SENATE BILL NO. 159

INTRODUCED BY G. HERTZ, M. BLASDEL, J. SMALL, G. VANCE, B. BEARD, J. FULLER, W. GALT, C. KNUDSEN, R. KNUDSEN, S. VINTON, T. WELCH

BY REQUEST OF THE GOVERNOR

A BILL FOR AN ACT ENTITLED: “AN ACT REDUCING THE TOP INDIVIDUAL INCOME TAX RATE; AMENDING SECTION 15-30-2103, MCA; AND PROVIDING AN APPLICABILITY DATE, EFFECTIVE DATES, AND TERMINATION DATES.”

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

Section 1. Section 15-30-2103, MCA, is amended to read:

"15-30-2103. Rate of tax. (1) There must be levied, collected, and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income as follows:

(a) on the first $2,900 of taxable income or any part of that income, 1%;
(b) on the next $2,200 of taxable income or any part of that income, 2%;
(c) on the next $2,700 of taxable income or any part of that income, 3%;
(d) on the next $2,700 of taxable income or any part of that income, 4%;
(e) on the next $3,000 of taxable income or any part of that income, 5%;
(f) on the next $3,900 of taxable income or any part of that income, 6%;
(g) on any taxable income in excess of $17,400 or any part of that income, 6.75%.

(2) By November 1 of each year, the department shall multiply the bracket amount contained in subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest $100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for imposition of the tax in subsection (1) of this section.”

Section 2. Section 15-30-2103, MCA, is amended to read:
"15-30-2103. Rate of tax. (1) There must be levied, collected, and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income as follows:

(a) on the first $2,900 of taxable income or any part of that income, 1%;
(b) on the next $2,200 of taxable income or any part of that income, 2%;
(c) on the next $2,700 of taxable income or any part of that income, 3%;
(d) on the next $2,700 of taxable income or any part of that income, 4%;
(e) on the next $3,000 of taxable income or any part of that income, 5%;
(f) on the next $3,900 of taxable income or any part of that income, 6%;
(g) on any taxable income in excess of $17,400 or any part of that income, 6.9%.6.75%.

(2) By November 1 of each year, the department shall multiply the bracket amount contained in subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest $100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for imposition of the tax in subsection (1) of this section."

SECTION 3. SECTION 15-30-2103, MCA, IS AMENDED TO READ:

"15-30-2103. Rate of tax. (1) There must be levied, collected, and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income as follows:

(a) on the first $2,900 of taxable income or any part of that income, 1%;
(b) on the next $2,200 of taxable income or any part of that income, 2%;
(c) on the next $2,700 of taxable income or any part of that income, 3%;
(d) on the next $2,700 of taxable income or any part of that income, 4%;
(e) on the next $3,000 of taxable income or any part of that income, 5%;
(f) on the next $3,900 of taxable income or any part of that income, 6%;
(g) on any taxable income in excess of $17,400 or any part of that income, 6.9% 6.75%.

(2) By November 1 of each year, the department shall multiply the bracket amount contained in subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest
$100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for imposition of the tax in subsection (1) of this section.”

**SECTION 4.** **SECTION 15-30-2103, MCA, IS AMENDED TO READ:**

“15-30-2103. **Rate of tax.** (1) There must be levied, collected, and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income as follows:

(a) on the first $2,900 of taxable income or any part of that income, 1%;
(b) on the next $2,200 of taxable income or any part of that income, 2%;
(c) on the next $2,700 of taxable income or any part of that income, 3%;
(d) on the next $2,700 of taxable income or any part of that income, 4%;
(e) on the next $3,000 of taxable income or any part of that income, 5%;
(f) on the next $3,900 of taxable income or any part of that income, 6%;
(g) on any taxable income in excess of $17,400 or any part of that income, 6.75%.

(2) By November 1 of each year, the department shall multiply the bracket amount contained in subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest $100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for imposition of the tax in subsection (1) of this section.”

**SECTION 5.** **SECTION 15-30-2103, MCA, IS AMENDED TO READ:**

“15-30-2103. **Rate of tax.** (1) There must be levied, collected, and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income as follows:

(a) on the first $2,900 of taxable income or any part of that income, 1%;
(b) on the next $2,200 of taxable income or any part of that income, 2%;
(c) on the next $2,700 of taxable income or any part of that income, 3%;
(d) on the next $2,700 of taxable income or any part of that income, 4%;
(e) on the next $3,000 of taxable income or any part of that income, 5%;
(f) on the next $3,900 of taxable income or any part of that income, 6%;

(g) on any taxable income in excess of $17,400 or any part of that income, 6.9%.

(2) By November 1 of each year, the department shall multiply the bracket amount contained in

subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest

$100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for

imposition of the tax in subsection (1) of this section.”

NEW SECTION. Section 6. Effective dates -- applicability. (1) Except as provided in

subsections (2) through (6), [this act] is effective July 1, 2021.

(2) [Section 1] is effective October 1, 2021, and applies to the income tax year beginning after

December 31, 2021.

(3) [Section 2] is effective October 1, 2022, and applies to the income tax year beginning after

December 31, 2022.

(4) [Section 3] is effective October 1, 2023, and applies to the income tax year beginning after


(5) [Section 4] is effective October 1, 2024, and applies to the income tax year beginning after

December 31, 2024.

(6) [Section 5] is effective July 1, 2025, and applies to the income tax years beginning after June

30, 2025.

NEW SECTION. Section 7. Severability. If a part of [this act] is invalid, all valid parts that are

severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its

applications, the part remains in effect in all valid applications that are severable from the invalid

applications.

COORDINATION SECTION. Section 8. Coordination instruction. If Senate Bill No. 399 and [this

act] are passed and approved and if both contain a section amending 15-30-2103, [this act] terminates

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

NEW SECTION. Section 9. Termination. (1) [Section 1] terminates December 31, 2022.

(2) [Section 2] terminates December 31, 2023.

(3) [Section 3] terminates December 31, 2024.

(4) [Section 4] terminates December 31, 2025.

(5) [Section 10] terminates January 1, 2025.

NEW SECTION. Section 10. Contingent termination -- legislative intent -- specific findings -- Report to Legislative Finance Committee. (1) The legislature intends to provide the tax relief provided by [this act] while also preventing the loss of federal funds that are available to the state as part of the recently enacted American Rescue Plan Act, Public Law 117-2. The contingent termination provisions in subsections (2) through (5) are limited to the duration of time established by each subsection and are necessary based on the lack of information available to the legislature from the federal government at the time of enactment of [this act].

(2) [Section 1] terminates on the date that the budget director provides the certification provided for in subsection (7). In order to be effective, the certification must be made in calendar year 2021.

(3) [Section 2] terminates on the date that the budget director provides the certification provided for in subsection (7). In order to be effective, the certification must be made between October 1, 2022, and December 31, 2022.

(4) [Section 3] terminates on the date that the budget director provides the certification provided for in subsection (7). In order to be effective, the certification must be made between October 1, 2023, and December 31, 2023.

(5) [Section 4] terminates on the date that the budget director provides the certification provided for in subsection (7). In order to be effective, the certification must be made between October
1, 2024, and December 31, 2024.

(6) (A) The budget director shall continually evaluate whether implementation of a section of this Act will:

(i) result in a reduction of funds from the American Rescue Plan Act; or

(ii) require the state to repay or refund to the federal government pursuant to the American Rescue Plan Act.

(B) The budget director shall consider guidance from:

(i) the federal government about the American Rescue Plan Act;

(ii) court decisions about the American Rescue Plan Act;

(iii) amendments to the American Rescue Plan Act;

(iv) any information provided by the attorney general; and

(v) other relevant information about the American Rescue Plan Act.

(C) If the budget director determines that the implementation of a section of this Act may satisfy the criteria in subsection (6)(A) based on the guidance in subsection (6)(B), the budget director shall notify the legislative finance committee of the preliminary determination. Within 20 days of notification, the legislative finance committee shall provide the budget director with any recommendations concerning the preliminary determination. The budget director’s notification of the preliminary determination may occur after January 1 but no later than December 10 of each of the calendar years 2021, 2022, 2023, and 2024. The budget director shall consider any recommendations of the legislative finance committee.

(7) If the budget director determines that the implementation of a section of this Act would more likely than not satisfy the criteria in subsection (6)(A) based on the guidance in subsection (6)(B) and the recommendations of the legislative finance committee in subsection (6)(C), the budget director shall provide certification in writing to the legislative finance committee and the code commissioner of the occurrence of the relevant contingency provided for in subsections (2) through (5).