

1 _____ BILL NO. _____

2 INTRODUCED BY _____
3 (Primary Sponsor)

4 A BILL FOR AN ACT ENTITLED: "AN ACT INCREASING THE STATE EARNED INCOME TAX CREDIT;
5 AMENDING SECTION 15-30-2318, MCA; AND PROVIDING AN APPLICABILITY DATE."

6
7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

8
9 **Section 1.** Section 15-30-2318, MCA, is amended to read:

10 **"15-30-2318. Earned income tax credit.** (1) Except as provided in subsection (3), a resident
11 taxpayer is allowed as a credit against the tax imposed by 15-30-2103 a percentage of the credit allowed for the
12 federal earned income credit for which the individual taxpayer is eligible for the tax year under section 32 of the
13 Internal Revenue Code, 26 U.S.C. 32.

14 (2) The amount of the credit allowed under subsection (1) is ~~3%~~ 10% of the amount of the credit
15 determined for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.

16 (3) (a) Except for married taxpayers living apart who are treated as single under section 7703(b) of
17 the Internal Revenue Code, 26 U.S.C. 7703(b), the credit is not allowed to married taxpayers if the spouses
18 report their income on separate tax forms. Married taxpayers filing separately on the same form may allocate
19 the credit between spouses.

20 (b) The credit is not allowed on earned income that is treated as a dividend received by a member of
21 an agricultural organization provided for in section 501(d) of the Internal Revenue Code, 26 U.S.C. 501(d). For
22 the purpose of this subsection (3)(b), the amount of the state tax credit provided for in subsection (2) is reduced
23 by the reduction percentage.

24 (4) The taxpayer is entitled to a refund equal to the amount by which the credit exceeds the taxpayer's
25 tax liability or, if the taxpayer has no tax liability under this chapter, a refund equal to the amount of the credit.
26 The credit may be claimed by filing a Montana income tax return.

27 (5) For the purpose of this section, the following definitions apply:

28 (a) "Earned income" means earned income, as defined in section 32 of the Internal Revenue Code,

1 26 U.S.C. 32, that was used to determine the amount of the federal earned income tax credit under subsection
2 (2).

3 (b) "Reduction percentage" means a percentage that is calculated by dividing the earned income that
4 is disallowed under subsection (3)(b) by the total amount of earned income."

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6 NEW SECTION. **Section 2. Applicability.** [This act] applies to income tax years beginning after
7 December 31, 2021.

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