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SENATE BILL NO. 104

INTRODUCED BY J. FULLER

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING STATE INCOME TAXATION FOR MILITARY PENSIONS, RETIREMENT, AND SURVIVOR BENEFITS; EXEMPTING A PORTION OF MILITARY PENSIONS OR RETIREMENT INCOME AND SURVIVOR BENEFITS FROM INCOME TAXATION; PROVIDING THE EXEMPTION TO RETIRED MEMBERS OF THE ARMED FORCES, A RESERVE COMPONENT, OR THE NATIONAL GUARD; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTION 15-30-2120, MCA; AND PROVIDING EFFECTIVE DATES, AND AN APPLICABILITY DATE, AND A TERMINATION DATE."

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

Section 1. Section 15-30-2120, MCA, is amended to read:

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

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

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

(b) that 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;

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

(d) 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;

(e) an item of income, deduction, or expense to the extent that it was used to calculate federal

1 (7) By November 1 of each year, the department shall multiply the subtraction from federal taxable
2 income for a taxpayer that has attained the age of 65 contained in subsection (3)(g) by the inflation factor for
3 that tax year, rounding the result to the nearest \$10. The resulting amount is effective for that tax year and must
4 be used as the basis for the subtraction from federal taxable income determined under subsection (3)(g).

5 (8) (A) THE SUBTRACTION IN SUBSECTION (3)(N)(I) IS EQUAL TO THE LESSER OF:

6 (i) THE AMOUNT OF MONTANA SOURCE WAGE INCOME ON THE RETURN; OR

7 (ii) 50% OF THE TAXPAYER'S MILITARY PENSION OR MILITARY RETIREMENT INCOME.

8 (B) FOR THE PURPOSES OF SUBSECTION (8)(A)(I), "MONTANA SOURCE WAGE INCOME" MEANS:

9 (i) WAGES, SALARY, TIPS, AND OTHER COMPENSATION FOR SERVICES PERFORMED IN THE STATE;

10 (ii) NET INCOME FROM A TRADE, BUSINESS, PROFESSION, OR OCCUPATION CARRIED ON IN THE STATE; AND

11 (iii) NET INCOME FROM FARMING ACTIVITIES CARRIED ON IN THE STATE."

12
13 NEW SECTION. Section 2. Effective dates. (1) Except as provided in subsection (2), [this act] is
14 effective on passage and approval

15 (2) [Section 1] is effective January 1, 2024.

16
17 NEW SECTION. Section 3. Applicability. [This act] applies to military retirement or pension income
18 or survivor benefits received after December 31, 2023.

19
20 NEW SECTION. SECTION 4. TERMINATION. [SECTION 1] TERMINATES DECEMBER 31, ~~2029~~ 2033.

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