

1 HOUSE BILL NO. 911
 2 INTRODUCED BY J. KARLEN, J. HAMILTON, J. COHENOUR, M. MARLER, L. BISHOP, M. THANE, K.
 3 ABBOTT, P. TUSS, B. CARTER, M. ROMANO, S. HOWELL
 4

5 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING INDIVIDUAL INCOME TAX LAWS;
 6 REVISING INDIVIDUAL INCOME TAX RATES; INCREASING THE EARNED INCOME TAX CREDIT;
 7 REVISING THE TAX RATES APPLICABLE TO CERTAIN NET LONG-TERM CAPITAL GAINS;
 8 ESTABLISHING A CHILD TAX CREDIT FOR MONTANA RESIDENT TAXPAYERS; PROVIDING A MAXIMUM
 9 REFUNDABLE CREDIT AMOUNT FOR A CHILD 5 YEARS OF AGE OR YOUNGER; CREATING A CIRCUIT
 10 BREAKER INCOME TAX CREDIT FOR PROPERTY TAXES PAID AND RENT-EQUIVALENT PROPERTY
 11 TAXES PAID; PROVIDING THAT A TAXPAYER MAY CLAIM EITHER THE CIRCUIT BREAKER TAX CREDIT
 12 OR THE RESIDENTIAL PROPERTY TAX CREDIT FOR THE ELDERLY AND PARTICIPATE IN THE
 13 PROPERTY TAX ASSISTANCE PROGRAM OR THE DISABLED VETERAN ASSISTANCE PROGRAM OR
 14 RECEIVE THE INTANGIBLE LAND VALUE PROPERTY EXEMPTION; PROVIDING DEFINITIONS;
 15 AMENDING SECTIONS 15-6-240, 15-6-302, 15-7-102, 15-16-101, 15-17-125, 15-30-2103, 15-30-2120, 15-30-
 16 2303, 15-30-2318, AND 15-30-2341, MCA; AND PROVIDING EFFECTIVE DATES AND AN APPLICABILITY
 17 DATE."
 18

19 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
 20

21 NEW SECTION. **Section 1. Child tax credit.** (1) Except as provided in subsection (3), a resident
 22 taxpayer who is permitted a child tax credit under section 24 of the Internal Revenue Code, 26 U.S.C. 24, is
 23 allowed a credit against the taxes imposed by this chapter for each qualifying child of the taxpayer.

24 (2) Subject to subsection (6), the amount of the credit is \$1,200 for each qualifying child.

25 (3) The credit is not allowed if the taxpayer's federal adjusted gross income exceeds the threshold
 26 amount.

27 (4) (a) Except as provided in subsection (4)(b), to claim the credit, a taxpayer must have:

28 (i) proof of earned income;

1 **Section 11.** Section 15-30-2103, MCA, is amended to read:

2 **"15-30-2103. (Temporary) Rate of tax.** (1) Except as provided in 15-30-3704 there must be levied,
3 collected, and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making
4 allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income
5 as follows:

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

13 (2) By November 1 of each year, the department shall multiply the bracket amount contained in
14 subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest
15 \$100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for
16 imposition of the tax in subsection (1) of this section. (Bracketed language is temporarily amended to "6.9%" on
17 occurrence of contingency for income tax years 2022 and 2023 until December 31, 2023--secs. 8, 10, Ch. 488,
18 L. 2021--see compiler's comment.)

19 **15-30-2103. (Effective January 1, 2024) Rate of tax -- net long-term capital gains -- definitions.**

20 (1) Except as provided in ~~15-30-3704 and subsection (2) of this section~~ subsections (2) and (3), there must be
21 levied, collected, and paid for each tax year ~~upon~~on the Montana taxable income of each taxpayer subject to
22 this chapter a tax on the brackets of taxable income as follows:

- 23 (a) for every married individual who files a joint return and for every surviving spouse:
 - 24 (i) on the first \$41,000 of Montana taxable income or any part of that income, 4.7%;
 - 25 (ii) on ~~any~~ Montana taxable income in excess of \$41,000 and less than \$400,000 or any part of
26 that income, 5.9%;
 - 27 (iii) on Montana taxable income in excess of \$400,000 and less than \$600,000, 6.5%;
 - 28 (iv) on Montana taxable income in excess of \$600,000 and less than \$800,000, 7.5%;

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- 1 (v) on Montana taxable income in excess of \$800,000 and less than \$1 million, 8.2%; and
- 2 (vi) on any Montana taxable income in excess of \$1 million, 8.9%;
- 3 (b) for every head of household:
- 4 (i) on the first \$30,750 of Montana taxable income or any part of that income, 4.7%;
- 5 (ii) on any Montana taxable income in excess of \$30,750 and less than \$300,000 or any part of
- 6 that income, 5.9%;
- 7 (iii) on Montana taxable income in excess of \$300,000 and less than \$450,000, 6.5%;
- 8 (iv) on Montana taxable income in excess of \$450,000 and less than \$600,000, 7.5%;
- 9 (v) on Montana taxable income in excess of \$600,000 and less than \$750,000, 8.2%; and
- 10 (vi) on any Montana taxable income in excess of \$750,000, 8.9%;
- 11 (c) for every individual other than a surviving spouse or head of household who is not a married
- 12 individual:
- 13 (i) on the first \$20,500 of Montana taxable income or any part of that income, 4.7%;
- 14 (ii) on any Montana taxable income in excess of \$20,500 and less than \$200,000 or any part of
- 15 that income, 5.9%;
- 16 (iii) on Montana taxable income in excess of \$200,000 and less than \$300,000, 6.5%;
- 17 (iv) on Montana taxable income in excess of \$300,000 and less than \$400,000, 7.5%;
- 18 (v) on Montana taxable income in excess of \$400,000 and less than \$500,000, 8.2%; and
- 19 (vi) on any Montana taxable income in excess of \$500,000, 8.9%; and
- 20 (d) for every married individual who does not make a joint return and for every estate or trust not
- 21 exempt from taxation under the Internal Revenue Code:
- 22 (i) on the first \$20,500 of Montana taxable income or any part of that income, 4.7%;
- 23 (ii) on any Montana taxable income in excess of \$20,500 and less than \$200,000 or any part of
- 24 that income, 5.9%;
- 25 (iii) on Montana taxable income in excess of \$200,000 and less than \$300,000, 6.5%;
- 26 (iv) on Montana taxable income in excess of \$300,000 and less than \$400,000, 7.5%;
- 27 (v) on Montana taxable income in excess of \$400,000 and less than \$500,000, 8.2%; and
- 28 (vi) on any Montana taxable income in excess of \$500,000, 8.9%.

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1 (2) Except as provided in 15-30-3704 and subsection (3) of this section, that portion of a taxpayer's
2 Montana taxable income that consists of net long-term capital gains after accounting for amounts included in
3 taxable income that is not net long-term capital gains is subject to a tax on the brackets of net long-term capital
4 gains as follows:

5 (a) for every married individual who files a joint return and for every surviving spouse:

6 (i) on the first \$41,000 less nonqualified taxable income of net long-term capital gains, 3.0%; and
7 (ii) on net long-term capital gains that exceed \$41,000 less nonqualified taxable income but are
8 less than \$400,000 less nonqualified taxable income, 4.1%; ~~except that if the total nonqualified taxable income~~
9 ~~is \$41,000 or greater, all of the net long-term capital gains are taxed at 4.1%; and~~

10 (iii) on net long-term capital gains that exceed \$400,000 less nonqualified taxable income, the
11 rates provided in subsection (1);

12 (b) for every head of household:

13 (i) on the first \$30,750 less nonqualified taxable income of net long-term capital gains, 3.0%; and
14 (ii) on any net long-term capital gains that exceed \$30,750 less nonqualified taxable income but
15 are less than \$300,000 less nonqualified taxable income, 4.1%; ~~except that if the total nonqualified taxable~~
16 ~~income is \$30,750 or greater, all of the net long-term capital gains are taxed at 4.1%; and~~

17 (iii) on net long-term capital gains that exceed \$300,000 less nonqualified taxable income, the
18 rates provided in subsection (1);

19 (c) for every individual other than a surviving spouse or head of household who is not a married
20 individual:

21 (i) on the first \$20,500 less nonqualified taxable income of net long-term capital gains, 3.0%; and
22 (ii) on any net long-term capital gains that exceed \$20,500 less nonqualified taxable income but
23 are less than \$200,000 less nonqualified taxable income, 4.1%; ~~except that if the total nonqualified taxable~~
24 ~~income is \$20,500 or greater, all of the net long-term capital gains are taxed at 4.1%; and~~

25 (iii) on net long-term capital gains that exceed \$200,000 less nonqualified taxable income, the
26 rates provided in subsection (1); and

27 (d) for every married individual who does not make a joint return and for every estate or trust that
28 is not exempt from taxation under the Internal Revenue Code:

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- 1 (i) on the first \$20,500 less nonqualified taxable income of net long-term capital gains, 3.0%; ~~and~~
- 2 (ii) on any net long-term capital gains that exceed \$20,500 less nonqualified taxable income but
- 3 are less than \$200,000 less nonqualified taxable income, 4.1%; ~~except that if the total nonqualified taxable~~
- 4 ~~income is \$20,500 or greater, all of the net long-term capital gains are taxed at 4.1%; and~~
- 5 (iii) on net long-term capital gains that exceed \$200,000 less nonqualified taxable income, the
- 6 rates provided in subsection (1).

7 (2)(3) By November 1 of each year, the department shall multiply the bracket amounts contained in
 8 subsection-subsections (1) and (2) by the inflation factor for the following tax year and round the cumulative
 9 brackets to the nearest \$100. The resulting adjusted brackets are effective for that following tax year and must
 10 be used as the basis for imposition of the tax in subsection-subsections (1) and (2).

11 (4) For the purposes of this section, the following definitions apply:

12 (a) "Net long-term capital gains" means net long-term capital gains as that term is defined in
 13 section 1222 of the Internal Revenue Code, 26 U.S.C. 1222.

14 (b) "Nonqualified taxable income" means Montana taxable income that is not considered net long-
 15 term capital gains."

16
 17 **Section 12.** Section 15-30-2120, MCA, is amended to read:

18 **"15-30-2120. (Effective January 1, 2024) Adjustments to federal taxable income to determine**
 19 **Montana taxable income.** (1) The items in subsection (2) are added to and the items in subsection (3) are
 20 subtracted from federal taxable income to determine Montana taxable income.

21 (2) The following are added to federal taxable income:

22 (a) to the extent that it is not exempt from taxation by Montana under federal law, interest from
 23 obligations of a territory or another state or any political subdivision of a territory or another state and exempt-
 24 interest dividends attributable to that interest except to the extent already included in federal taxable income;

25 (b) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal
 26 Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the
 27 income;

28 (c) depreciation or amortization taken on a title plant as defined in 33-25-105;