

HOUSE BILL NO. 592

INTRODUCED BY R. MEHLHOFF

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A BILL FOR AN ACT ENTITLED: "AN ACT REDUCING INDIVIDUAL INCOME TAXES FOR MONTANA RESIDENTS WHO PERFORM MILITARY SERVICE; EXEMPTING FROM TAXATION CERTAIN INCOME RECEIVED BY A MEMBER OF THE NATIONAL GUARD OR A RESERVIST IN THE ARMED FORCES; PROVIDING FOR AN INFLATION ADJUSTMENT; AMENDING SECTION 15-30-2117, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

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Section 1. Section 15-30-2117, MCA, is amended to read:

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"15-30-2117. Military salary, veterans' bonus, or death benefit -- exemptions. (1) All payments made under the World War I bonus law, the Korean bonus law, and the veterans' bonus law are exempt from taxation under this chapter. Any income tax that has been or may be paid on income received from the World War I bonus law, Korean bonus law, and the veterans' bonus law is considered an overpayment and must be refunded upon the filing of an amended return and a verified claim for refund on forms prescribed by the department in the same manner as other income tax refund claims are paid.

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(2) The salary received ~~from the armed forces~~ by ~~residents~~ a resident of Montana who ~~are~~ is serving on active duty in the regular armed forces and who entered into active duty from Montana is exempt from ~~state income tax~~ taxation under this chapter.

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(3) (a) The first \$5,000 of salary received by a resident of Montana under the provisions of Title 10 or Title 32 of the United States Code for military service in the Montana national guard or as a reservist in the armed forces is exempt from taxation under this chapter.

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(b) By November 1 of each year, the department shall multiply the salary amount contained in subsection (3)(a) by the inflation factor for that tax year, but using the year 2012 consumer price index, and round the results to the nearest \$10. The resulting amount is effective for that tax year and must be used as the basis for the exemption determined under subsection (3)(a).

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(4) The salary received by a Montana resident who is a member of the national guard, as defined in 10-1-101, for state military duty is exempt from taxation under this chapter.

1 ~~(3)~~(5) The amount received pursuant to 10-1-1114 or from the federal government by a service member,
2 as defined in 10-1-1112, as reimbursement for group life insurance premiums paid is considered to be a bonus
3 and is exempt from taxation under this chapter.

4 ~~(4)~~(6) The amount received by a beneficiary pursuant to 10-1-1201 is exempt from taxation under this
5 chapter."

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7 NEW SECTION. **Section 2. Effective date.** [This act] is effective on passage and approval.

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9 NEW SECTION. **Section 3. Retroactive applicability.** [This act] applies retroactively, within the
10 meaning of 1-2-109, to tax years beginning after December 31, 2012.

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