31% |
| 2 | 106% | 37% | 57% | 104% | 36% | 56% |
| 3 | 63% | 23% | 38% | 60% | 23% | 38% |
| 4 | 48% | 21% | 33% | 48% | 21% | 32% |
| 5 | 39% | 19% | 28% | 38% | 19% | 28% |
| 6 | 32% | 16% | 25% | 32% | 16% | 26% |
| 7 | 30% | 15% | 26% | 29% | 15% | 26% |
| 8 | 28% | 14% | 26% | 27% | 14% | 25% |
| 9 | 25% | 11% | 24% | 25% | 11% | 24% |
| 10 | 17% | 6% | 17% | 16% | 6% | 16% |
| All | 26% | 21% | 25% | 25% | 21% | 25% |

## Taxable Income and Tax
Full Year Residents
2010 and 2011

| Decile Group | 2010 Taxable Income | | | 2010 Tax Liability | | | 2011 Taxable Income | | | 2011 Tax Liability | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | $ million | Average | % of Total | $ million | Average | % of Total | $ million | Average | % of Total | $ million | Average | % of Total |
| 1 | $0.2 | $4 | 0% | $0.0 | $0 | 0% | $0.2 | $4 | 0% | $0.0 | $0 | 0% |
| 2 | $64.0 | $1,202 | 0% | $0.7 | $14 | 0% | $70.0 | $1,306 | 0% | $0.8 | $15 | 0% |
| 3 | $220.6 | $4,142 | 2% | $4.0 | $76 | 1% | $234.7 | $4,378 | 2% | $4.3 | $81 | 1% |
| 4 | $405.6 | $7,617 | 3% | $10.5 | $197 | 1% | $425.9 | $7,944 | 3% | $11.0 | $206 | 1% |
| 5 | $639.5 | $12,009 | 5% | $21.8 | $410 | 3% | $664.7 | $12,397 | 5% | $22.6 | $422 | 3% |
| 6 | $917.3 | $17,225 | 7% | $38.6 | $725 | 5% | $953.1 | $17,775 | 7% | $40.0 | $747 | 5% |
| 7 | $1,199.2 | $22,519 | 9% | $57.2 | $1,074 | 8% | $1,258.6 | $23,474 | 9% | $60.2 | $1,122 | 8% |
| 8 | $1,570.7 | $29,494 | 11% | $82.3 | $1,546 | 11% | $1,656.7 | $30,897 | 12% | $87.2 | $1,626 | 11% |
| 9 | $2,173.2 | $40,808 | 16% | $123.7 | $2,323 | 16% | $2,302.8 | $42,948 | 16% | $131.6 | $2,455 | 17% |
| 10 | $6,475.5 | $121,597 | 47% | $420.5 | $7,896 | 55% | $6,748.9 | $125,867 | 47% | $438.3 | $8,174 | 55% |
| All | $13,665.8 | $25,662 | | $759.5 | $1,426 | | $14,315.6 | $26,699 | | $796.1 | $1,485 | |

## Tax As Percent of Adjusted Gross Income
## Full Year Residents
## 2010 and 2011

| | 2010 | | | 2011 | | |
|---|---|---|---|---|---|---|
| Decile Group | Montana Adjusted Gross Income | Tax Liability | Tax / Income | Montana Adjusted Gross Income | Tax Liability | Tax / Income |
| | $ million | $ million | % | $ million | $ million | % |
| 1 | -$632.7 | $0.0 | 0.0% | -$722.8 | $0.0 | 0.0% |
| 2 | $301.8 | $0.7 | 0.2% | $320.2 | $0.8 | 0.3% |
| 3 | $560.0 | $4.0 | 0.7% | $589.0 | $4.3 | 0.7% |
| 4 | $833.3 | $10.5 | 1.3% | $871.3 | $11.0 | 1.3% |
| 5 | $1,129.5 | $21.8 | 1.9% | $1,177.2 | $22.6 | 1.9% |
| 6 | $1,469.6 | $38.6 | 2.6% | $1,532.9 | $40.0 | 2.6% |
| 7 | $1,882.6 | $57.2 | 3.0% | $1,969.2 | $60.2 | 3.1% |
| 8 | $2,392.7 | $82.3 | 3.4% | $2,504.5 | $87.2 | 3.5% |
| 9 | $3,165.0 | $123.7 | 3.9% | $3,321.7 | $131.6 | 4.0% |
| 10 | $8,075.4 | $420.5 | 5.2% | $8,371.5 | $438.3 | 5.2% |
| All | $19,177.2 | $759.5 | 4.0% | $19,934.7 | $796.1 | 4.0% |

HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committe -- April 2012*

| | | 2010 (millions) | Montana Tax | Effective Tax Rate | JARET COPY - NOT FOR DISTRIBUTION |
|---|---|---|---|---|---|
| 1 | **Starting Point for Montana Income Tax Calculation** | | | | |
| 2 | Federal Adjusted Gross Income (FAGI) | 20,111.331 | 759.478 | 3.776368% | |
| 3 | | | | | |

| | **Additions to AGI** | 2010 (millions) | Approximate Fiscal Impact | Enactment History | Code Provision | Summary of the Provision |
|---|---|---|---|---|---|---|
| 5 | Interest on local govt. bonds | 114.984 | 4.342 | 1995 (Ch. 278, L. 1995) | 15-30-2110(1)(a)(i) | Montana taxes interest income that is received from bonds and obligations of another state, territory, or political subdivision of another state. |
| 6 | Dividends not included in FAGI | 1.337 | 0.050 | 1995 (Ch. 278, L. 1995) | 15-30-2110(1)(a)(ii) | Montana taxes exempt dividends that are attributable to the interest from bonds and obligations of another state, territory, or political subdivision of another state. |
| 7 | Federal income tax refunds | 126.672 | 4.784 | most likely before 1981 | 15-30-2110(1)(b) | Accounting concept: If a federal itemized deduction was claimed on the prior year tax return and a federal refund was received, then the refund may be considered income in the year received. |
| 8 | Recoveries of amounts deducted in earlier years | 1.297 | 0.049 | 1995 (Ch. 399, L. 1995) | 15-30-2110(1)(e) | Montana taxes the recovery during the tax year of an amount deducted in any prior tax year to the extent that the amount recovered reduced the taxpayer's Montana income tax in the year deducted. |
| 9 | Additions to federal taxable social security or railroad retirement | 12,238 | 0.462 | 1985 (Ch. 682, L. 1985) | 15-30-2101(18)(a)(xiv), 15-30-2110(5) | Married taxpayers filing a joint federal return who are required to include part of their social security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income may split the federal base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad retirement benefits when they file separate Montana income tax returns. The federal base must be split equally on the Montana return. |
| 10 | Allocation of compensation to spouse | 7.781 | 0.294 | | - | |
| 11 | Medical savings account nonqualified withdrawals | 0.102 | 0.004 | 1995 (Ch. 295, L. 1995) | 15-61-101 through 15-61-205 | Montana taxes nonqualified withdrawals from a Montana medical care savings account if the withdrawal was used for any purpose other than to pay for eligible medical expenses or long-term care. |
| 12 | First-time homebuyer's account nonqualified withdrawals | 0.014 | 0.001 | 1997 (Ch. 544, L. 1997) | 15-63-101 through 15-63-205 | Montana taxes nonqualified withdrawals from a Montana first-time home buyer savings account if the withdrawals were used for any purpose other than for eligible costs for the purchase of a single-family residence. |
| 13 | Farm and ranch risk management account taxable distributions | 0.000 | 0.000 | 2001 (Ch. 262, L. 2001) | 15-30-3001 through 15-30-3005 | All distributions from a farm and ranch risk management account are taxable unless: (a) the deposit, or that portion of the deposit to which the distribution is attributable, was not excluded from adjusted gross income for the tax year the deposit was made; or (b) the distribution was already taxed. |
| 14 | Dependent care assistance credit adjustment | 0.107 | 0.004 | - | - | - |
| 15 | Smaller federal estate and trust taxable distributions | 0.066 | 0.003 | 1999 (Ch. 447, L. 1999) | 15-30-2110(1)(f) | If the state taxable distribution of an estate or trust is greater than the federal taxable distribution of the same estate or trust, the difference between the state taxable distribution and the federal taxable distribution of the same estate or trust for the same tax period is included in adjusted gross income. |
| 16 | Federal net operating loss carryover | 323.147 | 12.203 | 1985 (Ch. 142, L. 1985) | 15-30-2119 | A Montana NOL is determined in accordance with section 172 IRC, but taxable income is defined according to state law. |
| 17 | Federal taxes paid by S. corporation | 0.193 | 0.007 | 1985 (Ch. 198, L. 1985) | 15-30-2110(1)(c) | Any portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the income is included in adjusted gross income. |
| 18 | Title plant depreciation | 0.016 | 0.001 | 1989 (Ch. 617, L. 1989) | 15-30-2110(1)(d) | |
| 19 | Premiums for Insure MT SB health | 6.033 | 0.228 | 2005 (Ch. 595, L. 2005) | 33-22-2007(4)(b) | A tax credit is not allowed under any provision of Title 15, chapter 30 or 31, with respect to any amount for which a tax credit is allowed under the insure Montana |
| 20 | Other Additions | 142.066 | 5.365 | - | - | - |
| 21 | **Total Additions** | **736.051** | **27.796** | | | |
| 22 | | | | | | |

| | **Reductions to AGI** | 2010 (millions) | Approximate Fiscal Impact | Enactment History | Code Provision | |
|---|---|---|---|---|---|---|
| 24 | Exclusion for savings bonds | 31.017 | 1.171 | 1933 | *required under federal law* | Federal law prohibits states from taxing interest on federal government bonds. |
| 25 | Exempt tribal income | 200.800 | 7.583 | no state provisions | *required under federal law* | Indian tribes are sovereign governments, and by federal law and treaty, the right to tax the income of a member who lives on the tribe's reservation is reserved to the tribal government. |
| 26 | Unemployment income | 268.586 | 10.143 | most likely before 1981 | 15-30-2101(10) | Federal law exempts the first $2,400 of unemployment, while Montana exempts all unemployment. |
| 27 | Exempt workers' comp benefits | 1.990 | 0.075 | 1985 (Ch. 682, L. 1985) | 15-30-2110(2)(g) | Federal law and Montana exempt all workers' compensation payments. |
| 28 | Capital gains from small business investment companies | 0.149 | 0.006 | 1981 (Ch. 571, L. 1981) | 15-33-106 | Montana allows taxpayers to exempt capital gains or dividends from a Montana small business investment company. |
| 29 | State tax refunds included in federal AGI | 103.292 | 3.901 | most likely before 1981 | 15-30-2110(2)(d) | Montana income tax refunds and income tax refunds received from another state are not taxable to Montana. |

| | | | | | | |
|---|---|---|---|---|---|---|
| 30 | Recoveries of amounts deducted in earlier years | 0.224 | 0.008 | 1995 (Ch. 399, L. 1995) | 15-30-2110(2)(m) | Montana does not tax the recovery of any amount deducted in any prior tax year to the extent that the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted. |
| 31 | Exempt active duty military salary | 153.853 | 5.810 | 1953 (Ch. 43, L. 1953) | 15-30-2117(2) | Montana exempts military salary of residents who are on active duty in the armed |
| 32 | Nonresident exempt military income | 4.739 | 0.179 | most likely before 1981 | 15-30-2101(18)(b)(i) | Military personnel from another state who are stationed in Montana are not required to establish residency. |
| 33 | Exempt life insurance premiums reimbursement (National Guard) | 0.069 | 0.003 | 2007 (Ch. 373, L. 2007) | 15-30-2117(3) | Montana reimburses members of the National Guard or Reserve for premiums they pay for military group life insurance. This reimbursement is exempt from state income |
| 34 | Exempt pension income | 142.366 | 5.376 | 1987 (Ch. 657, L. 1987) | 15-30-2110(2)(c) | Each taxpayer may exclude up to $3,600 (increases for inflation) of pension income from taxation. This exemption is reduced by $2 for each $1 when federal AGI exceeds $30,000, including joint returns. |
| 35 | Elderly interest exclusion | 40.227 | 1.519 | 1981 (Ch. 546, L. 1981) | 15-30-2110(2)(b) | Taxpayers who are age 65 or older may exclude up to $800 of interest income. |
| 36 | Exempt retirement disability income (under age 65) | 0.787 | 0.030 | 1985 (Ch. 364, L. 1985) | 15-30-2110(10) | Taxpayers who are under 65 and permanently disabled may exclude up to $5,200 of disability retirement income -- the exclusion is reduced $1 for every $1 in excess of $15,000 AGI. |
| 37 | Exempt tip income | 43.593 | 1.646 | 1983 (Ch. 634, L. 1983) | 15-30-2110(2)(f) | Tips earned while working for a licensed establishment providing food, beverage, or lodging are not taxable in Montana. |
| 38 | Exempt income of child taxed to parent | 0.114 | 0.004 | 1997 (Ch. 123, L. 1997) | 15-30-2110(2)(p) | A child is required to file a Montana personal income tax return if the child and taxpayer meet the filing requirements. |
| 39 | Exempt health insurance premiums taxed to employee | 0.677 | 0.026 | 1985 (Ch. 682, L. 1985) | 15-30-2110(2)(h) | Federal law treats employer-paid premiums provided to all employees as nontaxable, but benefits to only certain employees (*i.e.,* owners, executive, etc.) is taxable compensation. Montana extends the exclusion when the federal test is not satisfied. |
| 40 | Health Care Prof. Loan Pmt Excl. - underserved areas | 0.477 | 0.018 | 2003 (Ch. 545, L. 2003) | 15-30-2110(12) | Federal law excludes student loan payments that are made by certain federal and state programs. Montana excludes these payments from all programs, including private health care facilities. |
| 41 | Medical savings account excl. | 18.732 | 0.707 | 1995 (Ch. 295, L. 1995) | 15-61-101 through 15-61-205 | Federal law excludes contributions to certain medical accounts when used in conjunction with a high-deductible policy. Montana provides an additional exclusion of up to $3,000 for contributions to a medical care savings account for medical |
| 42 | First-time homebuyers acct. excl. | 0.358 | 0.014 | 1997 (Ch. 544, L. 1997) | 15-63-101 through 15-63-205 | Montana allows residents who have never owned a home to establish an account and deposits of up to $3,000 per year ($6,000 joint return) and earnings are exempt for up to 10 years. |
| 43 | Family education account excl. | 6.547 | 0.247 | 1997 (Ch. 540, L. 1997) | 15-62-101 through 15-62-302 | Federal law provides that states may set up higher education savings programs. Contributions of up to $3,000 to a Montana plan are excluded from AGI each year. Federal law does not provide for a deduction for contributions. |
| 44 | Farm and ranch risk management account | - | - | 2001 (Ch. 262, L. 2001) | 15-30-3001 through 15-30-3005 | An individual or family farm corporation may deposit up to 20% of net income from agriculture each year (limit of $20,000 per year), and the deposits are excluded from AGI -- funds deposited must be withdrawn within 5 years and are taxable at that time. |
| 45 | Subtraction to federal taxable social security/tier 1 railroad retirement | 125.570 | 4.742 | 1985 (Ch. 682, L. 1985) | 15-30-2110(5) | Married taxpayers filing a joint federal return who are required to include part of their social security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income may split the federal base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad retirement benefits when they file separate Montana income tax returns. The federal base must be split equally on the Montana return. |
| 46 | Subtraction for federal taxable tier II railroad retirement | 37.812 | 1.428 | - | ***required under federal law*** | Tier II benefits are taxed at the federal level, but federal law exempts them from state taxation. |
| 47 | Subtraction for spouse filing joint return: passive loss carryover | 0.144 | 0.005 | 2007 (Ch. 509, L. 2007) | 15-30-2110(7) | If the allowable passive loss (on married filing separate forms) is clearly attributable to one spouse, the loss must be shown on that spouse's return; otherwise, the loss must be split equally on each return. |
| 48 | Subtraction for spouse filing joint return: IRA deduction | | - | 2007 (Ch. 509, L. 2007) | 15-30-2110(8) | The deduction (on married filing separate forms) must be attributed to the spouse who made the contribution. |
| 49 | Subtraction for spouse filing joint return: capital loss adjustment | 4.410 | 0.167 | 2007 (Ch. 509, L. 2007) | 15-30-2110(6) | If the allowable capital loss is clearly attributable to one spouse, the loss must be shown on that spouse's return; otherwise, the loss must be split equally on each return. |
| 50 | Allocation of compensation to spouse | 7.903 | 0.298 | - | - | - |
| 51 | Montana net operating loss carryover | 308.242 | 11.640 | 1985 (Ch. 142, L. 1985) | 15-30-2119 | A Montana NOL is determined in accordance with section 172 IRC, but taxable income is defined according to state law. |
| 52 | 40% capital gain exclusion (Montana) - pre-1987 gains | 1.155 | 0.044 | - | 15-30-2110(13) | AGI does not include 40% of capital gains on the sale or exchange of capital assets before December 31, 1986. Montana continues to allow the 40% exclusion for capital gains on installment sales made before the end of 1986. |
| 53 | Business expense of recycled material | 0.205 | 0.008 | 1991 (Ch. 712, L. 1991) | 15-32-609 through 15-32-611 | Montana allows businesses to take an extra deduction of 10% of the cost of purchases of recycled materials. |
| 54 | Sales of land to beginning farmers | 0.006 | 0.000 | 1983 (Ch. 580, L. 1983) | 80-12-211 | Montana allows taxpayers to exclude up to $50,000 of income from the sale of at least 80 acres to a beginning farmer. To be eligible, a taxpayer's land sale must be approved by the Montana Department of Agriculture. |
| 55 | Larger federal estate and trust taxable distributions | 0.190 | 0.007 | - | - | - |

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|---|---|---|---|---|---|---|
| 56 | Wage deduction reduced by federal targeted jobs credit | 1.190 | 0.045 | - | - | - |
| 57 | Certain gains recognized by liquidating corporation | 0.794 | 0.030 | - | - | - |
| 58 | Other Reductions | 164.001 | 6.193 | 1981 (Ch. 483, L. 1981) | 15-30-2110(2)(e) | Provides an exclusion for gains required to be recognized by a liquidating corporation under 15-31-113(1)(a)(ii). |
| 59 | **Total Reductions** | **(1,670.219)** | **(63.074)** | | | |
| 60 | | | | | | |
| 61 | **Itemized Deductions** | **2010 (millions)** | **Approximate Fiscal Impact** | **Enactment History** | **Code Provision** | |
| 62 | Medical Deduction | 304.437 | 11.497 | n/a | federal | Provides partial reimbursement or subsidy for taxpayers with unreimbursed medical expenses. |
| 63 | Medical Insurance Premiums | 353.881 | 13.364 | | federal and 15-30-2131(1)(g) | Montana allows deduction for all unreimbursed health premiums without imposing a |
| 64 | Long-term Care Insurance | 27.301 | 1.031 | | federal and 15-30-2131(1)(g) | Montana allows deduction for all unreimbursed long-term care premiums. |
| 65 | Total Federal Income Tax Deduction | 1,015.360 | 38.344 | 1933 | 15-30-2131(1)(b) | Montana allows a deduction for federal income taxes paid up to $5,000 (single) and $10,000 (joint). |
| 66 | Local Income Taxes | 0.112 | 0.004 | n/a | federal | Includes other states sales taxes - more than 1/2 goes to nonresidents. |
| 67 | Real Estate Taxes | 400.710 | 15.132 | n/a | federal | Provides subsidy for ownership of real estate and avoids levy on income paid to state or local governments. |
| 68 | Personal Property Taxes | 52.672 | 1.989 | | federal and 15-30-2131(1)(h) | Primarily relates to motor vehicle license fees and avoids levy on income paid to state or local governments. |
| 69 | Other Deductible Taxes | 10.298 | 0.389 | n/a | federal | Avoids income tax levy on income paid to U.S. or another country. |
| 70 | Home Mortgage Interest | 1,075.407 | 40.611 | n/a | federal | Provides incentive for home ownership and disincentive for paying off mortgage. |
| 71 | NR Home Mortgage Interest | 17.247 | 0.651 | n/a | federal | Reflects interest not reported on Federal Form 1098. |
| 72 | Home Mortgage Interest Points | 6.775 | 0.256 | n/a | federal | Provides deduction for prepaid interest associated with mortgage. |
| 73 | Home Mortgage Interest Premiums | 23.240 | 0.878 | n/a | federal | Provides deduction for mortgage insurance premiums paid - phases out at federal level after $100,000 AGI. |
| 74 | Deductible Investment Interest | 37.073 | 1.400 | n/a | federal | Provides deduction for interest reported on Federal Form 4952 - limited to net investment income. |
| 75 | Contributions by Cash or Check | 443.303 | 16.741 | | federal and state | Limited to 50% of AGI, with slight modifications. |
| 76 | Contributions Other Than Cash or Check | 59.816 | 2.259 | | federal and state | Limited to 50% of AGI, with slight modifications. |
| 77 | Contribution Carryover | 34.782 | 1.313 | n/a | federal | Charitable contributions that taxpayer was not allowed to deduct because they exceeded the AGI limit. |
| 78 | Child/Dependent Care Expenses | 1.468 | 0.055 | 2003 | 15-30-2131(1)(c) | Provides deduction for expenses for certain dependents while taxpayer works (child under 15 or unable to care for self; phase-out after $18,000 AGI except for physical or mental illness). |
| 79 | Casualty & Theft Losses | 4.922 | 0.186 | n/a | federal | Provides deduction for uncompensated theft, damage, or destruction of nonbusiness property that exceeds 10% of AGI. |
| 80 | Tier-I Miscellaneous | 198.644 | 7.502 | | | |
| 81 | Political Contributions | 0.822 | 0.031 | | 15-30-2131(1)(d) | Provides deduction for up to $100 for contributions up to $100. |
| 82 | Tier-II Miscellaneous | 7.635 | 0.288 | | | |
| 83 | Gambling Losses | 10.773 | 0.407 | n/a | federal | Provides deduction of gambling losses up to amount of reported winnings from gambling (not subject to 2% floor). |
| 84 | **Total Deductions** | **(4,086.676)** | **(154.328)** | | | |
| 85 | | | | | | |
| 86 | **Montana Standard Deduction** | (708.795) | (26.767) | 1933 (Ch. 181, L. 1933) | 15-30-2132 | Provides taxpayers who do not itemize a standard deduction minimum of $1,580 and maximum of $3,650 (tax year 2010 - indexed every year for inflation). |
| 87 | **Montana Personal Exemption** | (2,060.760) | (77.822) | 1933 (Ch. 181, L. 1933) | 15-30-2114 | Provides taxpayers, spouses, and each dependent an exemption of $2,130 (tax year 2010 - indexed every year for inflation). |
| 88 | | | | | | |
| 89 | **Credits** | **2010 (millions)** | **Approximate Fiscal Impact** | **Enactment History** | **Code Provision** | |
| 90 | Capital Gains Tax Credit of 2% | 19.642 | 19.642 | 2003 (Ch. 544, L. 2003) | 15-30-2301 | The credit is equivalent to taxing capital gains at a lower rate than other income. A taxpayer in the 6.9% bracket is taxed at 4.9% for capital gains income. |
| 91 | **Nonrefundable and No Carryover** | - | - | - | - | - |
| 92 | Other states' income tax credit | 20.608 | 20.608 | 1941 (Ch. 28, L. 1941) | 15-30-2302 | The credit prevents two states from taxing the same income. |
| 93 | College contribution tax credit | 0.253 | 0.253 | 1991 (Ch. 542, L. 1991) | 15-30-2326 | Taxpayers are allowed a credit equal to 10% of donations (max. $500 per year) to general endowment funds of units of the Montana university system, Montana private colleges, or private college foundations. |
| 94 | Qualified endowment tax credit | 1.738 | 1.738 | 1997 (Ch. 537, L. 1997) | 15-30-2328 *(sunsets 12-31-2013)* | Taxpayers are allowed a credit equal to 40% of the present value of a planned gift to a qualified endowment (max $10,000 per year). A qualified endowment is a permanent fund held by a charitable organization. |
| 95 | Energy conservation tax credit | 10.234 | 10.234 | 1981 (Ch. 480, L. 1981) | 15-30-2319, 15-32-109 | Resident taxpayers may take a credit for 25% of costs of investments in a building to save energy (max. $500 per year -- married filing separate each entitled to $500 max). |

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|---|---|---|---|---|---|---|
| 96 | Alternative fuel tax credit | 0.025 | 0.025 | 1993 (Ch. 617, L. 1993) | 15-30-2320 | Resident taxpayers can claim a credit of up to 50% of the cost of converting a motor vehicle to operate on natural gas, LPG, LNG, hydrogen, electricity, or a fuel at least 85% alcohol or ether (max credit $500 for GVW of 10,000 or less -- $1,000 for GVW over 10,000). |
| 97 | Rural physician's tax credit | 0.052 | 0.052 | 1991 - 2007 | 15-30-2370 ***(repealed in 2010)*** | allowed a $5,000 credit against individual income tax for the first four years of practice. |
| 98 | Insurance for uninsured Montanans' credit | 0.276 | 0.276 | 1991 (Ch. 606, L.1991) | 15-30-2367, 15-31-132 | An employer with 20 or fewer employees may claim a credit for paying at least 50% of health insurance premiums (max. credit $3,000, max time 3 yrs, max employees 10). The credit is the lower of ($25 per month x the percentage paid) or 50% of the |
| 99 | Elderly care tax credit | 0.076 | 0.076 | 1989 (Ch. 469, L. 1989) | 15-30-2366 | Subject to multiple limits and phase-outs, the credit covers part of the costs of caring for a low-income family member (with less than $15,001 income) who is 65 or older or disabled. Limits include max. credit of $5,000 per family member, max of 30% of qualifying expenses, subject to reductions after $25,000 AGI, phase-out after $50,000 AGI, and a reduction for costs that could be claimed as an itemized deduction. |
| 100 | Recycling tax credit | 0.493 | 0.493 | 1991 (Ch. 712, L. 1991) | 15-32-603 | Taxpayers are allowed a credit for part of the cost of investments in depreciable property used in collecting or processing reclaimable material or manufacturing a product from reclaimed material. The credit is 25% of the first $250,000, 15% for the next $250,000, and 5% for the next $500,000. Taxpayers are allowed to deduct depreciation on property on which the credit has been claimed and basis is not |
| 101 | Oil seed crushing/biodiesel facility credit | 0.000 | 0.000 | 2005 (Ch. 524, L. 2005) | 15-32-701 ***(1-1-2015 prod. Deadline)*** | Taxpayers are allowed a credit of 15% of the cost of investment in depreciable property that is used primarily for crushing oilseeds for producing biodiesel or lubricants. The max amount that can be claimed by a facility in all years is $500,000, and a taxpayer may deduct depreciation with no reduction in basis. |
| 102 | Biodiesel blending/storage tank credit | 0.001 | 0.001 | 2005 (Ch. 524, L. 2005) | 15-32-703 | Taxpayers who are biodiesel blenders are allowed a credit of 15% of the cost of investments in biodiesel blending. The max credits that may be claimed over time are $52,000 for a distributor and $7,500 for a retailer. Taxpayers are allowed to deduct depreciation with no reduction in basis. |
| 103 | **Nonrefundable but with Carryover** | | | | | |
| 104 | Contractor's gross receipts tax credit | 3.888 | 3.888 | 1967 (Ch. 195, L. 1967) | 15-50-207 | Contractors are required to pay a license fee equal to 1% of the gross receipts from state and federal government contracts during the year in which a license is issued. Contractors in turn may use the amount of the gross receipts tax paid as a credit that can be carried forward up to 5 years. |
| 105 | Geothermal systems tax credit | 0.454 | 0.454 | 1991 (Ch. 646, L. 1991) | 15-32-115 | Taxpayers (homeowner or contractor of new residence) are allowed a credit up to $1,500 of costs of installing a geothermal heating system in a principal residence. The carry-forward is up to 7 years. Homeowners cannot take the credit and the energy conservation deduction. |
| 106 | Alternative energy systems credit | 1.377 | 1.377 | 1977 (Ch. 574, L. 1977) | 15-32-201 | Resident individual taxpayers may take a credit of up to $500 of the cost of installing an alternative energy heating system or low emission wood or biomass system in their principal residence. The carry-forward is up to 4 years. |
| 107 | Alternative energy production tax credit | 0.011 | 0.011 | 1983 (Ch. 648, L. 1983) | 15-32-402 | A taxpayer is allowed a credit of 35% of the costs, less any federal or state grants, for a commercial or net metering alternative energy system, but the credit may only be taken against taxes on net income generated. The carry-forward is up to 7 years (15 years for 5MW on reservation). |
| 108 | Dependent care assistance credit | 0.015 | 0.015 | 1989 (Ch. 706, L. 1989) | 15-30-2373, 15-31-131 | Dependent care assistance is comprised of 2 related credits: 1) providing day care services for employees' dependents up to 25% of costs (max. of $1,575 per employee); and 2) a credit of 25% of costs of providing information and referrals. The carry-forward is up to 5 years. |
| 109 | Historic property preservation tax credit | 0.496 | 0.496 | 1997 (Ch. 545, L. 1997) | 15-30-2342, 15-31-151 | A taxpayer is allowed a credit of 25% of the federal credit (currently 20%) for the cost of rehabilitation of a building certified to have historic significance and 10% for buildings older than 1937 that are not certified. There is no maximum for the rehabilitation credit and the carry-forward is 7 years. |
| 110 | Infrastructure user fee credit | 0.045 | 0.045 | 1995 (Ch. 2, L. 1995) | 17-6-316 | The board of investments can make loans to local governments to finance infrastructure (sewer, water, roads) to serve a new or relocated business that will result in 15 or more new full-time jobs. Local governments may charge fees to the businesses, and the business in turn may claim a credit for the fee it pays. The carry-forward is 7 years, or there is a 3-year carry-back. |
| 111 | Empowerment zone credit | 0.001 | 0.001 | 2003 (Ch. 582, L. 2003) | 15-30-2356, 15-31-134, 7-21-3710 | Local governments can establish an empowerment zone in an area with chronic high unemployment. Employers in the zone are eligible for a credit per new employee of $500 (1st year), $1,000 (2nd year), and ($1,500 (3rd year). The carry-back is 3 years and the carry-forward is 7 years. |
| 112 | Research activities tax credit | 0.150 | 0.150 | 1999 (Ch. 444, L. 1999) | 15-30-2358, 15-31-150 ***(ended 12-31-2010)*** | 15 years. Taxpayers who increased research expenses over baseline received a 5% credit. |

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| 113 | Mineral exploration tax credit | 0.027 | 0.027 | 1999 (Ch. 538, L. 1999) | 15-32-503 | A taxpayer is allowed a credit of $20 million per mine for solid mineral or coal exploration activity in the state up until the time of construction or reopening of a previously closed mine. The credit may not exceed more than 50% of tax liability and unused credits may be carried forward for 15 years. |
| 114 | Film production employment tax credit | 0.000 | 0.000 | 2005 (Ch. 593, L. 2005) | 15-31-907 ***(sunsets 1-1-2015)*** | A taxpayer is allowed a credit of 14% of the first $50,000 of compensation paid to each Montana resident employed on a state-certified (as determined by the Dept. of Commerce) film production. A taxpayer who claims the credit may not deduct the compensation from gross revenue, which gives a 7.1% cost advantage (14% credit - 6.9% normal tax = 7.1% advantage) to hiring Montana residents. CARRY-FORWARD/REFUND ELECTION: If the credit is more than a taxpayer's liability the taxpayer must make an irreversible election to either have the credit refunded or to |
| 115 | Adoption credit | 0.323 | 0.323 | 2007 (Ch. 320, L. 2007) | 15-30-2364 | A taxpayer is allowed a credit of $1,000 for costs of adopting a child, so long as the taxpayer meets the requirements for the federal credit (the federal credit was $12,170 in 2010). CARRY-FORWARD: If the credit is more than a taxpayer's liability the excess may be carried forward for up to five years. |
| 116 | **Refundable Credits** | | | | | |
| 117 | Elderly homeowner/renter tax credit | 11.355 | 11.355 | 1981 (Ch. 584, L. 1981) | 15-30-2338 | Taxpayers may receive a credit of up to $1,000 if they are 62 or older, have resided in Montana for at least 9 months during the year, occupied a Montana residence for at least 6 months, and gross household income is less than $45,000. The credit is limited to $1,000 per household, and it phases out when income is between $35,000 and $45,0000. REFUND: If a taxpayer claims a credit in excess of liability, the excess |
| 118 | $140 Homeowner income tax credit | 0.000 | 0.000 | 2007 (Ch. 6, Sp. L. May 2007) | 15-30-2336 ***(not in place without statutory change)*** | The 2007 Legislature enacted a refundable credit against individual income tax that is calculated on the tax paid on $20,000 of market value of a taxpayer's principal residence multiplied by a "relief multiple" that is zero unless changed by the Legislature. The 2007 legislation provided a method for determining the credit for 2007. The 2009 Legislature amended the statute to remove the reference to the 2007 calculation but did not enact legislation changing the relief multiple, which remains at zero so that no credit is available. Each interim, the revenue and transportation interim committee is required to review actual and projected state revenue and spending and any other appropriate factors and determine if a change in the relief multiple is justified. If a change is justified, the committee is charged with requesting a bill to change the relief multiple. |
| 119 | Film production employment tax credit | 0.011 | 0.011 | 2005 (Ch. 593, L. 2005) | 15-31-907 ***(sunsets 1-1-2015)*** | A taxpayer is allowed a credit of 14% of the first $50,000 of compensation paid to each Montana resident employed on a state-certified (as determined by the Dept. of Commerce) film production. A taxpayer who claims the credit may not deduct the compensation from gross revenue, which gives a 7.1% cost advantage (14% credit - 6.9% normal tax = 7.1% advantage) to hiring Montana residents. CARRY-FORWARD/REFUND ELECTION: If the credit is more than a taxpayer's liability the taxpayer must make an irreversible election to either have the credit refunded or to |
| 120 | Film qualified expenditure tax credit | 0.017 | 0.017 | 2005 (Ch. 593, L. 2005) | 15-31-908 ***(sunsets 1-1-2015)*** | certified (as determined by the Dept. of Commerce) film production. A taxpayer who claims the credit may not deduct the purchases from gross revenue, which gives a 2.1% cost advantage (9% credit - 6.9% normal tax = 2.1% advantage) for Montana purchases. REFUND: If a taxpayer claims a credit in excess of liability, the excess credit is refunded. |
| 121 | Insure Montana small business health ins credit | 2.891 | 2.891 | 2005 (Ch. 595, L. 2005) | 33-22-2006, 15-30-2368, 15-31-130 | A small employer that provides group health insurance for its employees through a state pool may claim a credit up to 50% of total premiums the employer pays for the plan, not to exceed $100 per month per employee ($125 if the average age is at least 45), up to $100 per month per covered spouse, and up to $40 per other covered dependent. The maximum number of employees an employer may have is set by rule by the State Auditor and may not exceed 9 employees. A taxpayer may not deduct premiums as a business expense if the credit is taken. |
| 122 | Temporary Emergency Lodging | 0.000 | 0.000 | 2007 (Ch. 375, L. 2007) | 15-30-2381 | DPHHS has a program to provide temporary emergency lodging to individuals or families referred by nonprofit organizations working with domestic violence victims. A lodging establishment (*i.e.,* hotels, motels, bed and breakfast, etc.) may receive a tax credit of $30 per day for providing up to 5 days of free lodging to someone who has been referred to them through the program. REFUND: If a taxpayer claims a credit in excess of liability, the excess credit is refunded. |
| 123 | **Total Credits** | (74.459) | (74.459) | | | |