2024 Montana Form 2

Individual Income Tax Instructions

MONTANA DEPARTMENT OF REVENUE

MONTANA
DEPARTMENT OF
REVENUE

Call us at (406) 444-6900

MTRevenue.gov

It's Easy to File and Pay Electronically!

Check our online services at

MTRevenue.gov

Choose e-file and direct deposit for a faster refund!

Dear Montana Taxpayer,

We want to thank you for filing your Montana tax return. Your timely filing and prompt payment of taxes greatly benefits your community and helps to make Montana a better place for all of us.

We continue to encourage you to file electronically if possible. Ninety-three percent of individual Montana taxpayers electronically filed their 2023 tax returns.

Take advantage of these benefits with electronic filing:

- Taxpayers have found that e-filing is easy, convenient, and ensures more accurate processing.
- Electronic filing can also help you more quickly receive any refund you are owed. Be sure to visit MTRevenue.gov to learn more about filing options.

We are committed to assisting you with any questions you may have about your filing requirements. If you need more information or help, please visit MTRevenue.gov, call (406) 444-6900 or Montana Relay at 711 for the hearing impaired, or email DORHelp@mt.gov.

Best regards,

Your Montana Department of Revenue

DON’T MISS OUT! Apply by April 15

You might qualify for these tax assistance programs.

Property Tax Assistance Program (PTAP)

- If you qualify for PTAP, your property taxes could be significantly reduced.
- Your 2023 Federal Adjusted Gross Income (FAGI), excluding capital and income losses, must be less than $28,329 for a single applicant and $37,968 for married applicants and head of household. Spouses’ incomes are included whether or not the spouse is an owner of the property.
- You must own or currently be under contract for deed to purchase your home or mobile/manufactured home.
- You have to live in the home for at least seven months of the year.
- The benefit only applies to the first $350,000 of value of your primary residence. For agricultural and timber parcels, the only eligible land is the one-acre home site.

Montana Disabled Veteran (MDV) Property Tax Relief

- If you qualify for MDV, your property taxes could be significantly reduced.
- You must be a 100% disabled veteran whose disability is service-connected, or the unmarried surviving spouse of a deceased veteran who was 100% disabled.
- Your 2023 Federal Adjusted Gross Income (FAGI), excluding capital and income losses, must be less than $61,071 for a single applicant and $70,467 for married applicants and head of household. Spouses’ incomes are included whether or not the spouse is an owner of the property. Unmarried surviving spouses’ FAGI must be less than $53,242.
- You must own or currently be under contract for deed to purchase your home or mobile/manufactured home.
- You have to live in the home for at least seven months of the year.
- The benefit only applies to your primary residence. For agricultural and timber parcels, the only eligible land is the one-acre home site.

How Do I Apply?

- PTAP and MDV application forms are available at MTRevenue.gov or call your local Department of Revenue field office and request an application form be mailed to you. You can find contact information for field offices at MTRevenue.gov, or call us at (406) 444-6900, or Montana Relay at 711 for the hearing impaired.
- Once you have applied, we will notify you each year whether you qualify. You will be included in the program’s annual income verification until you move from your residence.
- If you miss the deadline, submit an application as soon as possible so we can include you in the income verification process for next year.

Contents

These instructions are designed to address the laws for most tax filing situations. If you have a unique situation that is not addressed in the booklet, please refer to Title 15 of Montana law found at [leg.mt.gov](leg.mt.gov) ***or call us with your questions.***

What's New

Income Tax Simplification

Montana Form 2 has been redesigned as a result of legislation passed in 2021. This legislation significantly altered Montana's individual income tax system by making changes to filing statuses, tax brackets, and the calculation of Montana taxable income.

Filing statuses. Under the new law, taxpayers must use the same filing status used on the federal tax return.

Married taxpayers can no longer file separately from their spouses unless they are filing separately for federal purposes. Capital losses, passive losses, and excess business losses will no longer be allocated by spouse, and they are included in Montana taxable income to the extent they are included in federal taxable income. Montana residents with nonresident or part-year resident spouses must also use the same federal filing status and use Schedule II, Tax on Montana Source Income, to determine the tax liability on their Montana source income.

Filing requirements. The Montana tax filing requirement follows the federal tax filing requirement after considering any Montana additions and subtractions to federal taxable income.

New tax rates. Montana's tax brackets have been reduced from seven rates to two rates and are based on a taxpayer's filing status.

Additionally, net long-term capital gains are now taxed at lower rates than Montana ordinary income. Montana ordinary income is all income that is not considered a net long-term capital gain. As a result, the capital gains tax credit has been repealed.

The 2024 tax tables are on page 14.

Montana taxable income calculation. Taxpayers must use their federal taxable income, adjusted to remove the federal qualified business income deduction under IRC 199A, as the base for calculating their Montana taxable income. Montana's previous system used federal adjusted gross income as the base for determining Montana taxable income. With this change, items of income and deduction are no longer recalculated for purposes of determining Montana taxable income. Taxable Social Security income and net operating losses are included in Montana taxable income as calculated for federal tax purposes.

New subtraction. Taxpayers aged 65 and over receive a $5,500 subtraction from federal taxable income. If filing jointly and both spouses are 65 and over, the subtraction is equal to $11,000. The subtraction will be adjusted annually for inflation beginning with tax year 2025.

Repealed deductions. Several deductions have been repealed, including:

- Unemployment compensation
- Tip income for certain service industry workers
- Partial interest income deduction for taxpayers aged 65 or older
- Partial pension, annuity, and IRA deduction
- Worker's compensation benefits not already excluded in federal adjusted gross income
- Health insurance premiums paid by an employer for an employee
- Contributions to a Montana First-Time Homebuyer Savings Account
- Deposits in a Montana Farm and Ranch Risk Management Account
- Dependent child's income included in the taxpayer's federal adjusted gross income
- Student loan repayments for health care professionals and qualified educators
- Partial retirement disability deduction for taxpayers under age 65

Transition adjustments. A taxpayer may make an election on a timely filed (including extensions) 2024 Form 2 to reconcile the difference in the federal and Montana amounts of passive activity losses and short-term and long-term capital losses. There is also an adjustment for taxpayers with a basis in an asset that is different from the federal basis. If the Montana carryover amount or basis is smaller than the federal amount, the taxpayer will make a positive adjustment to reconcile the difference. If the Montana carryover amount or basis is larger than the federal amount, the taxpayer will make a negative adjustment to reconcile the difference. This also includes any tax refund received in 2024 that reduced Montana taxes. Taxpayers must use Montana Transition Schedule to make the election and report any adjustment.

Other Legislation Affecting Tax Year 2024

Military Retirement Income and Survivor Benefits Exemption for Certain Taxpayers. Under Senate Bill 104, certain taxpayers may be eligible for an exemption of part of their military retirement income. Taxpayers who become residents after June 30, 2023, or who were Montana residents before receiving military retirement can exempt the lesser of:

- 50 percent of the taxpayer's military retirement income received from Defense Finance and Accounting Service (DFAS), or
- The total Montana source income from
  - Wages, salary, and tips from compensation performed in Montana
  - Net income from a trade or business
  - Net income from farming activities in Montana

The exemption is only available for five consecutive years after becoming a resident. If the taxpayer was a resident and began receiving military retirement while a resident of the state before June 30, 2023, the exemption can only be claimed for five years beginning with tax year 2024.

Beneficiaries receiving military survivor benefits are eligible for a subtraction of 50 percent of the benefits if they became residents after June 30, 2023, or were residents before receiving the benefits.

This exemption is claimed on Form WMRE.

Expanded Qualified Endowment Credit. The Qualified Endowment Credit, a tax credit for taxpayers that make charitable donations to qualified endowments, has increased. The credit is equal to 40% of the present value of a planned gift up to $15,000.

Reduced Tax Rate and Increased Earned Income Tax Credit. Under Senate Bill 399 (2021), the top marginal tax rate was initially reduced from 6.75% to 6.5% beginning with tax year 2024. Senate Bill 121 (2023) further reduced the top marginal tax rate from 6.5% to 5.9%. The Montana Earned Income Tax Credit increased from 3% of the federal credit to 10% of the federal credit.

Income Tax Filing Exemption for Certain Nonresidents. House Bill 447 created an income tax filing exemption for nonresident individuals that earned only wages for services performed in Montana for less than 30 days and worked in more than one state during the tax year. These nonresidents do not have an income tax filing requirement and their employers do not have a wage withholding requirement. The exemption does not apply to professional athletes, entertainers, persons that perform services for compensation on a per-event basis, construction workers, employees with annual salaries of more than $500,000, and qualified production employees for the purposes of the MEDIA Credit.

This exemption only applies to wage withholding requirements and does not affect the determination of a business's nexus in Montana.

Form Changes

Form 2 has changed as a result of income tax simplification. The form will no longer consist of every schedule that a taxpayer may use to file the Form 2. Schedules have been separated from the Form 2 and are available on separate pages.

Pages 1 and 2. Most taxpayers will only need to complete pages 1 and 2 to file their Montana tax return. Page 1 includes your Montana taxable income, credits, payments, and your tax liability. Page 2 is used to calculate the Montana resident income tax liability.

To determine Montana taxable income, taxpayers report federal adjusted gross income, the federal standard or adjusted itemized deductions, and Montana additions and subtractions, including an additional subtraction of $5,500 for taxpayers aged 65 and older ($11,000 for joint filers with both spouses aged 65 and over).

All payments, including payments and refunds from filing an amended return are now reported on page 1. Previously, payments, other than wage withholding and withholding reported on a Form 1099, were reported on the Other Payments and Refundable Credits Schedule.

Additionally, refunds or a carryforward of an overpayment reported on an amended return is now reported on page 1.

The Montana tax liability is calculated on page 2. Previously taxpayers calculated their Montana tax liability on the Tax Liability Schedule. This page is used to figure both the resident Montana Ordinary Income Tax and Montana Net Long-Term Capital Gains Tax. Nonresident, part-year residents, and residents filing jointly with nonresident or part-year resident spouses figure their resident tax on page 2, then transfer that amount to Schedule II to determine the tax liability on their Montana source income.

Subsequent schedules previously included on the Form 2 have been redesigned or eliminated as a result of the new law. Schedules are also separated from the main form and are only included with the Form 2 if a taxpayer reports information on that particular schedule.

Schedule I – Montana Adjustments to Federal Taxable Income. Schedule I reports Montana adjustments, which are additions, subtractions, and Montana Medical Savings Account information. The items reported on this schedule were previously reported on the Additions, Subtractions, and Montana Medical Savings Account (MSA) Schedules.

In Part I taxpayers report Montana additions and subtractions to federal taxable income. Taxpayers with Montana Medical Savings Accounts calculate the addition or subtraction on Part II of the Schedule.

Schedule II – Tax on Montana Source Income. Previously, nonresidents and part-year residents reported their Montana source income and determined the nonresident/part-year resident ratio on the Nonresident/Part-Year Resident Ratio Schedule. This information, along with the determination of Montana tax, is now reported on Schedule II. Additionally, Montana residents filing jointly with nonresident or part-year resident spouses use Schedule II to determine their Montana tax.

Schedule III – Tax Credits. This schedule is used to report Montana nonrefundable and refundable tax credits, and to calculate the credit for income taxes paid to another state or country. Previously, nonrefundable tax credits were reported on the Nonrefundable Credits Schedule and refundable tax credits were reported on the Other Payments and Refundable Credits Schedule.

The credit for income taxes paid to another state or country was previously reported on the Credit for Income Tax Paid to Another State or Country Schedule. The credit calculation has changed because of the new net long-term capital gains tax.

Schedule IV – Contributions, Penalties, Interest, and Other Taxes. Schedule IV is used to report check-off contributions, penalties, interest, and recapture and lump sum taxes. Check-off contributions, interest on the underpayment of estimated taxes, and penalties were previously reported on the Contributions, Penalties, and Interest Schedule. Lump sum and recapture taxes were previously reported on the Tax Liability Schedule.

Schedule V – Amended Return Information. Taxpayers amending a 2024 Form 2 report information about the amendment on Schedule V. This information was previously reported on page 2 of the Form 2.

Schedule 2EC – Montana Elderly Homeowner/Renter Credit. The Schedule 2EC was formerly the Elderly Homeowner/Renter Credit Schedule. The Attestation section was added to reinforce the eligibility requirements to claim the credit. In an effort to ensure all household income is reported, as well as verify that only one credit is claimed per household, the form now asks for the number of persons living in the household. The reporting of household income on lines 1 through 18 was expanded because the items included in household income are no longer reported on the Form 2. Previously, this information was found on Form 2, pages 1 and 3. The calculation and amount of the credit remain unchanged.

Transition Schedule. The Transition Schedule is a schedule only available for tax year 2024 that a taxpayer may use to make an election to reconcile the difference in the federal and Montana amounts of passive activity losses, short-term and long-term capital losses, and any differing bases. Taxpayers must use the Transition Schedule to make the election and report any adjustment. The election can only be made on a timely-filed Form 2 (including extensions).

Form DE. The Form DE is new as of tax year 2024 and is used to report Montana source business income of single member limited liability companies (LLC) and sole proprietorships owned by nonresident individuals, estates, and trusts. This form is also used to figure the alternative method tax for eligible nonresidents under section 15-30-2104, MCA.

Form NOL-EBL. The Form NOL has been renamed to Form NOL-EBL. This form is used to determine the proportion of a nonresident's federal NOL deduction that can be claimed as Montana source losses in carryover years. Nonresidents also use this schedule to determine the Montana source excess business loss.

Calculation of Interest on Underpayment of Estimated Taxes Worksheet. This worksheet was previously on page 11 of the Form 2. It can now be found in the instructions on page 35.

Discontinued Worksheets and Schedules. The following worksheets and schedules have been discontinued because their underlying provisions have been repealed.

- Filing Status 2a Payment Schedule
- Refund Schedule
- Schedule 1
- Partial Pension, Annuity, and IRA Income Exemption Worksheet
- Taxable Social Security Benefits Worksheet
- Standard Deduction Worksheet
- Itemized Deductions Schedule
- Form 2441-M, Child and Dependent Care Expense Deduction
- Form FRM, Farm and Ranch Risk Management Account
- Form FTB, First-Time Homebuyer Savings Account
- Form VT, Veterans' Program Contribution and Deduction

General Instructions

Filing Requirements

Do you have to file? In general, if during the tax year you were a resident or part-year resident of Montana, or if you were a nonresident who received Montana source income; and you had a requirement to file a federal tax return, then you must file a Montana income tax return. If you did not have a federal filing requirement, but have a Montana addition or subtraction, you also must file a Montana income tax return.

Important: If you qualify for the federal Earned Income Tax Credit, you may qualify for the Montana Earned Income Tax Credit. However, you must file a Montana income tax return to claim the credit. More information about the Earned Income Tax Credit is on page 8.

If you qualify for the Elderly Homeowner Renter Credit, you must file a Form 2 and attach a copy of the Schedule 2EC to claim the credit. You may also file Schedule 2EC directly with us on our TransAction Portal at https://tap.dor.mt.gov. *Under the Individuals* section, click *File Schedule 2EC – Elderly Homeowner/Renter Credit.*

Thirty-Day Nonresident Worker Filing Exclusion

There is a filing exclusion for certain nonresidents. Nonresidents who earned only wages for services performed in Montana for 30 days or less and worked in more than one state during the tax year do not have to file a tax return or pay tax to Montana on that income. The exclusion does not apply to the following types of employees: professional athletes, entertainers, persons that perform services for compensation on a per-event basis, construction workers, employees with annual salaries of more than $500,000, and qualified production employees for the purposes of the MEDIA Credit.

If a nonresident employee worked in Montana for more than 30 days or only worked in Montana, then all income earned while working in the state is taxable to Montana and the employee must follow the general filing requirement. Additionally, this exclusion does not apply to nonresident employees who have other Montana source income. For example, a nonresident employee worked in Montana for 15 days. The nonresident also has a rental property located in Montana. This nonresident's wages and rental income are taxable to Montana.

This exclusion does not apply to self-employed taxpayers, such as a sole proprietors or owners of pass-through entities, or any other Montana source income.

If your employer withheld Montana taxes from your wages and you are eligible for the exclusion, you must file a Montana income tax return to receive a refund of your withholding. To claim a refund of your withholding:

1. Complete the personal information section at the top of page 1, as instructed.
2. Mark the box for "Nonresident."
3. Complete page 1, lines 1 through 3 and 7. Report your Montana wage withholding on line 11a and 11. Then, enter this amount on lines 21, 23, and 26.
4. File your form with a copy of your federal return. Also include Form(s) W-2 showing Montana income tax withholding and a statement that you are claiming a thirty-day nonresident exemption with the dates you worked in Montana.

Filing Requirement for Taxpayers with Losses

If you incurred or reported losses (including capital losses, passive losses, and net operating losses), you must file a Montana tax return to track the sourcing of the losses and to use those losses in calculating your tax liability. Unreported losses may lead to the disallowance of their use in future years.

Enrolled Member of a Tribe

Generally, if you are an enrolled member of a tribe and you live on the reservation governed by your tribe, you have a Montana filing requirement. You can subtract your income sourced to your reservation from your federal taxable income on Schedule I, Montana Adjustments Schedule.

Income that can be sourced to the reservation governed by your tribe includes:

- wages earned within the exterior boundaries of your reservation
- all interest, dividends, pensions, annuities, and any income received from the use of intangible properties

- income, including farming, from real properties located within the exterior boundaries of your reservation
- business income from activities carried on within the exterior boundaries of your reservation

Items of income that are not sourced to your reservation are taxable and must be reported on Form 2. Income sourced elsewhere includes:

- wages earned outside the exterior boundaries of the reservation governed by your tribe
- any income linked to real estate properties located outside the exterior boundaries of the reservation governed by your tribe
- any business income stemming from activities carried on outside the exterior boundaries of the reservation governed by your tribe

You may source business income from a pass-through entity to your reservation using a reasonable method suited to the nature of the business. Income already sourced to a state other than Montana can never be sourced to your reservation.

Use Form ETM instead of Form 2 only if all your income can be subtracted from Montana income tax as a tribal member. You may file the Form ETM directly with us on our TransAction Portal at tap.dor.mt.gov. Under the Quick Links section, click File a Return, then select File Exempt Income Certification/Return (Form ETM).

If all your income can be subtracted from Montana source income as a tribal member but you had any Montana withholding or tax paid on your behalf by an employer, pass-through entity, or remitter; carryforward of taxes paid in a prior year; or estimated tax payments, you must file a Form 2 to receive a refund of withholding on your exempt income. Follow the steps below to do this:

1. Complete the personal information at the top of page 1, as instructed.
2. Complete page 1, lines 1 through 3.
3. Complete the Form ETM, reporting the exempt income and enter the total exempt income on Schedule I, line 13 and page 1, line 5.
4. Report the credit and/or withholding on the appropriate line on page 1.
5. File this form with a copy of your federal return. Also include Form(s) W-2 showing Montana income tax withholding and your Form ETM.

If only part of your income can be subtracted from Montana income tax, and your nonexempt income exceeds the filing thresholds, you must file Form 2 and include Form ETM. When you are required to file a Form 2, use Schedule I to subtract your exempt income from federal taxable income.

If you did not have a federal filing requirement, but have any Montana additions or subtractions (including your nonexempt income) you also must file a Form 2, even if Montana taxable income is zero or less.

If you do not file either Form 2 or Form ETM, you are declaring that your income is not exempt and we may file a return on your behalf to estimate your tax liability.

Important: If you live outside the boundaries of the reservation governed by your tribe, or if you live on another reservation that is not governed by your tribe, none of your income can be sourced to the reservation governed by your tribe.

Note: Income derived directly from allotted or restricted lands that are held in trust by the United States and exempt from federal income tax is also exempt from Montana income tax.

Military Servicemembers and Spouses

Resident Active Duty Servicemembers and Spouses of Resident Active Duty Servicemembers.

If you are a Montana resident receiving military compensation as a member of the regular U.S. Armed Forces on active duty, or a resident spouse of an active duty military servicemember you have a Montana filing requirement. While resident servicemembers must file a Montana tax return, basic, special, and incentive pay are not taxable in Montana. See the Schedule I instructions for more information.

Under the federal law, Montana resident spouses of active duty servicemembers report all their income to their state of residency, even if stationed outside of that state. Wages of resident spouses are sourced to Montana and not to the state where they were earned.

Nonresident Active Duty Servicemembers and Spouses of Active Duty Servicemembers.

Nonresident military servicemembers and their spouses may have a filing requirement in certain cases.

Generally, if you are a nonresident military servicemember or nonresident spouse of an active duty servicemember and you do not have any other Montana source income, you do not have a filing requirement.

If you do have Montana source income, such as rental income from a Montana property, you have a Montana filing requirement. However, active duty pay for a servicemember and compensation for personal services of a nonresident spouse of an active duty servicemember are never taxable to Montana.

Compensation of personal services of nonresident spouses of military servicemembers qualify for relief from Montana taxation under federal law if:

- You are the spouse of a nonresident military servicemember; and
- You are in Montana solely to be with your military spouse who is serving in compliance with military orders; and
- You and your spouse have the same resident state.

If you meet all of these conditions, your compensation for personal services earned in Montana cannot be sourced to Montana. This income remains taxable in your state of residency.

If your employer withheld Montana income tax and you have no other Montana source income, you must complete Form 2, pages 1 and 2, to request the refund as follows:

1. Complete the personal information section at the top of page 1, as instructed.
2. Mark the box for "Nonresident."
3. Complete page 1, lines 1 through 3 and 7. Report your Montana wage withholding on line 11a and 11. Then, enter this amount on lines 21, 23, and 26.
4. File your form with a copy of your federal return. Also include Form(s) W-2 showing Montana income tax withholding along with a statement that you are a nonresident spouse of an active duty servicemember.

If you or your spouse have Montana source income, such as rental income from real property located in Montana, you must file as nonresidents. Report this income on Schedule II, Tax on Montana Source Income. However, do not include your wages on Schedule II, line 1.

If you do not want your employer to withhold Montana income tax from your wages, you must claim the military spouse exemption on Montana Form MW-4 and give that form to your employer.

Due Dates

File Form 2 and pay the tax due by April 15, 2025. An automatic extension of six months applies for filing your return, but this extension does not apply to payments.

If you file after the extended due date, you may have to pay a penalty for late filing. See the Schedule IV instructions about interest and penalties.

If you were serving in, or in support of, the U.S. Armed Forces in a designated combat zone or contingency operation, the extension of time to file your Montana tax return is the same as the extension you receive for your federal tax return. See the IRS Publication 3 for more information.

How to File

Electronic Filing.

Filing electronically is recommended for faster, more accurate, and more secure service. If receiving a refund, you will receive it more quickly by filing electronically than if you file on paper.

You may be eligible for free tax software from Free File Alliance. Find Free File Alliance offers at MTRevenue.gov.

Paper Filing

If you choose to file a paper return, you must complete your federal Form 1040 first. Use blue or black ink to complete Montana Form 2.

You must sign and mail pages 1 and 2 to us. Include all schedules you were required to complete.

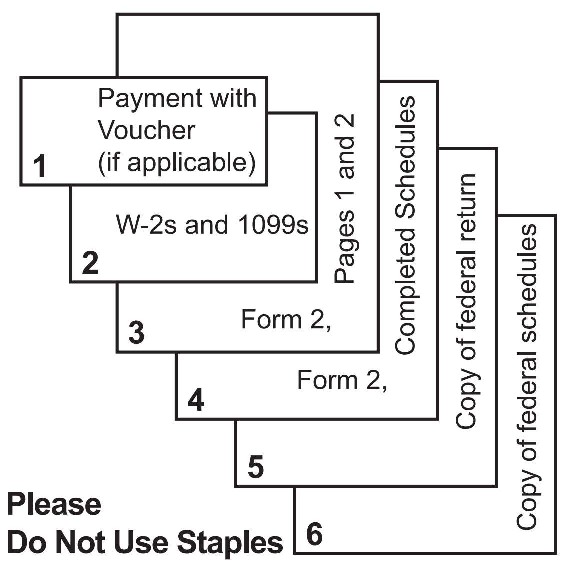
If you are filing your return on paper, you must include your federal Form 1040 and any accompanying federal schedules.

Include only the pages of Form 2 on which you entered information. For example, if you are a resident and you only had to complete Form 2 and Schedule I, only send pages 1, 2, and 3, along with your federal Form 1040 and any accompanying federal schedules.

Assembling Your Paper Return

From Top to Bottom

1. Payment Voucher if you are making a payment
2. Forms W-2 and 1099 reporting Montana Withholding
3. Montana Form 2, pages 1 and 2
4. Applicable Montana schedules and forms
5. Copy of your federal tax return
6. Copy of your federal schedules



If you choose not to file electronically, we have two different mailing addresses for your paper return. We do this so that if you are asking for a refund, we can get your refund processed and to you more quickly and efficiently.

If you do not owe taxes or are expecting a refund, mail your tax return to:

Montana Department of Revenue
PO Box 6577
Helena, MT 59604-6577

If you are making a payment with your tax return, mail your tax return and check to:

Montana Department of Revenue
PO Box 6308
Helena, MT 59604-6308

Amending Your 2024 Return

If you are amending your 2024 return, you must complete a new Form 2 with all the schedules, even if none of the amounts previously reported on them have changed, and do the following:

1. Mark the Amended box on the top left of page 1.
2. Make sure you sign and date your return.
3. Complete Schedule V, Amended Return Information.
4. Include any payments made with or after filing the original return on page 1, line 18.
5. Include any previous overpayment or refund received on page 1, line 20.

Important: If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. To receive the waiver, simply mark the “Amended Return” box on the top left-hand corner of the tax return and pay the tax and applicable interest in full when you file the amended return. By marking this box and paying all tax and interest, you are treated as having requested a waiver of the late payment penalty.

If the Internal Revenue Service changes or makes corrections to your federal Form 1040, you must amend your return within 180 days of the final determination date. The final determination date is the date in which all appeal rights have been waived or exhausted, by agreement, or, if appealed, by a final decision with respect to which all appeal rights have been waived. If you amend your federal return, you will need to amend your Form 2 within 180 days of filing your amended federal tax return.

Interest Rate for 2025

Effective January 1, 2025, the annual interest rate assessed on outstanding balances is 8 percent. This rate also applies to interest on the underpayment of estimated taxes. Interest is calculated daily.

Line Instructions

Personal Information

Enter your name, address, and Social Security Number (SSN) or Individual Tax Identification Number (ITIN). An incorrect number may delay your refund.

Enter the address where you receive your mail. We will use this address to send correspondence and your refund (if applicable).

If either the primary taxpayer or the spouse died prior to filing this return, mark the Deceased box next to his or her name.

You must use the same filing status used on your federal tax return. Select the filing status you use on your federal Form 1040. If you do not have a federal filing requirement, use the filing status that you would use if you had a federal filing requirement.

If you are using the married filing separately status, mark the box for Married Filing Separately enter your spouse's SSN in the space for the spouse's SSN.

Residency Status

Your Montana income tax liability depends on your residency status.

Montana has three residency statuses:

- Resident
- Part-Year Resident
- Nonresident

Important: If you are a Montana resident filing jointly with a nonresident spouse, all of your income is taxable to Montana. Only your nonresident or part-year resident spouse's Montana source income is taxable to Montana. You must mark the Part-year Resident box and complete Schedule II, Tax on Montana Source Income, to report your income and your nonresident or part-year resident spouse's Montana source income and to figure your Montana tax liability. See the instructions for Schedule II later.

Resident

Mark the Resident box if you are a full-year Montana resident (unless you are filing jointly with a nonresident or part-year resident spouse. See instructions later).

You are a Montana resident if you are domiciled or maintain a permanent place of abode in Montana. Montana taxes all of a resident's income, even if that income is earned out-of-state.

There are a variety of factors when determining whether a person is domiciled or maintains a permanent place of abode in Montana.

These include, but are not limited to:

- having a Montana driver's license
- having a Montana ID card
- voting in or registering to vote in Montana
- having a Montana resident hunting or fishing license
- claiming Montana residency when applying for admission or financial aid at a Montana college or university
- receiving services from a program administered by the Montana Department of Public Health and Human Services, which is only available to Montana residents
- having a concealed weapon permit in Montana
- claiming Montana residency for tax purposes in prior or current years
- where an individual registers a motor vehicle
- where an individual owns, rents, or occupies a developed real estate property, a mobile home, or a recreational vehicle with sleeping and cooking arrangements, during the tax period
- where the individual regularly receives mail
- the location of an individual's principal place of business, profession, or occupation
- where an individual's professional licenses were issued and used during the tax year
- where an individual obtains professional, financial, or healthcare services on a regular basis including, but not limited to, legal advice, accounting advice, dental care, or primary healthcare
- where an individual attends or is a member of a place of worship
- the location of any social, fraternal, athletic organizations, clubs, or lodges in which the individual is a member

This is not a complete list and a person does not need to meet all of the factors listed to be considered a resident. Each individual's circumstances and intentions are considered when determining residency.

If an individual maintains a place of abode in both Montana and another state, and both show similar permanency characteristics, the department may look at whether the individual has abandoned residency of one state in favor of another state through affirmative actions.

Example: Jim works in Wyoming for 11 months out of the year. However, Jim owns a home in Montana, is registered to vote in Montana, holds Montana resident hunting and fishing licenses, and holds a Montana driver's license. These are all indications that he is a Montana resident. As a result, all of Jim's income, even what he earned in Wyoming, is taxable on his Montana tax return.

Part-Year Resident

Mark the Part-year Resident box if you are a part-year resident of Montana or if you are a Montana resident filing jointly with a nonresident or part-year resident spouse.

You are a part-year resident of Montana if you either:

- were a Montana resident at the start of the year and then established residency in another state during the year.
- were a nonresident at the start of the year and then established residency in Montana during the year.

Part-year residents must file an income tax return as a part-year resident and use the Schedule II to determine their Montana tax liability. Montana taxes the income that a part-year resident receives while living in Montana plus any income received from Montana sources when not living in Montana.

Example: Pam lived in Montana for four months of the year, then moved to Pennsylvania. The income she earned during those four months is considered Montana source income and is taxable in Montana.

The following individuals are examples of who would not be considered part-year residents:

- retirees (commonly referred to as "snowbirds") who are residents of Montana but live in another state for a portion of each year.
- a resident of another state who works in Montana on a seasonal basis but does not establish residency in Montana
- a Montana resident attending an out-of-state college who has not established residency elsewhere

Nonresident

You are a nonresident of Montana if you are neither a resident of Montana nor a part-year resident. Generally, Montana taxes a nonresident's income from all Montana sources.

Example: If you lived and worked in California from January to August of the year, then worked remotely in Montana for the rest of the year, your wages earned while working in Montana are considered Montana source income. These wages are subject to tax, even though you are a nonresident.

North Dakota Reciprocity

Montana has an income tax reciprocity agreement with the state of North Dakota that allows a resident of one state to be exempt from wage withholding and individual income tax on compensation received for work performed in the other state.

If you are a resident of North Dakota, wages you received in 2024 for work performed in Montana are not taxable in Montana. The following instructions are for residents of North Dakota whose income from Montana is only wages.

If your employer withheld Montana income tax, you must complete Form 2, pages 1 and 2, to request the refund as follows:

1. Complete the personal information section at the top of page 1, as instructed.
2. Mark the box for "Nonresident."
3. Mark the box for "North Dakota Reciprocity."
4. Complete page 1, lines 1 through 3 and 7. Report your Montana wage withholding on lines 11a and 11. Then, enter this amount on lines 21, 23, and 26.
5. File your form with a copy of your federal return and Form(s) W-2 showing Montana income tax withholding.

If you received wages and other types of income from Montana, you must complete Form 2 following the instructions. See the Schedule II instructions for the treatment of your wages.

If you do not want your employer to withhold Montana income tax from your wages, you must claim the North Dakota reciprocity exemption on Montana Form MW-4 and give that form to your employer.

Page 1

Lines 1 through 3. If you do not have a federal filing requirement but must file a Montana return because you are required to report a Montana addition or subtraction, complete lines 1 through 3 with any amounts that would be reported on those lines as if you were required to file the Form 1040. See federal Form 1040 for what is included in federal adjusted gross income.

Line 1 - Federal adjusted gross income. Your income on your Montana tax return begins with your federal adjusted gross income as reported on your Form 1040, line 11. You must include your federal Form 1040 with your return unless you did not have a federal filing requirement.

Line 2 – Federal standard deduction or adjusted federal itemized deductions. You must use the same type of deduction taken on your federal return to determine Montana taxable income.

If you took the standard deduction on your Form 1040, enter the amount from your Form 1040, line 12. Also use the standard deduction for your filing status if you did not have a federal filing requirement.

If you itemized your deductions, you must remove any state income taxes taken as an itemized deduction only to the extent that it does not reduce your deduction below your federal standard deduction. Use Worksheet A (Adjusted Federal Itemized Deductions Worksheet) to determine the amount to report on this line.

Worksheet A – Adjusted Federal Itemized Deductions Worksheet			
Do not use this worksheet if you took the federal standard deduction.			
1	Enter your total federal itemized deductions from Form 1040, line 12	1	
2	Enter the amount of state income tax deduction included on Form 1040, Schedule A	2	
3	Subtract line 2 from line 1. (See instructions)	3	
4	Enter the standard deduction for your federal filing status	4	
5	Enter the greater of line 3 or line 4 here and on page 1, line 2.	5	

Worksheet A, line 3. If you are married filing separately and itemized your deductions because your spouse also itemized deductions, you must subtract all of your state income tax deduction from your federal itemized deductions. If you are using the married filing separately status, report Worksheet A, line 3 on Form 2, line 2.

Important: Do not include the federal qualified business income deduction to determine your federal taxable income for Montana purposes.

Line 3 – Federal taxable income for Montana. If zero or less, enter zero.

Line 4 – Montana additions to federal taxable income. Montana additions are all items of income that are not included in federal taxable income and that must be added to determine Montana taxable income. Enter the total of your Montana additions from Schedule I, Montana Adjustments Schedule, line 9. For information about additions, see the instructions for Schedule I.

Line 5 – Montana subtractions to federal taxable income. Montana subtractions are all items of income included in federal taxable income that are deducted to determine Montana taxable income. Subtractions to federal taxable income are reported on Schedule I. Enter the total of your Montana subtractions from Schedule I, Montana Adjustments Schedule, line 27. For information about subtractions see the instructions for Schedule I.

Line 6 - $5,500 subtraction for taxpayers 65 and older. Taxpayers 65 and older receive a $5,500 subtraction from federal taxable income. If married filing jointly, and both are 65 and older, the subtraction is equal to $11,000. This amount is adjusted annually for inflation.

Line 7 – Montana taxable income. Your Montana taxable income cannot be less than zero. If zero or less, enter zero.

Line 8 – Tax liability before tax credits. The Montana tax liability is calculated on Form 2, page 2 on the Montana Individual Income Tax worksheet. For information about figuring your tax liability see the instructions for Montana Individual Income Tax Calculation Worksheet.

Line 9 – Nonrefundable tax credits. Enter the total of your nonrefundable tax credits from Schedule III, Tax Credits, line 14. For information about nonrefundable tax credits, see the instructions for Schedule III.

Line 11 – Montana income tax withheld. Enter the total amount of Montana income tax withheld from each type of form you received.

11a – Form(s) W-2. If you received wages, the Montana tax withheld is reported in Box 17 of your federal Form W-2.

11b – Form(s) 1099. If you received pensions, retirement income, or IRA distributions, the Montana tax withheld is reported in Box 14 of your federal Form 1099-R.

If you received Montana mineral royalties, the tax withheld is generally reported in Box 16 of your federal Form 1099-MISC. Royalty payments made to owners of Montana mineral rights are subject to state tax withholding if certain thresholds are met. This amount is no more than 6 percent of your Montana royalty payments and should not be confused with the production taxes that are also subtracted from your royalty payments. Do not report any production taxes on this line.

11c – Total pass-through entity tax credit from Montana Schedule(s) K-1. Report the total amount of pass-through entity tax credit shown on the Montana Schedule(s) K-1 (PTE), Part V, line 1, you received from a pass-through entity.

Report the amount of pass-through entity tax shown on the Montana Schedule(s) K-1 (FID-3) you received from an estate or trust from Part V, line 4.

11d – Total withholding from Montana Schedule(s) K-1. Report the amount of withholding taxes shown on the Montana Schedule(s) K-1 (PTE) you received from a pass-through entity. Combine the total pass-through withholding on Part V, line 3c, and the mineral royalty withholding reported on Part V, line 4 of the Montana Schedule K-1, and report the sum here.

Report the amount of withholding taxes shown on the Montana Schedule(s) K-1 (FID-3) you received from an estate or trust. Combine the total withholding on Part V, lines 1 through 3, and report the sum here.

11e – Loan-out withholding from Form LOWCERT. If you are an employee or owner of a loan-out company, report the amount of loan-out withholding from Form LOWCERT.

Line 12 – 2024 estimated tax payments. If you made estimated income tax payments for tax year 2024, enter the amount of these estimated tax payments, including any payment you made on or before April 15, 2025.

Line 13 – Overpayment applied from 2023 return. Report the amount of the 2023 overpayment that you requested us to apply to your 2024 estimated income tax payments. Do not include in this total any income taxes paid for a previous year since these are not estimated taxes paid for tax year 2024. You can view your payment history on our TransAction Portal (TAP), at https://tap.dor.mt.gov.

Line 14 – Extension payments. You receive an automatic extension to file your 2024 Form 2. However, you may still make an extension payment. Use this line to report any payment you make on or after April 15, 2025, for tax year 2024 if you file your return on or after the original due date but before the extended due date.

Line 15 – Montana earned income tax credit. You are allowed a Montana earned income tax credit (EITC) of 10 percent of the federal EITC claimed on your federal return. Your Montana EITC is refundable. This means that if the credit is more than your Montana tax liability after applying withholding taxes and credits, the difference will be refunded to you.

Nonresidents do not qualify for the Montana EITC. If you are a nonresident, leave this line blank.

Enter your federal earned income tax credit from your federal Form 1040, page 2, line 27. Multiply this amount by 10 percent (0.10) ONLY if you are a full-year resident and you are not:

- An enrolled tribal member living on the reservation of your tribe; or
- A member of an agricultural organization provided for in section 501(d) of the Internal Revenue Code

If you are a part-year resident, an enrolled tribal member living on the reservation of your tribe, a member of an agricultural organization provided for in section 501(d) of the Internal Revenue Code, or a resident active duty servicemember, you are allowed the Montana EITC in the proportion of your Montana earned income over your total earned income. Use the Montana EITC Reduction Worksheet to calculate your Montana EITC.

On this worksheet, Montana earned income means the following:

- If you are a part-year resident, earned income used for the calculation of the federal EITC that was earned in Montana while you were a resident. In general, Montana earned income is the addition of all income reported on Schedule II, lines 1, 6, and 11. Earned income sourced to Montana while you were not a resident is not Montana earned income. See Example 1.
- If you are an enrolled tribal member living on the reservation of your tribe, earned income is the amount received for services performed outside the reservation. Use Form ETM to calculate your Montana earned income. See Example 2.
- If you are a member of an agricultural organization provided for in section 501(d) of the Internal Revenue Code, your Montana earned income is your federal earned income minus any dividends received from the agricultural organization that are included in the federal earned income used to calculate the federal EITC. See Example 3.
- If you are a resident active duty military servicemember, the amount of earned income that is not exempt from individual income tax in Montana. See Example 4.

Worksheet B - Montana EITC Reduction Worksheet			
1	Enter the federal EITC reported on Form 1040, line 27	1	
2	Multiply line 1 by 10% (0.10)	2	
3	Enter your federal earned income used to calculate the federal EITC	3	
4	Enter your Montana earned income	4	
5	Divide line 4 by line 3	5	
6	Multiply line 2 by line 5. Report on Form 2, page 1, line 15. **This is your Montana EITC.**	6	

Example 1: Part-year Resident. You are a part-year resident who received $30,000 of earned income including $15,000 of wages in Montana as a resident and $5,000 of wages as a nonresident, and another $10,000 of wages in another state. Your Montana earned income is $15,000. Assume your federal EITC is $2,000. Your Montana EITC before reduction is $200 (10 percent of your federal EITC). Your Montana EITC after reduction is $100 ($200 x ($15,000 / $30,000)).

Example 2: Enrolled Tribal Member. You are an enrolled member of a tribe living on the reservation of your tribe in Montana. You received $30,000 of earned income including: $10,000 of wages earned while working outside the reservation, and another $20,000 earned on your reservation. Your Montana earned income is $10,000. Assume your federal EITC is $1,500. Your Montana EITC before reduction is $150 (10 percent of your federal EITC). Your Montana EITC after reduction is $50 ($150 x ($10,000 / $30,000)).

Example 3: Member of a 501(d) Organization. You are a member of an agricultural organization provided for in section 501(d) of the Internal Revenue Code. You received $25,000 of earned income. On your federal Form 1040, you included $10,000 of dividends received from the agricultural organization as earned income for the purpose of determining your federal earned income. Your Montana earned income is $15,000. Assume your federal EITC is $2,000. Your Montana EITC before reduction is $200 (10 percent of your federal EITC). Your Montana EITC after reduction is $120 ($200 x ($15,000/$25,000)).

Example 4: Resident Active Duty Servicemember. You are a Montana resident active duty servicemember filing jointly with your resident spouse. Your federal earned income is $45,000, $40,000 is your military salary and $5,000 is your spouse’s earned income. Your military compensation is exempt from taxation in Montana, but your spouse's income is not. Assume your federal EITC is $4,000. Your Montana EITC before reduction is $400 (10 percent of your federal EITC). Your Montana EITC after reduction is $45 ($400 x ($5,000/$45,000)).

Line 16 – Elderly Homeowner/Renter Credit. The Montana Elderly Homeowner/Renter Credit is a property tax relief program that provides a refundable tax credit of up to $1,150. To claim this credit, you must live in a household where the total income of all its members is less than $45,000 for that year, be 62 or older, have lived in Montana for more than nine months during the tax year, and occupied a Montana residence as a renter, owner, or lessee for a total of six months or more during the year.

To calculate the amount of the credit to report on this line, you must complete Schedule 2EC, Elderly Homeowner/Renter Credit. Attach Schedule 2EC to your return if you claim this credit. See the instructions for Schedule 2EC for more information.

Line 17 – Refundable tax credits. This line consists of the refundable tax credits reported on Schedule III, lines 15 and 16. Attach Schedule III to your form if you claim any of these credits. See the instructions for Schedule III for more information.

Line 18 – If filing an amended return, payments made with original return. Enter any payments made when you filed your original return and any subsequent payments that were applied to your 2024 tax liability.

Line 19–Contributions, Penalties, Interest, and Other Taxes. This line is used to report any contributions, penalties, interest, and other taxes from Schedule IV, Contributions, Penalties, Interest, and Other Taxes. Complete this schedule and attach it to your form if you are:

- Making one or more contributions to a voluntary check-off program
  - Nongame Wildlife Program
  - Child Abuse Prevention Program
  - Agriculture Literacy in Montana Schools Program
  - Montana Military Family Relief Funds Program
- Reporting interest, late filing or payment penalties, or penalties related to savings and management accounts
- Reporting lump sum taxes or any of the following recapture taxes
  - Biodiesel Credit
  - Endowment Credit
  - Family Education Savings Account
  - Montana ABLE Account
  - Trades Education and Training Credit

See the instructions for Schedule IV for more information.

Line 20–If filing an amended return, enter overpayments already refunded or applied to tax year 2025. If you are filing an amended return and you had an overpayment on your original tax year 2024 return, or on the last amended return filed for 2024 if this is not your first amendment, report this overpayment here. You may have chosen to apply this overpayment to your tax year 2025 estimated taxes.

Line 22 – Tax due. If your payments on line 21 are less than your tax liability on line 10, subtract your payments from your tax liability and enter the result on line 22. This is the amount you owe. You can pay the amount you owe by:

- electronic funds withdrawal when e-filing return. You can schedule your withdrawal for a later date.
- e-check or credit/debit card on our TransAction Portal at https://tap.dor.mt.gov. There is a fee when paying with a credit or debit card.
- personal check, money order, or cashier's check. Include the payment voucher available at MTRevenue.gov. Make your check payable to the Montana Department of Revenue, sign your check, and write your Social Security Number and "tax year 2024" on the memo line.

Note: If the payment is not in U.S. funds, the bank will convert the payment to U.S. funds based on an exchange rate, potentially reducing the amount credited to your tax account.

Interest and late payment penalties will be assessed on any amount not paid when due.

If you cannot pay the entire amount that you owe with your tax return, we encourage you to file your return on time and pay as much as possible. By filing and paying as much as you can by April 15, 2025, you may not have to pay a late filing penalty and you can reduce the amount of your late payment penalty and interest. If you need to establish a payment plan, visit our TransAction Portal at https://tap.dor.mt.gov or call us at (406) 444-6964, as soon as possible to discuss your options and make payment arrangements.

Line 23–Overpaid tax. If your payments on line 21 are more than your tax liability on line 10, this is your overpayment. You may apply this amount to any contributions, penalties, interest, and/or your 2025 estimated taxes. You may also designate an amount of your overpaid tax to a 529 or 529A (ABLE) account.

Line 24 – Amount applied to your 2025 estimated taxes. This is the amount from your overpaid tax you want applied to your 2025 estimated taxes. The amount you carry forward to your 2025 return is applied to your first tax year 2025 estimated tax installment payment. See Publication 1, Prepaying Income Tax, for further information on your obligation to prepay income tax.

Line 25 – 529/529A deposit. If you want all or part of your refund deposited into a 529 Qualified Tuition Program (Family Education Savings Account) or a 529A (Achieving a Better Life Experience (ABLE)) savings account, complete the 529/529A Direct Deposit Information section in the Direct Deposit section. Your deposit must be more than $25 per account.

Line 26 - Refund. This is your refund. This amount cannot be less than zero.

Montana Individual Income Tax Calculation

Complete lines 1 through 12 to determine your Montana tax liability, which consists of the Montana Ordinary Income Tax and the Montana Net Long-Term Capital Gains Tax. If you are a resident, the amount on line 13 is your tax liability. Nonresidents, part-year residents, and Montana residents with nonresident or part-year resident spouses complete lines 1 through 12, then use the Net Long-Term Capital Gains Tax on line 11 and the Montana Ordinary Income Tax to figure the total Montana tax liability on Schedule II, Tax on Montana Source Income.

The tax rates are on page 14.

Montana Ordinary Income is defined as all taxable income that is not considered a net long-term capital gain and includes qualified dividends.

A net long-term capital gain is the net gain from the sale or exchange of a capital asset held for more than one year, if and to the extent such gain is used in computing your gross income. Examples of net long-term capital gains include the proceeds from the sale of stocks, bonds, or real estate owned for more than one year.

Net long-term capital gains are taxed at two rates unless Montana Ordinary Income is greater than the amount for the filing status.

To figure your net long-term capital gains tax, calculate your total Montana Ordinary Income by subtracting your net long-term capital gains from your total Montana taxable income reported on page 1, line 7. Use this amount to determine the rate for your net long-term capital gain, up to the top of the first bracket of 3 percent. The portion of your long-term capital gain that exceeds the first bracket will be taxed at 4.1 percent.

For Montana Ordinary Income above the amounts below, all net long-term capital gains are taxed at 4.1 percent.

Filing Status	Montana Ordinary Income
Single and married filing separately	$20,500
Married filing jointly and qualifying surviving spouses	$41,000
Head of household	$30,750

Line 1. Enter the amount of taxable income from page 1, line 7. If you do not have a net long-term capital gain, skip lines 2 through 10, and enter 0 on line 1. Use the Ordinary Income Tax Table on Page 14 to determine your Montana Ordinary Income Tax that is reported on line 12.

Line 2 – Net long-term capital gains. Enter the net long-term capital gains that are subject to the federal net long-term capital gains tax. Generally, this amount is the lesser of federal Schedule D, line 15 or Schedule D, line 16. If you are not required to file a Schedule D because you meet the exception to file a federal Schedule D, report the amount on your Form 1040, line 7. You meet the exception to file a federal Schedule D if you are not deferring any capital gain by investing in a qualified opportunity fund and you have no capital losses; your only capital gains are capital gain distributions from Form(s) 1099-DIV, box 2a; and none of your Form(s) 1099-DIV have an amount in boxes 2b, 2c, 2d, and 2f.

Lines 11 and 12. Nonresidents, part-year residents, and Montana residents filing jointly with nonresident or part-year spouses are taxed on their Montana source income. The tax on Montana source income is first calculated using the taxable income determined as if the taxpayer was a resident. Then, a ratio of the taxpayer's income from Montana sources over income from all sources is applied to the tax. This tax is calculated on Schedule II. Enter your Montana Net-Long Term Capital Gains Tax on line 11 on Schedule II, line 24. Enter your Montana Ordinary Income Tax on line 12 on Schedule II, line 19. Instructions for Schedule II, Tax on Montana Source Income, are on page 22.

> *Example:* Marla is a nonresident using the single status. Her federal taxable income on page 1, line 3, is $50,500 and includes $10,000 of rental income from a real property she owns in Montana. She does not have any net long-term capital gains. The rental income is Montana source income.
>
> Marla must first calculate her taxable income as if she were a resident and calculate her resident tax. Her federal taxable income includes $500 of interest that is exempt in Montana. Since she reports the same additions and subtractions as a resident, she reports this interest as adjustment on her Schedule I. After additions and subtractions, Marla's Montana taxable income is $50,000. She figures her tax on this amount on page 2, line 12. Her Montana Ordinary Income Tax is $2,704.
>
> Marla then calculates her Montana source ordinary income ratio on Schedule II. She reports $10,000 of rental income on line 10. Her Montana source ordinary income ratio on line 18 is 20 percent ($10,000/$50,000).
>
> Marla calculates her Montana Source Ordinary Income Tax on lines 20 and 26, which is $541 ($2,704 x 0.20). She reports $541 on Form 2, line 8.

Line 13 – Montana resident tax. This is your Montana income tax. Residents enter this amount on page 1, line 8. Nonresidents, part-year residents, and Montana residents filing jointly with nonresident or part-year residents spouses leave this line blank.

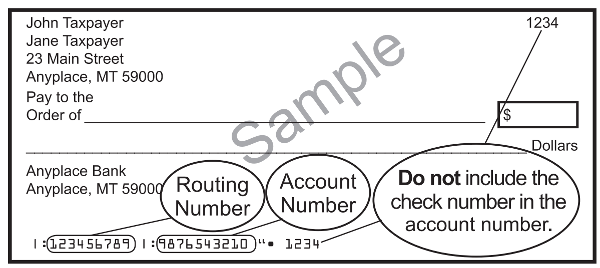
Direct Deposit

Important: Direct Deposit is not available to taxpayers who are filing a Montana tax return for the first time.

If you would like to use direct deposit, enter your financial institution's routing number (RTN#) and your account number (ACCT#) in the space provided. Your routing number is nine digits and your account number can be up to 17 characters, including numbers and letters. Mark whether your account is a checking or savings account and if your refund will go to a bank outside of the United States and its territories (Midway Islands, Puerto Rico, American Samoa, U.S. Virgin Islands, Federated States of Micronesia, and Guam).

If your financial institution does not accept the direct deposit, we will mail you a refund check.

A sample of a personal check is provided for your reference.



529 and 529A account direct deposit. You may directly deposit all or a portion of your tax refund into a Montana or out-of-state 529 Qualified Tuition Program (Family Education Savings Account) or 529A Achieving a Better Life Experience (ABLE) Account. The 529 or 529A account must already be open to make a deposit. You must make a minimum deposit of $25. If the amount you elect to deposit exceeds your available overpayment for any reason, your deposit will be canceled, and any remaining funds will be refunded by check or direct deposit.

The amount on this line must match the amount reported on page 1, line 25.

For more information about Montana Family Education Savings plans, contact Achieve Montana.

> https://achievemontana.com/
> ClientService@AchieveMontana.com
> (877) 486-9271

For more information about Montana Achieving a Better Life Experience plans, visit https://savewithable.com/ or call (888) 609-3461.

Signature, Paid Preparer, and Third-Party Designee

Your tax return is not complete unless you sign it. Incomplete returns cannot be processed and require us to contact you for additional information.

If you have someone prepare your return, you are still responsible for the correctness of the return.

Electronic Return Signatures

If you are filing your return electronically, the act of filing your return electronically signifies your declaration, under the penalty of false swearing, that:

- You are the taxpayer identified on the return; and
- The information on the return is true, correct, and complete.

Filing electronically, with this declaration, is your signature.

Daytime Phone Number

Providing your daytime phone number may help speed the processing of your return. We may have questions about items on your return and if you are able to answer our questions over the phone, we may be able to continue processing your return without mailing you a letter. If you are filing a joint return, you can enter either your or your spouse's daytime phone number.

If your paid preparer is also a third-party designee (see below), you can enter your paid preparer's phone number here.

Paid Preparer

The paid preparer must give you a copy of the return for your records.

Signature. Anyone you pay to prepare your return must sign it. Someone who prepares your return but does not charge you should not sign your return.

PTIN. You must report the Preparer Tax Identification Number (PTIN) of the preparer in the space provided.

Third-Party Designee. To allow us to discuss your 2024 Form 2 with your paid preparer, your friend, family member, or any other person you choose, mark the appropriate boxes, and provide the required information on Form 2, page 2, Signature, Paid Preparer, and Third-Party Designee section.

The Paid Preparer designation box is located below the Paid Preparer's Name box. You must include the Preparer's daytime phone number.

To designate someone other than, or in addition to, the paid preparer, mark the box above the "Name" field. You must include your designee's name and phone number.

By selecting a Third-Party Designee, you are authorizing the designee to:

- discuss your 2024 Form 2 return
- give us any information that is missing from your return, such as a missing Form W-2
- call us for information about the processing of your return or the status of your refund or payments
- respond to notices from us about math errors, offsets, and return preparation.

Note: the department will only send notices directly to you, not to the third-party designee

You are not authorizing the designee to discuss any other tax year, receive any refund check, bind you to anything, or otherwise represent you before us.

The third-party designee authority only lasts one year from the due date of the 2024 return (without regard to extensions) and is invalid for amended returns filed one year after the original due date. This is April 15, 2026, for most people.

Please be aware that you cannot revoke this authorization.

If you want to expand the third-party designee's authorization (for example, to verify any estimated payments you'll be making in the future or to discuss other tax years), use Form POA (Power of Attorney, Authorization to Disclose Tax Information). Form POA is available at MTRevenue.gov, or you can submit a POA through our TransAction Portal (TAP) at https://tap.dor.mt.gov.

2024 Montana Ordinary Income Tax Rates

Single and Married Filing Separately

If your taxable income without long-term capital gains is	But less than	Then your tax rate is	Less
$0	$20,500	4.70%	$0.00
$20,500 or greater		5.90%	$246

Married Filing Jointly and Qualifying Surviving Spouse

If your taxable income without long-term capital gains is	But less than	Then your tax rate is	Less
$0	$41,000	4.7%	$0
$41,000 or greater		5.9%	$492

Head of Household

If your taxable income without long-term capital gains is	But less than	Then your tax rate is	Less
$0	$30,750	4.7%	$0
$30,750 or greater		5.9%	$369

Schedule I – Montana Adjustments to Federal Taxable Income

Use Schedule I to report all additions and subtractions to federal taxable income, and to calculate the Montana Medical Savings Account addition and subtraction.

Part I reports Montana additions and subtractions to federal taxable income. Montana additions are all items of income that are not included in federal taxable income and must be added back to determine Montana taxable income. Montana subtractions are all items of income that are included in federal taxable income and are deducted to determine Montana taxable income.

Part II reports the adjustments for your Montana Medical Savings Account (MSA). A taxpayer with a Montana MSA can subtract contributions to the account plus interest and other income earned on the account during the year. Any nonqualified withdrawals must be added back to federal taxable income and may be subject to a recapture tax.

Part I: Montana Additions and Subtractions

Additions

Line 1 – Interest and mutual fund dividends from state, county, or municipal bonds from other states. Enter the interest and mutual fund dividend income that you received from bonds and obligations of another state, territory, or political subdivision of another state (county, municipality, district, etc.).

Line 2 – Other recoveries of amounts deducted in earlier years that reduced Montana taxable income. If, in 2024, you received a reimbursement of an amount that you previously deducted on your Montana tax return and this deduction originally reduced the amount of your Montana income tax liability in the year of the deduction, you may need to report as income a portion or all of the reimbursement that you received on your 2024 tax return.

Do not include any refund of federal tax previously deducted on Form 2. Beginning with tax year 2024, refunds of federal income tax deducted on the Montana return before tax year 2023 are no longer subject to the tax benefit rule. For refunds of federal taxes deducted on the 2023 Form 2, see Transition Schedule.

Do not include the amount of 2023 Montana property tax rebate received in 2024 that was included in your 2023 itemized deductions.

Line 3 – Nonqualified withdrawals from a Montana savings account. If you took a nonqualified withdrawal from a Montana MSA or a Montana First-Time Homebuyer Account, you must add back the amount of the nonqualified withdrawal to your federal taxable income. Mark the box for the account that you took a nonqualified withdrawal from.

More information about nonqualified withdrawals from a Montana MSA is on page 23.

First-Time Homebuyer Account Nonqualified Withdrawals. Nonqualified withdrawals from a Montana First-Time Homebuyer Account are amounts not used for the down payment and allowable closing costs for the purchase of a first-time home, amounts held in the account for longer than 10 years, or amounts remaining in the account after becoming a nonresident. You must pay a 10 percent penalty on this withdrawal unless the withdrawal was on the last business day of the year. See page 23 for more information.

The funds in a Montana First-Time Homebuyer Account must be used within 10 years of the establishment of the account. Any principal and interest in your account not used to purchase your home within this 10-year period, or after you have purchased your home, is taxed as ordinary income, and reported on this line.

If you become a nonresident and have unused funds in your First-Time Homebuyer Account, the amount of income in the final year of residency, along with the amount of principal and interest previously excluded from adjusted gross income is considered a nonqualified withdrawal. These amounts are considered ordinary income to Montana and subject to tax. Unless it is withdrawn on the last day of the year while still a Montana resident these amounts are also subject to the 10% nonqualified withdrawal penalty (see page 23).

Line 4 – State income tax deduction included in federal taxable income. You must add back any state income tax deducted from your federal taxable income. This includes deductions taken in the determination of your business income. Examples of state income taxes that may have been deducted from your federal taxable income include:

- Pass-through entity taxes paid in another state or in Montana
- Pass-through entity composite taxes paid in another state
- Mineral royalty withholding taken as an expense on your Form 1040, Schedule E.

Do not include the state income taxes taken as a deduction on your federal itemized deductions. This amount is already excluded from your Montana taxable income on page 1, line 2.

Line 5 – Expenses used to claim a Montana tax credit. If you claim a Montana tax credit and reduced your federal taxable income by deducting expenses associated with that credit, you must add the amount of the expenses used to calculate your credit as an addition to federal taxable income on this line.

Line 6 – Other additions. Enter any other additions to federal taxable income not included on lines 1 through 5 and enter the code. You may only enter up to two codes on this line. If you have more than two additions, attach a statement with the code and report the total amount of all additions on this line. Other additions include:

Taxes paid by an S corporation – Code AC. If you are a shareholder in an S corporation that is required to pay a federal income tax on its income, include on this line, along with code AC, the amount of your income that has been reduced by the federal income taxes paid by your S corporation. Refer to your federal Schedule K-1 to determine the amount of income that you must include as an addition to your federal taxable income.

Farm and ranch risk management account taxable distributions – Code: AF. Prior to January 1, 2024, an individual or a family farm corporation with an eligible agricultural business could establish a Farm and Ranch Risk Management Account. Taxpayers may no longer open an account as of January 1, 2024. Deposits made into the account could be subtracted from federal adjusted gross income.

Report on this line, with code AF, any distribution that was:

- previously excluded from Montana adjusted gross income as a Farm and Ranch Risk Management Account deposit;
- not distributed within three years from the date the original deposit was made

In addition, if at any time within the three-year period, that the individual or business was no longer engaged in an eligible agricultural business, the entire balance in the account is considered to be distributed and must be added back to federal taxable income on this line.

Distributions not made within three years of the deposit are considered to have been distributed on the last day of the third year and are subject to a penalty equal to 10% of the tax due on this amount. See page 37 for more information on the penalty.

Title plant amortization and depreciation – Code: AG. If you are taking a federal deduction for amortization depreciation on a title plant, you must add back to your federal taxable income the amount of this deduction, along with code AG, on this line.

Other additions – Code: AZ. Report any other additions to federal taxable income on this line along with code AZ.

Line 7 – Transition adjustment for tax year 2024. If you make an election to report a transition adjustment, report the amounts used to reconcile the difference in the federal and Montana amounts of passive activity losses, short-term and long-term capital losses. This also includes any difference between the federal and Montana basis of an asset. Attach Transition Schedule to your return. See Transition Schedule instructions for more information.

Line 8 – Recovery of federal income tax deducted in 2023. If you make an election to report a transition adjustment, and you received a federal income tax refund in 2024 from federal taxes you claimed as an itemized deduction on your 2023 Montana tax return, you may need to report all or a portion of your federal refund as income on your Montana tax return.

No addition is necessary if you do not elect to make a transition adjustment, you claimed the standard deduction on your 2023 Form 2, or you limited your deduction to the amount of income tax included on your 2023 return.

Complete Transition Schedule, Part II, to calculate your recovery of federal income tax deducted on your 2023 tax return.

Subtractions

Line 10 – State income tax refunds. Income tax refunds received from Montana or another state are not taxable. If you are required to include your state income tax refund on Form 1040, Schedule 1, line 1, report that amount on this line.

Line 11 – Interest and mutual fund dividends from federal bonds, notes, and obligations. If you received interest on United States government obligations and mutual fund dividends attributable to that interest, you may subtract these amounts if they are included in your federal taxable income. Additionally, if you received interest on obligations from U.S. territory or government agency obligations that are specifically exempt by federal law, or mutual fund dividends attributable to this interest, you can subtract these amounts if they are included in your federal taxable income.

U.S. obligations that are exempt include:

- Series E, EE, F, G, H, and I savings bonds
- U.S. treasury bills
- U.S. government notes
- U.S. government certificates

Interest on obligations that are only guaranteed by the U.S. government are not tax exempt. You cannot subtract the interest or mutual fund dividends attributable to Government National Mortgage Association (Ginnie Mae) bonds, Federal National Mortgage Association (Fannie Mae), or Federal Home Loan Mortgage Corporation (FHLMAC) securities.

Line 12 – Recoveries of amounts deducted in earlier years included in federal taxable income that did not reduce Montana income tax. If you are required to include in your federal taxable income any recovery of amounts that were refunded to you after you claimed the deduction of the expense on a prior federal income tax return, and if this previous deduction did not reduce your Montana income tax liability in the year of that deduction, you can subtract the amount of this recovery from your federal taxable income.

Line 13 – Exempt tribal income. If you are an enrolled member of a tribe who lives on the reservation governed by your tribe, you can subtract the following income that can be sourced to the reservation governed by your tribe:

Wages earned within the exterior boundaries of your reservation

- All interest, dividends, pensions, annuities, and any income received from the use of intangible properties
- Income, including farming, from real properties located within the exterior boundaries of your reservation
- Any business income from activities carried on within the exterior boundaries of your reservation
- If you did not reside on the reservation governed by your tribe for the entire year, you can subtract only those wages or other income that you earned while you lived and worked on your own reservation.

Report the details on Form ETM and include it with your Form 2.

Line 14 – Military salary of an active duty servicemember. If you are receiving military compensation as a member of the regular U.S. Armed Forces on active duty, or as a member of the National Guard under Title 10 USC orders, and this compensation is included in your federal taxable income, you can use this line to subtract your basic, special, and incentive pay from your federal taxable income.

If you receive wages under the Combat Zone Exclusion that are not included on your Form W-2, they will not be included in your federal taxable income, so there is no need to subtract them on this line. However, if you are a commissioned officer who could not exclude all your wages received under the Combat Zone Exclusion because it exceeded the highest rate of enlisted pay for each part of the month you served in a combat zone, or because you were hospitalized as a result of your service there, you may include the additional combat pay that was included in your federal taxable income.

If you are a member of the National Guard, you can subtract your compensation received under Title 10 USC orders, or as part of a homeland defense activity as defined in 32 USC 901, or as part of a contingency operation as defined in 10 USC 101, on this line. Compensation received for completing your annual training, inactive duty trainings, or when you engaged in "active Guard and Reserve duty" as defined Title 10 USC 101, is not deductible and must not be included on this line.

Do not add any retirement, retainer, equivalent pay, or allowances on this line.

If you claim this exemption, include verification of your military status (such as your military orders) with your income tax return. Contact the department or visit MTRevenue.gov for more information.

Line 15 – Subtraction for working military retirees and military survivor benefits. Montana resident working military retirees may be eligible to subtract a portion of their military retirement income from Montana taxable income. The subtraction is also available to resident beneficiaries receiving military survivor benefits. For military retirees, the subtraction is equal to the lesser of:

- 50% of the taxpayer's military retirement income received from the Defense Finance and Accounting Service (DFAS), or
- The amount of Montana source income from:
  - Wages, salary, and tips from compensation performed in Montana
  - Net income from a trade or business in Montana
  - Net income from farming activities in Montana

Beneficiaries receiving military survivor benefits under the U.S. Department of Defense's Survivor Benefit Plan can exempt up to 50% of their military survivor benefits. Eligible beneficiaries include spouses, eligible children, or an "insurable interest" as defined by the U.S. Department of Defense.

Retirees and beneficiaries must meet certain residency requirements to claim this subtraction. The subtraction is for taxpayers that became a Montana resident after June 30, 2023, or for a Montana resident that was a resident before receiving military retirement income or survivor benefits and remained a resident thereafter. The exemption is not available to retirees or beneficiaries that were nonresidents when they began receiving military retirement if they became a resident before June 30, 2023, or if they were previously qualified to claim the exemption but become nonresidents after receiving the exemption in a future tax year.

The deduction can only be claimed for five consecutive years after meeting the eligibility requirements. For retirees or beneficiaries who were residents before June 30, 2023, the exemption is available for five years after tax year 2024, which is tax year 2028.

See Form WMRE for more information. If you claim this subtraction, you must include Form WMRE with your return.

Line 16 – Montana Medical Savings Account (MSA) deposits and earnings. Report the subtraction amount from Part II (Montana Medical Savings Account (MSA) Adjustment), line 4.

Line 17 – First-Time Homebuyer Account deposits and earnings from deposits made before January 1, 2024. Before January 1, 2024, Montana residents could open and deposit amounts into a Montana First-Time Homebuyer Savings Account to save for the cost of a first home. Taxpayers could subtract up to $3,000 of deposits to the account plus interest or other earnings on these funds.

After January 1, 2024, deposits may no longer be made to these accounts. However, taxpayers may still take a subtraction from federal taxable income for deposits made before January 1, 2024, as well as any interest or earnings made on the principal of the account.

The contributed funds can only be withdrawn for the down payment and allowable closing costs for purchasing your first single-family residence in Montana. If you withdraw any of these funds for other purposes, they are subject to tax in the year they are withdrawn. They may also be subject to a 10 percent penalty unless they are withdrawn on the last business day of the year.

Funds must be used to purchase your first single-family residence within 10 years of when the account was opened. Any funds not spent within that time are subject to tax. See page 16 for more information on nonqualified withdrawals and page 37 for the First-Time Homebuyer Account penalty.

Note for lines 18 and 19. If you are planning to deposit all or part of your refund for tax year 2024 in a 529 or 529A account, this contribution is deductible in the year the contribution was made. For example, if you make a contribution to a 529A account in 2025 with your 2024 tax refund, the contribution is deductible on your 2025 tax return.

Line 18 – Family Education Savings account (529 plan) deposits. Eligible taxpayers can deduct up to $3,000 ($6,000 if married filing jointly and both spouses separately make deposits) of eligible deposits to a Montana Family Education Savings Account or another state's 529 plan. You may claim the deduction if:

- you own the account,
- your spouse owns the account, or
- your child or stepchild owns the account and is a Montana resident.

Withdrawals of your contributions and earnings from a Montana Family Education Savings Account or another state's 529 plan are not taxable to you if you withdraw them to pay for qualified education expenses. Qualified education expenses are defined in 26 USC 529 and include:

- tuition, fees, books, supplies, and equipment required for enrollment or attendance at an eligible postsecondary school
- expenses for special need services needed for a student with special needs in connection with enrollment or attendance at an eligible postsecondary school
- expenses for room and board for students who are enrolled at least half-time at an eligible postsecondary school
- computer or peripheral equipment, software, or internet access if it is used by the beneficiary while enrolled at an eligible postsecondary school
- fees, books, supplies, and equipment related to the participation in an eligible apprenticeship program certified with the U.S. Secretary of Labor
- up to $10,000 of principal or interest on a qualified student loan for a designated beneficiary or a designated beneficiary's sibling
- up to $10,000 of tuition for enrollment at an elementary or secondary (K-12) public, private, or religious school

If you withdraw these funds for purposes other than to pay for qualified education expenses, they are subject to a recapture tax of 5.9 percent, which is reported on Schedule IV, line 7.

Contributions to a state's prepaid tuition plan or Coverdell ESA do not qualify for the subtraction.

To establish a Montana Family Education Savings Account or for additional information, contact the Achieve Montana Program at (877) 486-9271 or achievemontana.com.

Line 19 – Achieving a Better Life Experience Act (ABLE) account deposits. You can subtract deposits that you made into one or more qualifying Achieving a Better Life Experience Act (ABLE) accounts during the year, not to exceed $3,000 ($6,000 if married filing jointly and both spouses separately make deposits).

Generally, qualified ABLE accounts are established to support another person's qualified disability expenses and meet the requirements of 26 USC 529A. This subtraction is only allowed for contributions that you make to qualifying ABLE accounts that are owned by you or your spouse or to an ABLE account of which you are the parent, grandparent, sibling, or child of the designated beneficiary by blood, marriage, or legal adoption.

Funds in the account must be spent on qualified disability expenses related to the blindness or disability of the account owner such as: education, housing, transportation, personal support services, assistive technology, or health.

If contributions or earnings are withdrawn for purposes other than to pay for qualified disability expenses, those related contributions may be subject to a recapture tax of 5.9 percent, and related earnings are included in gross income. The recapture tax is reported on Schedule IV, line 7.

Line 20 – Subtraction for business-related expenses for purchasing recycled material. You can subtract 10 percent of the expenses your business paid for purchasing recycled products from your federal taxable income. This subtraction is allowed only to businesses within Montana. It applies to products purchased that contain recycled material at a level consistent with industry standards or consistent with the standards established by the U.S. Environmental Protection Agency (EPA). Include Form RCYL if you claim this subtraction.

Line 21 – Business expenses not included in federal taxable income due to an existing federal credit taken. If you incurred a business expense which was disallowed because you claimed a federal tax credit, you can deduct this business expense for Montana tax purposes. This subtraction includes wage deductions reduced by the federal targeted jobs credit or the credits for the portion of employer Social Security taxes paid with respect to employee cash tips.

Do not include any recoveries of capital expenditures through depreciation, depletion, or amortization. Depreciation, depletion, and amortization deductions must be the same for federal and Montana income tax purposes.

Line 22 – Certain expenses incurred by cannabis businesses. If you are a cannabis business registered in the state of Montana, you can subtract on this line your ordinary and necessary business expenses typically disallowed under IRC 280E.

Under IRC 280E, cannabis businesses are generally not allowed a deduction on their federal return for business expenses associated with the production and sale of cannabis other than those directly related to the cost of manufacturing the product.

Line 23 – Business sales and miscellaneous Montana subtractions. Only the following subtractions may be entered on this line.

Sales of land to beginning farmers – Code: SE. You can subtract 100 percent of your income or capital gain (up to $50,000) that you recognized from the sale of at least 80 acres or more of land to a beginning farmer at 9 percent or less interest on a long-term contract. To qualify for this deduction, you need to apply to the Agricultural Loan Authority of the Montana Department of Agriculture. Include a copy of this approval with your tax return. To learn more about the Montana Beginning Farm/Ranch Loan Program contact the Rural Development Section Manager at (406) 444-5420 or visit https://agr.mt.gov/Topics/E-G/Grants-Pages/Beginning-Farm-Ranch-Loans.

Capital gain on eligible sale of mobile home park – Code: SJ. If you were the owner of a mobile home park and you sold the park to a tenants' or mobile home park residents' association, a 501(c)(3) organization or a county or municipal housing authority, you can subtract all of the capital gain realized from the sale of the mobile home park. If you are claiming this subtraction, attach a copy of the sales agreement to your form.

Capital gains and dividends from Montana small business investment company – Code: SO. If you have capital gains or dividend income from an investment in a small business investment company (SBIC) included in your federal taxable income, you can exempt these capital gains or dividends if all of the following conditions are met:

- The SBIC must be organized with the purpose of diversifying and strengthening employment opportunities of companies in Montana.
- Within one year of being licensed by the U.S. Small Business Administration, 75 percent of the SBIC's investments must be in manufacturing or timber companies located in Montana.
- The SBIC's manufacturing and timber companies must have at least 50 percent of their employees working in Montana.

If you are claiming this subtraction, attach a copy of the statement you received from the Montana small business investment company.

Certain gains recognized by liquidating corporation – Code: SG. You can subtract from your federal taxable income the portion of your gain from the liquidation of a reporting corporation to the extent that this gain is included in the gross income of the liquidating corporation's Montana corporate income tax return. If you are claiming this subtraction, attach a copy of the statement you received from the liquidating corporation.

Payment received by an individual landowner for providing public access to public land – Code: SN. An individual that receives a grant from Montana Department of Natural Resources and Conservation to pay for costs associated with an access project that secures public access through private land to public land for which there is no other legal public access or to enhance existing access to public land can subtract this amount from federal taxable income.

Montana End of Watch Trust Payment – Code: SP. If, and to the extent, a payment you received from the Montana End of Watch Trust is included in your federal taxable income, that amount is exempt from Montana tax.

Montana-produced organic or inorganic fertilizer – Code: SQ. You can take a subtraction for purchasing organic fertilizer and inorganic fertilizer produced as a byproduct produced in Montana and used in Montana if the expenditure was not otherwise deducted in computing taxable income. Include a detailed statement documenting your eligible expenses.

Death benefits for a National Guard or Reservist Member – Code: SR. If you received a death benefit payment from the Montana Department of Military Affairs because you are the survivor of a member of the National Guard who died while on state active-duty orders, and this death benefit was included in your federal taxable income, that amount is exempt from Montana tax.

If you have more than two types of subtractions to report on this line, report the total of all the subtractions and attach a statement with the additional corresponding codes.

Lines 24 and 25 – Railroad Retirement Benefits. Montana does not tax federal Railroad Retirement Benefits paid by the Railroad Retirement Board. Enter the amount of Tier I benefits included on Form 1040, line 6b on line 24. Include Tier II benefits included on Form 1040, line 5b, on line 25. Also include on line 25 any sickness benefits paid to you by the Railroad Retirement Board as reported on your Form W-2.

Line 27 – Transition adjustment for tax year 2024 from Transition Schedule. If you make an election to report a transition adjustment, report the amounts used to reconcile the difference in the federal and Montana amounts of passive activity losses, short-term and long-term capital losses, and any differing bases. Attach Transition Schedule to your return. See Transition Schedule instructions for more information.

Part II: Montana Medical Savings Account (MSA) Adjustment

An account holder who establishes a Montana Medical Savings Account (or whose employer establishes an account for them) to pay for eligible medical expenses can exclude contributions plus interest and other income earned on the account during the year. In 2024 contributions are limited to $4,500. Account holders must be Montana residents.

Do not confuse the Montana MSA with the federal Health Savings Account (HSA) that is deductible on Form 1040, Schedule 1, line 13. You can participate in both programs. See the federal Form 1040 instructions for information about the federal HSA.

MSA accounts are usually self-administered. This means that the owner of the account keeps track of the contributions, earnings, and expenditures from the account. The account can be established at any financial institution registered in the state of Montana. In addition to checking and savings accounts at a Montana financial institution, MSAs can also be invested in stocks, bonds, mutual funds, or a combination of both. The MSA can also be established in an account that is allowable for a federal HSA. Note that while the MSA may be placed in an investment vehicle used for HSAs, the MSA cannot also be an HSA. To claim a subtraction for an MSA contribution and earnings, those amounts must be included in federal taxable income.

You can use the Montana Medical Care Savings Account Log found on our website at MTRevenue.gov to track your account activity.

If you are married filing jointly with your spouse, you must establish separate accounts. You can each contribute the maximum amount to the account and take a subtraction for the amount of the contributions to and earnings from each account. When reporting your MSA information, combine the amounts for each spouse.

MSA Subtraction

Line 1 – Beginning balance. Each MSA account holder must report their beginning balance in this section.

Line 2 – Total contributions for the year. Report the total amount of contributions for the year, limited to $4,500 for each taxpayer in 2024. If you are married filing jointly and each spouse contributed to their account, combine that amount. Each spouse can contribute up to $4,500 to their own account.

Line 3 – Earnings from the account: interest, dividends, capital gains, etc. Report the earnings for 2024 on line 3. Earnings can be found on the Form 1099 you received from the financial institution where the account is held. Do not include earnings that are tax-exempt for federal purposes or Montana purposes on this line.

If your MSA account is an investment-type account and lost income during the year due to market conditions, mark the box and enter 0 (zero) on this line.

MSA Addition

Line 5 – Total withdrawals made during the year. Report your total withdrawals made during the year. In general, this line will equal the beginning balance minus the ending balance, plus the subtraction calculated for the year on line 4.

If your MSA account is an investment-type account and lost income during the year due to market conditions, only report the withdrawals you made during the year. Do not report any losses on the account.

Line 6 – Withdrawals for eligible expenses. Report your withdrawals for eligible expenses on this line. Eligible expenses are medical and dental expenses allowed as an itemized deduction under IRC 213(d). See IRS Publication 502, Medical and Dental Expenses, for information on what types of expenses qualify under IRC 213(d).

In addition to the expenses allowed under IRC 213(d), you may withdraw funds from your MSA to pay for long-term care expenses, annuities, and insurance; family leave expenses; direct patient care payments; and healthcare sharing ministry expenses.

A family leave expense means an expense that approximates wages on a monthly basis that are lost by an immediate family member. These wages must be lost for the purposes of the federal Family and Medical Leave Act of 1993. To figure the lost wages, multiply the hourly wage by the amount of hours of work lost.

Withdrawals must be made by January 15 of the following tax year, even if you established residency in another state.

Line 7 – Nonqualified withdrawals. Nonqualified withdrawals are withdrawals from your MSA that are not considered a withdrawal for eligible expenses reported above on line 6. Subtract your eligible withdrawals on line 6 from your total withdrawals on line 5.

If you become a nonresident, any funds in your account that have not been spent on eligible expenses by the time you become a nonresident are considered nonqualified withdrawals. Report those amounts on this line.

Line 8 – Nonqualified withdrawals not subject to the 10 percent penalty. Nonqualified withdrawals that are not subject to the 10 percent penalty are withdrawals made on the last business day of the year. If you established residency in another state, the balance on your account on the date you became a nonresident are also not subject to the 10 percent penalty.

Line 9 – Nonqualified withdrawals subject to penalty. Withdrawals from your MSA are subject to a 10 percent penalty if they are not eligible expenses and are withdrawn on any day other than the last business day of the year. Multiply the amount on this line by 10 percent (0.10) and report it on Schedule IV, line 6.

Schedule II – Tax on Montana Source Income

If you are a nonresident, part-year resident, or a Montana resident filing jointly with a nonresident or part-year resident spouse you must use Schedule II to report your Montana source income and determine your Montana tax liability; and attach it to your return.

You must complete pages 1, 2, and Schedule I (if applicable), before completing Schedule II. On Schedule II, you will calculate the ratio of your Montana source income (numerator) over total income (denominator). There are two ratios to figure tax on Montana source income; one is for income that is not considered a net-long term capital gain (Montana ordinary income); and another ratio for tax on Montana source net long-term capital gains. Once these ratios are calculated, you will determine your tax by multiplying each ratio by your related tax determined as if you were a resident from Page 2.

Montana source income is the income or loss you received for work that you performed in Montana, from real or personal property located in Montana, and income or loss you received from business conducted in Montana. Your Montana source income also includes your distributive share of the Montana source income or loss from an S Corporation. If you are a Montana resident, Montana source income includes all income, no matter where you earned it.

Part-year residents calculate their tax like nonresidents. However, part-year residents must include in the numerator of their ratio all income received while they were a resident. For example, you relocated to Montana and established residency on July 1. You are filing your Montana tax return as a part-year resident reporting wages earned both within and outside of Montana, along with interest and dividends that you earned throughout the year. For the period of January 1 through June 30, your wages, interest, and dividends are not considered Montana source income. The wages, interest, and dividends that you received on or after July 1 are Montana source income taxable to Montana and reported on this schedule.

Residents filing jointly with nonresident or part-year resident spouses figure their tax in the same manner as a nonresident or part-year resident. However, all of the resident spouse's income is included in the numerator along with the Montana source income of the nonresident or part-year spouse. For example, Jim is a nonresident and Pam is a resident. Jim's income consists of wages earned in another state and interest from his personal savings account. Pam's income consists of business income. The couple jointly owns a rental property located in Montana. Pam will report all of her income and the total amount of the income from the rental property to determine the couple's tax on Montana source income. Jim's wages and interest are not considered Montana source income and are not reported on the Schedule II.

Reporting Montana Source Capital Gains

Net-long term capital gains are taxed at a different tax rate than Montana ordinary income. Taxpayers required to complete Schedule II calculate their Montana Source Net Long-Term Capital Gains Tax by applying a ratio of their Montana source net long-term capital gains to their net long-term capital gains from all sources on lines 21 through 25. That ratio is then applied to the Montana Net Long-Term Capital Gains Tax, from page 2, line 11, as if the taxpayer was a resident.

Short-term capital gains are subject to the Montana Ordinary Income Tax Rate.

Montana source net short-term capital gains or losses are those from the sale or transfer of tangible property located in Montana, or for your tangible property located in Montana, or for your tangible property used or held in connection with your trade, business, or occupation that is carried on in Montana for those assets held one year or less.

Where applicable, include the portion of any gains or losses received during the part of the year in which you were a nonresident for the sale or transfer of your tangible property located in Montana, or for the sale or transfer of any tangible property used or held in connection with your trade, business, or occupation that is carried on in Montana.

In general, if you are a nonresident who sold an interest in a publicly traded partnership doing business in Montana, some or all of the gain is Montana source income. Multiply your gain by the partnership's apportionment factor for the year you sold your interest. If the apportionment factor was not reported to you on the Schedule K-1, contact the partnership for the factor.

If you sold an interest in a single-member limited liability company or any disregarded entity, it is considered a sale of the assets of the company, not as the sale of an interest in an entity. Report any capital gain related to the sale of tangible assets located in Montana on this line. If you sold your interest while a resident (or a part-year resident) report the entire gain.

Report your distributable share of any separately stated Montana source capital gain from a pass-through entity. If it is a short-term gain, report it on line 7. Net long-term capital gains are reported on line 22 for the computation of the Montana Source Net Long-Term Capital Gains Tax. Your distributable share of Montana source capital gain or loss are found on lines 8 and 9 of your Montana Schedules K-1.

If you reported exempt capital gains and dividends from a Montana Small Business Investment Company as a subtraction on Schedule I, you must reduce the capital gains sourced to Montana by the same amount.

Report the net amount of your IRC 1231 gain sourced to Montana on line 22. To figure if you have an IRC 1231 overall gain, you must add all your Montana source IRC 1231 gains and losses from your Montana Schedules K-1 and your federal Form 4797 you filed as a sole proprietor.

If you are a part-year resident, only those capital gains from sources within Montana as well as those amounts earned while a resident of Montana are sourced to Montana.

If you are a resident filing jointly with a nonresident or part-year resident spouse, all of your capital gains are sourced to Montana, regardless of where they were generated. Your nonresident or part-year resident spouse's capital gains are sourced to Montana using the standards for a nonresident or part-year resident.

Reporting Montana Source Losses

Montana source losses are generated from:

- business carried on in the state directly or through a pass-through entity,
- the sale of tangible assets located in the state or used or held in connection with a trade or business, or
- any losses incurred or received from a pass-through entity while a resident of the state

You must report your Montana source losses on this schedule if you took them for federal tax purposes.

Any suspended losses or capital losses carried over to another year can only be taken as Montana source losses on this schedule until you use them on your federal return. When a loss is taken on the federal return in a given year, it cannot be taken a second time in a subsequent year on the schedule. Consequently, a taxpayer cannot reserve a loss for future years. It must be used in the same year it is used on the federal return.

If you generated a federal net operating loss, you must determine if some of these losses are from business carried on in Montana. Complete Form NOL-EBL to determine the proportion of your federal net operating loss deduction that you can claim as Montana source losses in carryover years.

Line Instructions

Line 1 – Montana source wages, salaries, tips, etc. If you are a nonresident, enter the amount of your wages, salaries, tips, and other compensation for services that you performed in Montana and that are included on your federal Form 1040, line 1z.

If you are a part-year resident, enter all the wages, salaries, tips, and other compensation for services that you earned while you were a Montana resident, regardless of where you earned this income. Also include, where applicable, the portion of your wages, salaries, tips, and other compensation that you received for services in Montana during the part of the year that you were a nonresident.

If you are a resident filing jointly with a nonresident or part-year resident spouse, enter all of your wages, salaries, tips, and other compensation that are reported on Form 1040, line 1z. If your spouse has any wages, salaries, tips, and other compensation earned in Montana or as a Montana resident, also enter that amount on this line.

Do not include compensation that is exempt from Montana tax on this line. This includes exempt tribal income, military salary of residents on active duty, military salary of nonresident military servicemembers, salary of a nonresident spouse of a nonresident military servicemember, or wages covered by the Montana/North Dakota reciprocity agreement.

If your employer did not break out your wages earned while working in Montana, you will determine your Montana source wages based on how your employer pays you. Hourly employees multiply the hourly rate by the number of hours spent working in Montana.

Example: You are paid $25 per hour and worked in Montana full-time for seven weeks. Your Montana source wages are $7,000 ($25 multiplied by 280 hours (seven 40-hour work weeks)).

Salaried employees whose wages are not broken out by the location where they were earned, report Montana source income based on the amount of time worked in Montana. Salaried employees may apply a ratio of the amount of time worked in Montana to the total amount of time worked in the year. The employee may also use a method that is reasonable based on the type of work performed.

Example: You earn $600,000 per year and spent four months working in Montana. Four months of the year is 33 percent of the year. Your Montana source wages are $198,000 (33 percent of your yearly salary of $600,000).

If you are a nonresident, worked in Montana for 30 days or less, and earned only wages while working in Montana, you have an exemption from filing a Montana tax return. However, certain types of employees do not qualify for the exemption, including:

- professional athletes
- professional entertainers
- an employee performing services for compensation on a per-event basis
- someone who receives lottery winnings from a lottery ticket purchased in Montana
- construction workers
- employees that had annual compensation of more than $500,000 in the preceding year

Line 2 – Montana source interest. If you are a nonresident, enter the amount of your interest that you received from an installment sale of real property or tangible commercial or business personal property located in Montana. As a nonresident, you do not have to include as Montana source income any personal interest that you received on an account in a financial institution located in Montana, or from notes (other than for the installment sales or notes for loans made during the usual course of business in Montana).

If you are a part-year resident, enter all the interest that you received or accrued during the period you were a resident and that is included in the totals on Form 1040, line 2b, and on Schedule I, line 1.

If you are a Montana resident with a nonresident or part-year resident spouse, enter all interest income you received, the portion of interest received from a joint account, and any Montana source interest your spouse may have received as a resident of Montana.

Line 3 – Montana source ordinary dividends. If you are a nonresident, generally your dividends are not considered Montana source income and should not be included on this line.

If you are a part-year resident, enter all the dividends that you received or accrued during the period you were a Montana resident and that are included in your total on Form 1040, line 3b.

If you are a Montana resident with a nonresident or part-year resident spouse, enter all dividend income you received, the portion of dividend income received from a joint account, and any Montana source dividends your part-year resident spouse may have received.

Line 4 – Montana source refunds, credits, or offsets of local income tax. If you are a nonresident, part-year resident, or resident filing jointly with a nonresident or part-year resident spouse and have a taxable income tax refund or recovery of an amount deducted in a previous tax year that is reported on Form 1040, Schedule I, line 10 or 25, enter that portion of your taxable refund and/or recovery that is determined to be Montana source income. Do not include any state income tax refund.

To determine that portion of your refund and/or recovery that is Montana source income, use the ratio of your Montana source income to total income that you reported in the year of the deduction. If you did not have any Montana source income and you were not required to file a Montana tax return, your income tax refund and/or recovery is not Montana source income.

Line 5 – Montana source alimony received. If you are a nonresident, the alimony you reported on Form 1040, Schedule 1, line 2a, is not Montana source income and is not taxable to Montana.

If you are a part-year resident or a Montana resident with a nonresident or part-year resident spouse, enter the amount of alimony received while located or as a resident of Montana that is included on Form 1040, Schedule I, line 2a.

Lines 6a through 6c – Montana source business income or (loss). These lines are used to report business income carried on in Montana as a sole proprietor or as a single member LLC. If you are a nonresident, you must complete Form DE prior to completing this schedule to apportion and allocate your Montana source income. If you are a part-year resident, complete Form DE for the time that you were a nonresident if you had any Montana source income during that period. See the instructions for Form DE for more information.

Residents filing jointly with a nonresident or part-year resident spouse do not complete Form DE because all income earned by a resident is considered Montana source income.

If you are a resident filing jointly with a nonresident or part-year resident, report all of your business income and any Montana source business income received by your nonresident or part-year resident spouse.

On line 6b report any additional business expenses that are not included on your Form DE because they are reported as a federal adjustment on your Form 1040. These business expenses must be associated with the production of your Montana source business income. For example, you may report the proportion of the amount of federal self-employment taxes related to your Montana source business income.

Line 7 – Short-term capital gain or (loss). If you are nonresident, enter the Montana source short-term capital gains used to determine your net short-term capital gains reported on federal Schedule D, line 7.

Example: If you reported a net short-term capital loss of ($3,000) on Schedule D, line 7, which was the result of a short-term capital loss of ($13,000) from Oregon, and a short-term capital gain of $10,000 from Montana, you must report the $10,000 net capital gain from Montana on this line.

If you are a part-year resident, enter all your gains or losses included in your net short-term capital gains or losses reported on federal Schedule D, line 7, received during the period you were a resident.

If you are a resident filing with a nonresident or part-year resident spouse, report all net short-term capital gains reported on Schedule D, line 7 and include any Montana source short-term capital gains or losses received by your spouse.

Your Montana source long-term capital losses may offset your Montana source short-term capital gains and vice versa. If you have a Montana source capital loss that offsets a Montana source short-term capital gain, report the remaining short-term capital gain on this line.

Line 8 – Montana source other gains or (losses). If you are a nonresident, enter the amount of gains or losses included in your total on Form 1040, Schedule 1, line 4, related to what you received from the sale or exchange of business property located in Montana. This gain is an ordinary gain as determined on your federal Form 4797.

If you are a part-year resident, enter all the gains and losses included in your total on Form 1040, Schedule 1, line 4, received during the part of the year that you were a resident. Also include, where applicable, any gains or losses from the sale or exchange of business property located in Montana during the period you were a nonresident.

Residents filing jointly with nonresident or part-year resident spouses enter all of the resident's gains and losses, regardless of where they were incurred, and any gains and losses received by the nonresident or part-year resident spouse that are sourced to Montana.

Line 9 – Montana source IRA, Pensions, and annuities. If you are a nonresident, the IRA distributions on Form 1040, line 4b, and pensions and annuities included on Form 1040, line 5b are not Montana source income and not taxable to Montana.

If you are a part-year resident, enter all the taxable IRA distributions from Form 1040, line 4b, and pensions and annuities included on Form 1040, line 5b, received during that part of the year that you were a resident.

If you are a resident filing jointly with a nonresident or part-year resident spouse, report all of your taxable IRA distributions from Form 1040, line 4b, and pensions and annuities included on Form 1040, line 5b. In addition, report any amounts received by your part-year resident spouse received while they were a resident. Do not report any Railroad Retirement Benefits that may be included on Form 1040, lines 4b and 5b.

Lines 10a through 10c – Montana source rental real estate, royalties, partnerships, S corporations, trusts, etc. If you are a nonresident, enter the following income or losses that you used to determine the total on Form 1040, Schedule 1, line 5:

- Net rental income or loss from real property and tangible property located in Montana
- Net royalties from real property and tangible personal property to the extent that this property is used in Montana
- Patent royalties to the extent that the income you received is for the production, fabrication, manufacturing, or other processing in Montana, or the patented product is produced in Montana
- Net copyright royalties to the extent that the printing and other publication originated in Montana
- Partnership and/or S corporation income derived from a trade, business, occupation, or profession carried on in Montana. This is the amount reported as Total Montana Source Income on your Montana Schedules K-1. Do not include the gains or losses you report on lines 7, 8, and 22
- Montana source income from an estate or trust

If you are a part-year resident, enter all the income or losses included in your total on Form 1040, Schedule 1, line 5, received during the part of the year that you were a resident. Where applicable, include the portion of any income or loss attributable to Montana (as described in the preceding paragraph) during the period you were a nonresident.

Example: You are a part-year resident who was a resident of Montana for three months in 2024. You reported $12,000 from a partnership on your Form 1040, Schedule 1, line 5. You received a Montana Schedule K-1 from this partnership showing $5,000 of Montana source income on Part 4, Column B, line 14. The amount to report on line 10a is $6,750 ($3,000 from the three months of the year you were a resident, plus ¾ of the $5,000 ($3,750) for the nine months of the year you were a nonresident).

If you are a Montana resident filing jointly with a nonresident or part-year resident spouse report all of the income received from rental real estate, royalties, partnerships, S corporations, trusts, etc. and any Montana source income of your nonresident or part-year resident spouse.

On line 10b, you may report any expenses that are not included in the calculation of your business income that are related to the production of your business income. For example, you may report the proportion of your federal self-employment taxes associated with your Montana source business income.

Lines 11a through 11c – Montana source farm income or (loss). If you are a nonresident, enter the portion of your net income or loss reported on Form 1040, Schedule 1, line 6, received from farming activity carried on in Montana.

If you are a part-year resident, enter your net income or loss included in your total on Form 1040, Schedule 1, line 6, received from any farming activity during the period that you were a resident. Also include, where applicable, the portion of any net income or loss received from the farming activity carried on in Montana during the period you were a nonresident.

If you are a resident filing jointly with a nonresident or part-year resident, report all of your income from farming activity and any Montana source farming income received by your nonresident or part-year resident spouse.

On line 11b, you may report any expenses that are not included in the calculation of your business income that are related to the production of your business income. For example, you may report the proportion of your federal self-employment taxes associated with your Montana source business income.

Line 12 – Montana source taxable Social Security Benefits. If you are a nonresident, the taxable Social Security Benefits you reported on Form 1040, line 6b, are not Montana source income and not taxable to Montana.

If you are a part-year resident, enter only the portion of the taxable Social Security Benefits received during the part of the year you were a resident.

If you are a resident filing jointly with a nonresident or part-year resident spouse, enter all of your taxable Social Security Benefits included on Form 1040, line 6b. If you are filing with a part-year resident spouse, include any taxable Social Security Benefits received while the spouse was a resident.

Line 13 – Other income and adjustments to income. Enter any other amounts of your income not included above that are derived from Montana sources. This includes, but is not limited to:

- Montana unemployment compensation
- Montana lottery winnings
- Any other type of Montana source income included on Form 1040, Schedule 1, line 8

Net operating losses for nonresidents and part-year residents are reported on this line. Complete Schedule NOL-EBL to determine the amount of NOL carryover to report on this line.

If you are a resident filing jointly with a nonresident or part-year resident spouse, all of your net operating loss is sourced to Montana.

Report your total Montana source adjustments from a pass-through entity, estate, or trust from your Montana Schedules K-1, Part III. Subtract Column B, line 2, from Column B, line 1, and report the result here. This amount may be a positive or a negative number.

Federal Adjustments to Income

Your Montana taxable income includes deductions taken on Form 1040, Schedule 1. Voluntary expenses, such as contributions to a health savings account or contributions to an IRA, are not considered directly related to the production of Montana source income and do not result in an adjustment.

Do not report deductions directly related to the production of Montana source income on this line. Instead report those amounts on the line corresponding with the business income (lines 6b, 7b, and 11b).

Part-year residents enter deductions that reduce Montana source income during the period of the year you were a resident.

Residents filing jointly with nonresident or part-year resident spouses enter all deductions reported on Form 1040, Schedule 1, attributed to the resident spouse.

> *Example 1:* You are an educator and a part-year resident. You can reduce your Montana source wages derived from your activity as an educator by the portion of Educator Expenses allowed on Form 1040, Schedule 1, line 11, that is related to your Montana source wages received as an educator.

> *Example 2:* You are a part-year resident and took an itemized deduction for interest expenses on your federal Schedule A. You can deduct the portion of interest expenses paid while a resident.

Line 14 – Montana source additions to income. Enter any amount of income not included above that you reported on your Schedule I derived from Montana sources. This includes, but is not limited to:

- If you received a refund or recovery income that is required to be included in Montana taxable income as an addition to federal taxable income, a portion of the addition may be considered Montana source income. To determine the amount, multiply it by the nonresident/part-year resident ratio of the year you took the deduction.
- Montana Medical Savings Account and Montana First-Time Homebuyer Account nonqualified withdrawals – include on this line the entire amount you reported on Schedule I, line 3.

If you are a resident filing jointly with a nonresident or part-year resident spouse, report all additions included on Schedule I. Report any subtractions on the line associated with that particular item of income.

Line 15 – Montana source excess business loss. Include the amount of excess business loss sourced to Montana from Form NOL-EBL.

Everywhere Ordinary Income

Line 17a. Enter your total income reported on Form 1040, line 9.

Line 17b. Enter the total adjustments to income that are directly related to any type of income that could be sourced to Montana. These are expenses found on Form 1040, Schedule 1, that are not included in the calculation of your business income that are related to the production of your business income. For example, you may report your federal self-employment taxes associated with your business income from all sources. These are items that are reported in proportion to what is reported on lines 6b, 10b, 11b, and 14.

Montana Source Net Long-Term Capital Gains Tax

Line 22 – Montana source net long-term capital gains. Report your Montana source net long-term capital gains. This is the amount of proceeds from the sale of an asset held in Montana for more than a year or an asset held while a Montana resident.

Schedule III – Tax Credits

This schedule is used to report both nonrefundable and refundable Montana tax credits. Part I is used to report both nonrefundable and refundable tax credits.

Part II is to calculate the credit for income taxes paid to another state or country for taxes paid on Montana ordinary income and taxes paid on Montana net long-term capital gains.

Any expenses used to claim a Montana tax credit must be added back to federal taxable income on Schedule I, Part I, line 4.

Part I – Tax Credits

Nonrefundable Credits

Nonrefundable credits reduce the amount of tax you owe but cannot reduce your tax liability below zero. Some nonrefundable credits may be carried forward if the credit exceeds the current year liability to offset tax owed in a future year.

Line 1 – Credit for income taxes paid to another state or country. You can claim this credit only if you are a full-year resident or a part-year resident, and you paid income tax to another state or country on an item of income included in your Montana taxable income while a resident of Montana.

Compute the credit in Part II. You must complete a new page for each state or country for which you are claiming a credit. Include as many copies as needed. Complete Part I only once.

If you worked in North Dakota while a resident of Montana, the wages you receive for this work are not taxable by North Dakota under the income tax reciprocity agreement between the two states. If this applies to you, but your employer withheld North Dakota income tax from the wages, you cannot take this credit. Instead, you must file a North Dakota individual income tax return to obtain a refund of the North Dakota income tax withheld.

If you received income other than wages from North Dakota, you may be eligible for this credit if you pay income tax to North Dakota on the income that is not wages, provided that you earn or receive the income while a Montana resident.

Line 2 – Qualified endowment credit. You can claim a credit against your income tax liability for contributions made to a qualified Montana endowment held by a Montana corporation or established organization that is tax-exempt under IRC 501(c)(3) or is held by a bank or trust company in Montana on behalf of the tax-exempt organization.

The credit is equal to the lesser of 40 percent of the present value of a planned gift that you personally made during the year to a qualified Montana endowment or $15,000. If you are married filing jointly, you may claim the lesser of 40 percent of the present value of each planned gift up to $30,000 if both spouses separately make a qualifying gift. The credit is nonrefundable and cannot be carried forward or back.

If you are a shareholder in an S corporation, a partner in a partnership, or a member or manager of a limited liability company, and your entity contributed to a qualified Montana endowment, you are entitled to the credit which is equal to the lesser of 20 percent of your share of the entity's outright gift or 40 percent of your share of the entity's planned gift or $15,000.

When claiming this credit, you must add back to federal taxable income any charitable deduction claimed on the federal Schedule A for the calculation you used to calculate this credit on Schedule I, Part I, line 5.

For further instructions on the Qualified Endowment Credit, and to calculate the credit, see Montana Form QEC. You must include a copy of this form if you claim this credit.

Line 3 – Recycle credit. You may claim a credit against your income tax liability for the investment that your business makes in depreciable equipment or machinery that you use to collect, process, or manufacture a product from reclaimed material. Your credit is equal to 25 percent of the first $250,000 invested in the property, 15 percent of the next $250,000 in the property, and 5 percent of the next $500,000 invested. You are not entitled to any additional credit for the investment that exceeds $1 million. The credit is nonrefundable and cannot be carried forward or back.

For further instructions on the Recycle Credit, and to calculate the credit, see Montana Form RCYL. You must include a copy of this form if you claim this credit.

Line 4 – Apprenticeship Credit. If you are a Montana employer who is a Montana Registered Apprenticeship Program sponsor, you may be eligible to receive a tax credit for any new position hired for on-the-job training.

The credit is equal to $750 for each new apprentice and $1,500 if the new apprentice is a veteran. The credit is available once the apprentice has completed a probationary period or after six months, whichever is earlier. The credit is nonrefundable and cannot be carried forward or back.

Employers must apply to Montana Department of Labor and Industry (DLI) to claim the credit. For more information visit https://apprenticeship.mt.gov/.

Attach a copy of the approval letter you receive from DLI if you claim this credit.

Line 5 – Trades Education and Training Credit. This credit is available to employers who incur expenses in providing education and training in an eligible trade profession to employees. The credit is equal to 50 percent of the cost of the qualifying trade profession education or training expenses, not to exceed $2,000 per employee and $25,000 total. The credit is nonrefundable and cannot be carried forward or back.

The credit is claimed in the year the cost is incurred. The employee must work or plan to work in Montana for at least 6 months of the year in which the education or training occurs.

For further instructions on the Trades Education and Training Credit, including the list of eligible trade professions, and to calculate the credit, see Montana Form TETC. You must include a copy of this form if you claim this credit.

Line 6 – Innovative Educational Program Credit. The Innovative Educational Program credit is available to taxpayers who donate to a Montana public school district for the purpose of providing supplemental funding for the district's Innovative Educational Programs. The credit is equal to the donation up to $200,000. If you are married filing jointly you may claim the amount of each donation up to $400,000 if both spouses separately donate. Any excess may be carried forward for up to three years. The credit must be preapproved before a taxpayer may claim it. If preapproved, the public school district will provide you with a donation receipt, which you must include with your tax return. Enter the Credit Confirmation Code shown on your receipt on this line.

When claiming this credit, you must add back to federal taxable income any charitable deduction claimed on the federal Schedule A for the amount you used to calculate this credit on Schedule I, Part I, line 5.

Line 7 – Student Scholarship Organization Credit. The Student Scholarship Organization Credit is available to taxpayers who donate to approved Student Scholarship Organizations to provide scholarships for eligible students to attend instruction offered by a qualified education provider. The credit is equal to the donation up to $200,000. If you are married filing jointly you may claim the amount of each donation up to $400,000 if both spouses separately make a donation. Any excess may be carried forward for up to three years. The credit must be preapproved before a taxpayer may claim it. If preapproved, the student scholarship organization will provide you with a donation receipt, which you must include with your tax return. Enter the Credit Confirmation Code shown on your receipt on this line.

When claiming this credit, you must add back to federal taxable income any charitable deduction claimed on the federal Schedule A for the amount you used to calculate this credit on Schedule I, Part I, line 5.

Line 8 – Contractor's Gross Receipts Tax Credit. You can claim a credit against your income tax liability for the Public Contractor's Gross Receipts Tax that your business has paid, or has been withheld and remitted on your behalf, throughout the year. The amount of credit cannot exceed your tax liability, and any credit balance remaining can be carried forward for up to five subsequent years. If you are carrying forward a credit, the oldest gross receipts tax amounts will be used first to offset credit claims.

When you claim this credit, you must provide your Contractor's Gross Receipts (CGR) Account ID in the space provided. This Account ID was created when your CGR account was registered with the department and is where your gross receipts tax has been deposited. If you are requesting credit from more than one CGR account, mark the box indicating multiple accounts and include a statement detailing how much credit should be taken from each CGR account. If you do not know your CGR Account ID, call us at (406) 444-6900 and we will provide it to you.

Line 9 – Historic Property Preservation Credit. You can claim a credit against your income tax liability for your own qualified rehabilitation expenditures. The allowable Montana credit is 25 percent of the federal rehabilitation credit provided for in Internal Revenue Code 47(a)(2). When you claim this credit, include a copy of your federal Form 3468 with your tax return. If the federal credit was transferred to you, the owner who transferred it, not you, must claim the Montana credit.

Line 10 –Infrastructure User Fee Credit. You can claim a credit against your income tax liability for the fees attributable to the use of the infrastructure.

Your credit is the total of the interest and principal paid as reported in the letter from the Montana Board of Investments.

When you claim this credit, include a copy of the letter from the Montana Board of Investments detailing the principal and interest paid. You can carry back three years or carry forward seven years any of your unused Infrastructure User Fee Credit.

For further instructions on the Infrastructure User Fee Credit, and to calculate the credit, see Montana Form IUFC. When you claim this credit, include a copy of Form IUFC with your tax return.

Line 11–Media Credit. You may claim the Media Credit against your income tax liability if you received a validation letter from the Department of Revenue with your approved Media Credit amount, or a Form MEDIA CLAIM with your Montana Schedule K-1 from a pass- through entity, estate, or trust. You may also claim the Media Credit if you received the credit via a registered transfer. Enter the UCRN found in your validation letter. The Media Credit may be carried forward up to five years from the date of issuance. The UCRN indicates the years in which the credit can be claimed. If you are claiming the Media Credit, you must submit Form MEDIA CLAIM with your tax return. Please see Form MEDIA CLAIM and its instructions for the submission process.

Line 12–Jobs Growth Incentive Credit. Qualifying employers in Montana that create qualifying net employee growth in Montana beginning in tax year 2022 and through tax year 2028 can claim a tax credit that is equal to half of the eligible employer's taxes paid under Federal Insurance Contributions Act (FICA) for qualifying new employees. While the credit is nonrefundable, it may be carried forward for up to 10 years. Employers may apply to the Montana Department of Labor and Industry to claim the credit.

For further instructions on the Jobs Growth Incentive Credit, and to calculate this credit, see Montana Form JGI. When you claim this credit, include a copy of Form JGI with your tax return and report the credit certificate number found in your Credit Certificate from Montana Department of Labor and Industry.

Line 13- Carryforward amount from an expired or repealed tax credit. Report the code and carryforward amount you may have from a tax credit that was repealed. If you are claiming a carryforward, include a detailed statement of the credit carryforward with your tax return. If you are claiming a carryforward for more than one credit, report the total of the amount of all credits on line 13 and include a detailed statement for each credit you are claiming.

Biodiesel Blending and Storage Credit – Code: BBSC. This credit was repealed beginning in tax year 2022. You may carry this credit forward for up to seven years from the first year it was claimed.

Increasing Research Activities Credit – Code: IRAC. This credit expired on December 31, 2010, and can be carried forward for up to 15 years.

Geothermal Systems Credit – Code: GEOT. This credit was repealed beginning in tax year 2022. You may carry this credit forward for up to seven years.

Alternative Energy Systems Credit – Code: AESC. This credit was repealed beginning in tax year 2022. It may be carried forward for up to four years.

Alternative Energy Production Credit – Code: AEPC. This credit was repealed beginning in tax year 2022. It may be carried forward for up to seven years.

Dependent Care Assistance Credit – Code: DCAC. This credit was repealed beginning in tax year 2022. It may be carried forward for up to five years.

Empowerment Zone Credit – Code: EMPZ. This credit was repealed beginning in tax year 2022. It may be carried forward for up to seven years.

Adoption Credit – Code: ADPT. Enter the amount of any carryforward from the Adoption Credit that was available before January 1, 2022. It may be carried forward for up to five years.

Mineral and Coal Exploration Credit – Code: MINE. This credit was repealed beginning in tax year 2022. It may be carried forward for up to fifteen years.

Refundable Credits

Refundable credits reduce your tax to zero and any excess is refunded to you.

Line 15 –Adoption Credit. Montana residents that complete an adoption may be eligible for the Montana adoption credit. The credit is equal to $7,500 for the adoption of a child in the Montana foster care system and $5,000 for any other child under the age of 18 or person who is physically or mentally incapable of providing self-care. You must include Form ADPT with your return to claim this credit. In addition, you must include the paperwork documenting the adoption. For foster care adoptions, include a copy of the signed adoption confirmation letter sent to you by Montana Department of Health and Human Services (DPHHS).

Line 16–Unlocking Public Lands Credit. The Unlocking Public Lands Program allows a landowner to enter into a contractual agreement with the Montana Department of Fish, Wildlife and Parks to provide public recreational access where no legal public access currently exists. The landowner may receive an annual tax credit in the amount of $750 per agreement (up to a maximum of $3,000 tax credit per year) for allowing such access. For additional information, refer to fwp.mt.gov.

Part II – Credit for Income Taxes Paid to Another State or Country

If you are a full-year or part-year resident and paid income tax to another state or country, you may be able to claim this nonrefundable credit to offset the amount of income tax paid to the other state or country if that income is considered taxable to Montana.

Because Montana has two tax tables, one for Montana ordinary income (income not considered a net long-term capital gain) and another for net long-term capital gains, the credit for income taxes paid to another state must be calculated separately for each type of income. The first section of Part II is to calculate your credit for income taxes paid to another state for income that is not a net long-term capital gain. The second section is used to calculate the credit for income taxes paid on net long-term capital gains. For each income type, you will use a ratio of the income type taxed in both states over your total sourced and taxable income to determine the amount of credit attributable to each income type.

Important: You cannot claim this credit if the other state or country in which you filed an income tax return has allowed you a credit against the taxes that they have imposed on your net income, because you are also subject to income tax on the same income in Montana. Additionally, the income must be derived from within the other state or country that is imposing the income tax. Income taxes paid to another state or country on income that is derived from sources within Montana do not qualify for this credit.

Owners of a pass-through entity (S corporation or partnership). If you are an owner of a pass-through entity and your entity pays an income tax to another state (including composite tax or a pass-through entity tax) or country, you can claim a credit for your share of these income taxes paid by the entity. The income tax paid by the S corporation or partnership must be measured by and imposed on net income.

The credit cannot be claimed for taxes paid by your pass-through entity that are not measured by and imposed on net income, such as franchise or license taxes or fees that are not measured by and imposed on net income, gross receipts taxes, or gross sales taxes.

If your pass-through entity paid an entity level tax in another state and took a federal expense deduction for that tax, you must report your pro-rata share of that deduction on Schedule I, Part I, line 4. This is required whether or not the taxes paid by your pass-through entity are considered a separately stated or non-separately stated deduction on your federal Schedule K-1.

Sourced and taxable. In the following instructions, sourced and taxable means any income that must be reported to another state or foreign country in accordance with the other state's or country's rules, and that is not subject to an exemption in Montana or in that other state or country. If the income is partially exempt, only the part that is nonexempt can be used for the calculation of this credit. Generally, income that is sourced and taxable to another state is found on the line after state-specific additions and subtractions to federal gross income.

Taxes paid to another country. Individuals are not entitled to this credit when they claim a federal Foreign Tax Credit in the same year. For example, if you received Canada source income, you paid income tax to Canada, and claimed the federal foreign tax credit on Form 1116, then you cannot claim any foreign tax credit on your Montana return.

You can claim a Montana credit for income taxes paid to another country if you claimed the foreign taxes as an itemized deduction.

You cannot claim if:

- the foreign country allows a credit for taxes paid to Montana.
- you reported this year's foreign income and taxes on the Form 1116 for the federal foreign tax credit.

Montana Ordinary Income Tax

Line 1. Enter your income sourced and taxable to another state that is also included in your Montana ordinary taxable income. Do not include any income that is not taxable in Montana. For example, if you are a resident military servicemember, do not include your salary for your active duty service in this amount.

Line 2. Enter all income that is sourced and taxable to the other state or country, including your net long-term capital gains. See the instructions about sourced and taxable income above to find the appropriate amount to report here.

Line 3. Full-year residents must complete lines 3a and 3b to calculate the appropriate amount of income that is used to calculate the credit.

Line 3a. Enter your total income from Form 1040, line 9. This is your income that does not include any federal adjustments.

Line 3b. Enter those deductions directly related to the production of your total income. Generally, these are amounts that are directly related to the production of business income. An example would be federal self-employment tax. Voluntary expenses, such as contributions to a health savings account or contributions to an IRA, are not considered directly related to the production of income and are not reportable on this line.

Line 4. Enter the actual tax liability paid by you or on your behalf to the other state or country. This amount comes from either an individual income tax return you filed, or a pass-through entity return filed on your behalf by a partnership or S corporation.

Do not include any penalties and interest paid to the other state or country.

Line 5. Residents enter your Montana ordinary income tax from page 2, line 12. Part-year residents enter your Montana source ordinary income tax from Schedule II, line 20.

Do not include any amounts reportable on Schedule IV, line 7.

Line 6. This amount represents the proportion of tax paid to the other state or country on only your Montana ordinary income.

Montana Net Long-Term Capital Gains Tax

Line 11. Enter your net long-term capital gains sourced and taxable to another state that is also included in your Montana net long-term capital gain. Do not include any amounts not considered a net long-term capital gain.

Line 12. Enter all income that is sourced and taxable to the other state or country, including your Montana ordinary income. See the instructions about sourced and taxable income above to find the appropriate amount to report here.

Line 14. Enter the actual tax liability paid by you or on your behalf to the other state or country. This amount comes from either an individual income tax return you filed, or a pass-through entity return filed on your behalf by a partnership or S corporation.

Do not include any penalties and interest paid to the other state or country.

Line 15. Residents enter page 2, line 11. Part-year residents enter Schedule II, line 25.

Line 16. This amount represents the proportion of tax paid to the other state or country on only your net long-term capital gains.

Schedule IV – Contributions, Penalties, Interest, and Other Taxes

This schedule includes all the adjustments that reduce your overpayment, or increase your amount owed.

Line 1 – Voluntary contributions. Per Montana law, you can use your tax return to donate any amount to the following programs. Your contribution will increase the amount you owe or reduce the amount of your refund.

If you are amending your return, your original donations to voluntary contribution programs no longer apply. You can confirm or modify your contributions by marking one of the boxes or entering the dollar amount you wish to donate for any program you choose.

Line 1a – Nongame Wildlife Program. Your contributions to the program are used to ensure the well-being of Montana's watchable wildlife species, such as eagles, herons, bluebirds, great horned owls, loons, chipmunks, pikas, flying squirrels, and painted turtles.

Line 1b – Child Abuse Prevention. Your contributions to this program funds services and activities to the prevention of child abuse and neglect.

Line 1c – Agriculture Literacy in Montana Schools. Your contributions to this program fund the development and presentation of educational programs. This program ensures Montana's young people have a better understanding of agriculture in our state and how it relates to the rest of the world.

Line 1d – Montana Military Family Relief Fund. Your contributions to this program help provide funding for grants that aid Montana families in defraying the costs of food, housing, utilities, medical services, and other expenses when a wage earner has been called to active military duty.

Caution: The calculation of penalties and interest you report on your return is an approximation. The department may recalculate these amounts due to factors such as math errors, timing of payments, the date your return was received, etc. This adjustment may result in more or less penalties and interest owed.

Line 2 – Interest on Underpayment of Estimated Taxes. You must pay your income tax liability throughout the year. You can make your payments through employer withholding, installment payments of estimated taxes, or a combination of both. See Montana Publication 1 for information about paying income taxes in Montana.

If you do not pay at least 90 percent of your 2024 income tax liability in advance after applying your credits or 100 percent of your 2023 income tax liability after applying your credits, you may have to pay interest on the underpayment of your estimated taxes with your return.

You do not have to make estimated tax payments if at least two-thirds of your gross income is derived from farming or ranching operations. Mark the "2/3 farming gross income" box if this applies to you.

Mark the "Estimated payments were made using the annualization method" box if you used Worksheet ESA (found in Publication 1) to make your estimated tax payments for 2024.

You can use Worksheet C, Underpayment of Estimated Tax Worksheet – Short Method, if your taxable year was 12 full months and one of the following conditions applies to you:

- You did not make estimated tax payments (in other words, your only payments were Montana income tax withholding); or
- You made four equal estimated payments by the required due dates.

If you do not meet these criteria, you may complete Form EST-I (2024 Underpayment of Estimated Tax by Individuals, Estates, and Trusts) to determine your interest on the underpayment of estimated tax or the department can figure it for you.

Worksheet C - Underpayment of Estimated Tax Worksheet – Short Method

Part I. Required Annual Payment				
1 2024 tax liability after nonrefundable credits			1	
2 Multiply line 1 by 90% (0.90)			2	
3a 2024 total Montana income tax withholding	3a			
3b 2024 refundable tax credits	3b			
3c Overpayment applied from the 2023 return	3c			
3 Add lines 3a through 3c.			3	
4 Subtract line 3 from line 1. If the result is less than $500, stop here; you do not owe interest on your underpayment of estimated tax.			4	
5 2023 tax liability			5	
6 Enter the lesser of line 2 or line 5. If the result is less than or equal to line 3, stop here; you do not owe interest on the underpayment of estimated tax. **This is your required annual payment.**			6	
Part II. Underpayment of Estimated Tax – Short Method You can use this method if you did not make estimated tax payments or you made four equal estimated tax payments by the required due dates.				
1 Estimated tax payments you made for tax year 2024. Do not include amounts applied from prior years.			1	
2 Add line 1 and Part I, line 3			2	
3 Subtract line 2 from Part I, line 6. If the result is zero or less, stop here; you do not owe interest on the underpayment of your estimated tax. **This is your total underpayment for 2024.**			3	
4 Multiply line 3 by 0.053041			4	
5 If the amount on line 3 was paid on or after April 15, 2025, enter zero. If the amount on line 3 was paid before April 15, 2025, multiply the amount on line 3 by the number of days the amount was paid before April 15, 2025. Then, multiply the result by 0.000219.			5	
6 Subtract line 5 from line 4. Enter here and on Form 2, Schedule IV, line 2. **This is your interest on the underpayment of estimated tax.**			6	

Line 3 – Late filing penalty. If you file your return after the extended due date (October 15), you are assessed a late filing penalty. The penalty is equal to 5 percent per month on the amount owed on October 15, up to 25 percent of that amount, until the return is filed. The minimum penalty is $50, even if you are claiming a refund.

If taxes and interest are paid within 30 days of the first Notice of Assessment sent by the department, the late filing penalty may be waived.

Line 4 – Late payment penalty. Tax paid after the due date, April 15, 2025, is subject to a late payment penalty equal to 0.5 percent per month, calculated daily, from April 15, 2025, until it is paid. The daily rate is 0.0164 percent. Your late payment penalty will never exceed 12 percent (24 months multiplied by 0.5 percent) of the unpaid tax. Late payment penalty is automatically waived if you pay all the tax and interest with your return, or within 30 days of the first Notice of Assessment sent by the department.

Line 5 – Interest. If you do not pay 100 percent of your tax by April 15, 2025, you are assessed 8 percent annual interest, computed daily on the amount you owe. Multiply your amount owed by 0.000219 for each day your payment is late. If you made payments after April 15, you must adjust the amount owed after each payment for the calculation of interest. Calculate the interest between each payment separately and add the interest owed for each period on this line.

Example: George owed $2,000 on April 15. He made a payment of $1,000 on June 14. He pays the remaining $1,000 with his return on October 15. George has two interest calculation periods. He must first calculate the interest for 60 days based on $2,000. Then, he calculates the interest for 123 days based on $1,000.

Line 6 – Other penalties. Mark the box for the penalty you may owe and report the total of all penalties on line 6.

First-time Homebuyer Account. If you withdrew funds from your First-Time Homebuyer Account for purposes other than to pay for eligible costs for the purchase of a single-family residence, you must pay a 10 percent penalty on this withdrawal unless the withdrawal was made on the last business day of the year.

Medical Savings Account. If you withdrew funds from your Medical Savings Account for purposes other than to pay for eligible medical expenses, you must pay a 10 percent penalty on this withdrawal unless it was made on the last business day of the year. Multiply Schedule I, Part II, line 7, by 10 percent (0.10) and enter the result here.

Farm and Ranch Risk Management Account. If you have not distributed your deposits and income from your Farm and Ranch Risk Management Account within three years, they are considered distributed and subject to a 10 percent penalty. Multiply the amount that is considered distributed by 10 percent (0.10) and enter the result here.

Line 7 – Lump sum and recapture taxes. Report the total amount of lump sum tax and recapture taxes on this line.

Tax on Lump-Sum Distributions – Code: LS. If you qualify on your federal return for special averaging of your lump-sum distribution and have not included it as ordinary pension income in federal taxable income, you must pay Montana income tax on this distribution.

Your Montana tax liability on the lump-sum distribution is 10 percent of the federal tax calculated on federal Form 4972. Part-year residents must calculate the tax on all lump-sum distributions received while a resident of Montana. Include a copy of federal Form 4972.

Use code LS to report your lump sum tax.

Recapture taxes. Some Montana code sections that allow deductions and/or tax credits have provisions requiring a recapture of the tax benefit you received in an earlier year, if you do not meet certain requirements in succeeding tax years. All taxpayers, resident or not, can be subject to recapture tax.

If you must report a recapture, report the appropriate two-letter code and amount on this line.

The recapture taxes are:

Biodiesel/Bio-lubricant Production Facility, Biodiesel Blending and Storage, and Oilseed Crushing Credit Recapture Tax – Code: BD. If you previously claimed any of the tax credits for biodiesel blending or bio-lubricant production, biodiesel blending and storage, or oilseed crushing, and have ceased operations for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. On this line, enter the amount of your Biodiesel/Bio-lubricant Production Facility, Biodiesel Blending and Storage, or Oilseed Crushing Recapture Tax and enter the code “BD” in the code box.

Endowment Credit Recapture Tax – Code: EC. If you previously claimed an Endowment Credit for a gift that you contributed to a qualified endowment and you now have received the gift back, you must recapture your income tax liability in a previous year. You must also include in your income any amounts that you previously deducted as an itemized deduction on a previous year's tax return.

On this line, enter the amount of your Endowment Credit Recapture Tax and enter the code "EC" in the space indicated. If, in addition to your recapture tax, part of the amount that is recaptured was claimed as a charitable contribution in a prior year, include in your income on the Schedule I, line 2, any recoveries of this prior-year deduction that reduced your tax liability in the year of that deduction.

Family Education Savings Account Recapture Tax – Code: FE. If you have a recapturable withdrawal from your Family Education Savings Account (529 plan), you must pay a 5.9 percent recapture tax on this withdrawal instead of including the withdrawal in your Montana taxable income.

A recapturable withdrawal is a withdrawal from your Family Education Savings Account within one year from the date you opened the account, or a withdrawal of contributions that reduced Montana taxable income in previous years that is not used to pay for qualified education expenses.

To determine the portion of withdrawal that reduced your Montana taxable income, you must:

1. Take your total contributions divided by the total account balance before the withdrawal. This is your ratio.
2. Multiply the amount of the withdrawal by the ratio. This is the amount of contribution included in the withdrawal.
3. If the amount from step 2 is more than the contributions that have not been previously used to reduce Montana taxable income, the difference is subject to recapture tax.

Example: Brenda is the account owner of a Family Education Savings Account. The balance on the account is $20,000, including $12,000 of contributions that were previously claimed as deductions, $4,000 of the contributions did not reduce taxable income and $4,000 of earnings (20 percent of the total). Brenda makes a withdrawal of $10,000 to pay for nonqualified education expenses. The recapturable withdrawal is $4,000 ($10,000 minus $2,000 of earnings minus $4,000 of contributions that did not reduce Montana taxable income previously).

Multiply your recapturable withdrawal by 5.9 percent, enter the result on this line, and enter the code "FE" in the space. This is your Family Education Savings Account recapture tax.

Montana Achieving a Better Life Experience (ABLE) Recapture Tax – Code: AB. If you have a recapturable withdrawal from your Montana ABLE account, you must pay a 5.9 percent recapture tax on this withdrawal instead of including this withdrawal in your Montana taxable income.

A recapturable withdrawal is a withdrawal from contributions that reduced Montana taxable income that is not used to pay for qualified disability expenses of the beneficiary of the account.

The portion of the withdrawal that is from contributions that reduced Montana taxable income is calculated the same way as for the Family Education Savings Plan.

Multiply your recapturable withdrawal by 5.9 percent, enter the result on this line and enter the "AB" in the space indicated. This is your Montana ABLE recapture tax.

Trades Education and Training Credit Recapture Tax – Code: TE. If you previously claimed the trades education and training credit and recovered any of the expenses you paid, you must increase the amount of your tax by the amount of the credit that was previously taken. You must also include in income any amounts that you previously deducted as a business deduction on Schedule I, Part I, line 2.

Schedule V – Amended Return Information

If you are amending your return, review the instructions on page XX first. Then, complete this schedule when you amend your tax return.

You must file an amended tax return if:

- there is an error on your original return
- you make a change to your federal income tax return
- the IRS makes changes to your federal income tax return.

If the IRS made an adjustment to your return, you must file your amended Form 2 within 180 days after receiving the notification of the change. Mark the “Federal audit” box. Include a copy of the adjustment notice when you file your amended Form 2.

If you amended your federal return, mark the “Amended federal return” box, and include a copy of your Form 1040X.

Mark the “Montana adjustment” box if you are only making a change to your Montana return. For example, if you are amending your return to claim a Montana tax credit you did not previously claim.

If you are amending your return for any other reason than the other reasons, mark the “Other” box.

In the first column, list the form or schedule you changed.

In the second column, indicate the line that reports the new amount.

In the third column, briefly describe why you are amending your return.

For example, you are a sole proprietor amending your Form 2 to report a business deduction because you claimed a federal tax credit. Mark the “Amended federal return” box. In the first column, enter federal Schedule C and Form 2, Schedule I. In the second column enter the line number on the Schedule C and line 21 of the Schedule I. In the Reason column, enter the federal credit being claimed and a description of the newly deducted business expenses.

Schedule 2EC – Elderly Homeowner/Renter Credit

If you claim the elderly homeowner/renter credit, you must include a copy of your 2024 property tax bill and/or your signed rent receipts. If you are unable to get signed rent receipts, a statement detailing the rent paid during the year signed by your landlord is an acceptable substitute. If you are filing electronically, you do not need to send us your property tax bill or rent receipts, unless it is your first time claiming the credit. When you file electronically, you represent that you retained the required documents in your tax records and will provide those documents to us upon request. If it is your first year claiming the credit you must attach your property tax bill and/or rent receipts.

When you claim this credit, you attest that you meet the following tests:

- You are 62 or older as of December 31, 2024. If you are married filing jointly and both spouses own or rent the residence, only one of you must meet the age requirement.
- You occupied a Montana residence as a renter, owner, or lessee for at least six months during the tax year.
- You lived in Montana for at least nine months during the tax year.
- Your total gross household income of all members in the household is less than $45,000 for the tax year.
- You are the only member of your household claiming the credit.

If you do not meet all these requirements, you cannot claim the credit.

A household means an association of persons who live in the same dwelling, sharing its furnishings, facilities, accommodations, or expenses. You do not need to be related to be in the same household. Enter the total number of members of the household, including yourself. For example, if you lived alone, enter “1.” If you lived with your spouse and son, enter “3.”

If you are the personal representative of the estate of an eligible individual who died during the year, you cannot claim this credit if that individual died before October 1, 2024. If you are married filing this claim with your spouse and if your spouse, who would have been the only eligible individual, died before October 1, 2024, you are not eligible for this credit. You are eligible only if, as a surviving spouse, you are age 62 or older as of December 31, 2024.

Enter the physical address of the residence related to your claim in the specified space at the beginning of the schedule, if it is different than the mailing address shown on Form 2, page 1. If you had multiple residences during the year, enter the address of the one you occupied the longest.

Gross Household Income

The gross household income is the sum of all the incomes received by the members of the household. This amount includes income that is both taxable and nontaxable to you, as well as the taxable and nontaxable income of each member of your household. Generally, the amounts on lines 1 through 15 will be found on Form 1040 or 1040-SR.

Line 1 – Wages, salaries, tips, etc. Enter the amount of your wages, salaries, tips, and other compensation for services you performed. If you file a Form 1040, this amount is found on line 1z.

Line 2 – Interest. Enter all interest, both taxable and nontaxable, you received during the tax year. Generally, this is the total of the amounts reported on Form 1040, lines 2a and 2b.

Line 3 – Dividends. Enter all dividends, both taxable and nontaxable, you received during the tax year. If you file a Form 1040, this amount is reported on line 3b.

Line 4 – IRA distributions from Form 1099-R. Enter all IRA distributions, both taxable and nontaxable, received during the tax year. Generally, this is the amount from Form 1040, line 4a and includes qualified charitable distributions made by the trustee of your IRA; health funding distributions you elected to exclude from gross income for federal tax purposes; and conversions from a traditional IRA to a Roth IRA. However, do not include any nontaxable rollovers.

Line 5 – Pensions and annuities and Tier II Railroad Retirement benefits. Enter all taxable and nontaxable pensions and annuities, including Tier II Railroad Retirement benefits. Generally, this amount is what is reported on Form 1040, line 5b. However, do not include any nontaxable rollovers and your cost or net investment.

Line 6 – Social Security benefits and Tier I Railroad Retirement benefits. Enter the total taxable and nontaxable Social Security benefits and Tier I Railroad Retirement benefits you received during the tax year. Generally, this amount is reported on Form 1040, line 6a. Do not include any Social Security benefits paid directly to a nursing home.

Line 7 – Capital gain, including any exclusion. Report the total amount of capital gains received during the tax year adjusted for the basis of the property. Do not adjust the capital gain for any federal exclusions, such as the gain from the sale of a primary residence and do not include any capital losses.

Line 8 – Refundable credits received, including your elderly homeowner/renter credit received in 2024. Combine all the refundable credits received by all household members in 2024. Refundable credits include the federal and Montana earned income tax credits, the refundable portion of the federal child tax credit, the unlocking public land credit, the elderly homeowner/renter credit, and the 2023 Montana property tax rebate.

Line 9 – Alimony. Enter the total of all alimony received during the year.

Line 10 – Business income. If you operated a business or practiced your profession as a sole proprietor, report your net income. Do not include any losses generated from the business.

Line 11 – Other gains. Enter the total of income received from the sale or exchange of assets used in a trade or business. Do not include any losses in this amount.

Line 12 – Rental real estate, royalties, partnerships, S corporations, trusts, etc. Enter the total income received that you would normally report on a federal Schedule E. Do not include any losses in this amount.

Line 13 – Farm income. Enter the total income received from farming activities and that are normally reported on a federal Schedule F. Do not include any losses in this amount.

Line 14 – Unemployment compensation. Enter the total of unemployment compensation received during the year. Generally, this amount is reported to you on a Form 1099-G.

Line 15 – Other income not included above. Enter all income that is not reported on lines 1 through 14. This includes those items of income that are normally reported on Form 1040, Schedule 1, line 9, excluding any losses.

Line 16 – Government assistance and support money. Enter the total amount of any government assistance that you received during the tax year. This includes veteran's compensation benefits, supplemental security income (SSI) payments, worker's compensation, and any other government assistance received during the year.

Line 17 – Income received by other members of your household. Report the combined taxable and nontaxable items of income listed above for all other members of the household.

Line 18 – Gross household income. The total amount of income from all household members used to determine your eligibility for this credit is called "Gross Household Income." Gross household income does not always equal the taxable income that individuals report on their tax return. It also includes income that is normally not taxable.

If the gross income of all members of your household is more than $45,000, stop here. You cannot claim this credit.

Net Household Income

Complete lines 19 through 22 to calculate your net household income. The net household income represents the amount of your gross household income you can use to pay for part of the property tax (or rent-equivalent of the property tax). This amount is determined through a formula.

You must first deduct $12,600 from your gross household income. Then multiply the result by the corresponding multiplier in the Household Income Reduction Table below.

Household Income Reduction Table

If the amount on line 20 is

At least:	But not more than:	Your multiplier is:
$0	$1,999	0
$2,000	$2,999	0.006
$3,000	$3,999	0.016
$4,000	$4,999	0.024
$5,000	$5,999	0.028
$6,000	$6,999	0.032
$7,000	$7,999	0.035
$8,000	$8,999	0.039
$9,000	$9,999	0.042
$10,000	$10,999	0.045
$11,000	$11,999	0.048
$12,000	and greater	0.05

Credit Computation

Line 23 – Property tax billed. Report the amount of taxes, special assessments and fees that were billed on the property tax statement. Do not report the amount of property tax you paid.

You are allowed only the property tax billed on your primary residence and up to one acre of land that is associated with this residence. If the one-acre farmstead or primary acre is not separately identified on your tax bill and if your ownership is less than 20 acres, your property tax to be used in the credit calculation is the larger of 80 percent of the total amount of the property tax billed or the total amount of property tax billed divided by the total acreage.

If your property tax bill is on property that you held in a revocable trust and if you are the grantor(s) of that property, or your property taxes are billed to your living trust or life estate, you can qualify for this credit.

If the property occupied by you is in a name other than your own, the property taxes billed for that property can qualify as rent only.

Line 24 – Rent equivalent paid. Your rent is only the amount of money that you paid to occupy your home.

Do not use rent you pay for an apartment or a facility that is exempt from property tax because the credit is not allowed in these situations. Verify with your landlord or facility that the property is subject to property taxes beyond assessments such as sewer and garbage fees. You may also contact us for assistance in determining if the property is exempt from property tax. Items that also should not be included as rent equivalent paid on line 24 are as follows (this list is not all-inclusive):

- Mortgage payments, including mortgage interest
- Nursing home costs that are paid directly from Social Security to the facility
- Rent paid for you by a rental assistance program (this amount should also not be included in your gross household income)

If you live in a healthcare, long-term care, personal care, or residential care facility, the rent allowed is the actual out-of-pocket rent that you paid. It does not include services provided by staff, such as board expenses including meals, housekeeping, transportation, and medical or paramedical expenses such as nursing care, assisted living care, and memory care. The out-of-pocket rent can be determined using a facility statement providing the breakdown between rent and these amenities. If you do not receive a statement from your facility, use Worksheet D, Long-Term Care Facility Rent Calculation Worksheet to determine the amount of what would be considered board for purposes of calculating the credit.

Worksheet D – Long-Term Care Facility Rent Calculation			
1	Total payment to the facility	1	
2	If you received board services (meals, housekeeping, laundry, transportation), multiply line 1 by 20% (0.20)	2	
3	If you received care (nursing care, assisted living care, memory care), multiply line 1 by 30% (0.30)	3	
4	Subtract lines 2 and 3 from line 1. Enter here and on Schedule 2EC, line 24. **This is your rent.**	4	

Line 29 – Credit Multiplier Table

Credit Multiplier Table	
If line 18 is	**Multiplier**
Less than $35,000	1.00 (100%)
$35,000 to $37,500	0.40 (40%)
$37,501 to $40,000	0.30 (30%)
$40,001 to $42,500	0.20 (20%)
$42,501 to $44,999	0.10 (10%)
$45,000 and greater	0.00 (0%)

Transition Schedule

Prior to the passage of Senate Bill 399 (SB 399) by the 2021 Montana Legislature, some taxpayers may have reported income and deduction amounts on their Montana return that were different from the same item reported on their federal return. The main group of taxpayers affected was married couples who filed a joint federal return but separate Montana returns. These filers may have had lower amounts allowed on their Montana returns for capital and passive losses resulting in higher amounts for carried over or suspended losses. These different limitations may have also led to differences in an individual's basis for a depreciable asset or a liability.

The 2007 Montana Legislature passed Senate Bill 281 (SB 281) addressing some of these limitations by allowing married couples filing separately for Montana to claim the same amounts as if they filed jointly. However, the change only applied to filings from 2008 forward and did not address differences existing at that time.

Part of the changes under SB 281 permitted an election for couples to track and calculate capital gains and losses independent of each other if they filed separately for Montana. This may have resulted in the couple's combined Montana capital loss carryover amount(s) differing from their joint federal amount.

Starting with the 2024 tax year, Montana taxable income will begin with federal taxable income and married couples will use the same filing status used on their federal return, so there will no longer be a recalculation of these items.

Since a few individuals might still have different amounts not absorbed prior to 2024, temporary provisions were included in SB 399 to address some of these situations. Affected individuals will make a one-time adjustment to their taxable income to account for differences in the basis of certain assets as well as capital and passive losses.

Other items of income may differ from federal amounts. However, capital and passive losses and differences in federal and Montana basis are the only items eligible for the transition provision. Examples of items that are not eligible for the provision are:

- net operating losses
- asset depreciation basis arising from a credit or other incentive
- carryovers disallowed because of residency changes
- deferred income

Tax year 2024 is the only year taxpayers can elect to report these adjustments. The election is made by including the Transition Schedule with a Montana return filed on or before the extended date. After this date, you cannot make adjustments to your Montana income related to these items in this or any future tax years.

Part I: Passive Loss, Capital Loss, and Basis Adjustments

Passive Loss

Line 1. Add federal Form 8582, Part I, lines 1c and 2c for tax year 2024 and enter the result here as a positive number.

Lines 2 and 3. Enter the amounts of prior years' unallowed passive losses computed for Montana purposes as positive numbers. The amounts can be supported with separately prepared prior years' Forms 8582 or Schedules E completed for Montana tracking. The information should also be reflected on Montana income tax returns for all affected tax years.

Line 5. Subtract line 4 from line 1 and enter the result here. If the result is less than zero, enter as a negative number.

Capital Loss

Line 6. Add federal Schedule D, lines 6 and 14 for tax year 2024 and enter the result here as a positive number.

Lines 7 and 8. Enter the amounts of prior years' carryover capital losses computed for Montana purposes as positive numbers. The amounts can be supported with separately prepared prior years' Schedules D and Montana income tax returns for all affected tax years.

Line 10. Subtract line 9 from line 6 and enter the result here. If the result is less than zero, enter as a negative number.

Depreciable Asset Basis Adjustment

If prior differences in the calculation of passive or capital losses for Montana purposes created a difference in the depreciation schedule between the Montana and federal tax return you are allowed a one-time adjustment to account for the difference. An adjustment in this area is not allowed if adjustments made to passive and capital loss carryovers account for the difference.

Line 11. Report the adjusted basis for federal income tax purposes as of January 1, 2024, for the assets.

Line 12. Report the adjusted basis for Montana income tax purposes as of January 1, 2024, for the same assets.

Line 13. Subtract line 12 from line 11 and enter the result here. If the result is less than zero, enter as a negative number.

Supporting documentation for any potential differences could include copies of Montana income tax returns reflecting adjustments to income for different depreciation amounts arising from basis differences. It would also include federal Forms 4562 completed separately for federal and Montana purposes and the supporting schedules and worksheets.

Total Transition Adjustment

Line 14. Add lines 5, 10 and 13 and enter the result here. If less than zero, enter as a negative number.

If the amount on line 14 is a positive number, enter it on Schedule I, Part I, line 7. If the amount is a negative number, enter it as a positive number on Schedule I, Part I, line 27.

Part II: Recovery of Federal Income Tax Deducted for 2023

Prior to the 2024 tax year, Montana allowed an itemized deduction for federal income taxes paid. Related to that deduction was the requirement to determine whether an overpayment arising from those payments was taxable. SB 399 did not retain the Montana itemized deduction for federal income taxes paid but did address any overpayments of amounts deducted in prior years. Included in the Transition provisions is the requirement to add to taxable income a refund of the federal income tax deduction claimed in 2023 that was received in 2024. Complete Part II of the Transition Schedule to determine the amount of your addition.