

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

Prepared by Jaret Coles, staff attorney

* This is a summary document and does not constitute written tax advice. Numerous provisions are missing from this summary.

1 Starting Point for Montana Income Tax Calculation	2010 (millions)	Montana Tax	Effective Tax Rate
2 Federal Adjusted Gross Income (FAGI)	20,111.331	759.478	3.776368%
3			
4 Additions to AGI	2010 (millions)	Approximate Fiscal Impact	Enactment History
5 Interest on local govt. bonds	114.984	4.342	1995 (Ch. 278, L. 1995)
6 Dividends not included in FAGI	1.337	0.050	1995 (Ch. 278, L. 1995)
7 Federal income tax refunds	126.672	4.784	most likely before 1981
8 Recoveries of amounts deducted in earlier years	1.297	0.049	1995 (Ch. 399, L. 1995)
9 Additions to federal taxable social security or railroad retirement	12.238	0.462	1985 (Ch. 682, L. 1985)
10 Allocation of compensation to spouse	7.781	0.294	
11 Medical savings account nonqualified withdrawals	0.102	0.004	1995 (Ch. 295, L. 1995)

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

12	First-time homebuyer's account nonqualified withdrawals	0.014	0.001	1997 (Ch. 544, L. 1997)
13	Farm and ranch risk management account taxable distributions	0.000	0.000	2001 (Ch. 262, L. 2001)
14	Dependent care assistance credit adjustment	0.107	0.004	-
15	Smaller federal estate and trust taxable distributions	0.066	0.003	1999 (Ch. 447, L. 1999)
16	Federal net operating loss carryover	323.147	12.203	1985 (Ch. 142, L. 1985)
17	Federal taxes paid by S. corporation	0.193	0.007	1985 (Ch. 198, L. 1985)
18	Title plant depreciation	0.016	0.001	1989 (Ch. 617, L. 1989)
19	Premiums for Insure MT SB health	6.033	0.228	2005 (Ch. 595, L. 2005)
20	Other Additions	142.066	5.365	-
21	Total Additions	736.051	27.796	

22

23	Reductions to AGI	2010 (millions)	Approximate Fiscal Impact	Enactment History
24	Exclusion for savings bonds	31.017	1.171	1933
25	Exempt tribal income	200.800	7.583	no state provisions
26	Unemployment income	268.586	10.143	most likely before 1981

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

27	Exempt workers' comp benefits	1.990	0.075	1985 (Ch. 682, L. 1985)
28	Capital gains from small business investment companies	0.149	0.006	1981 (Ch. 571, L. 1981)
29	State tax refunds included in federal AGI	103.292	3.901	most likely before 1981
30	Recoveries of amounts deducted in earlier years	0.224	0.008	1995 (Ch. 399, L. 1995)
31	Exempt active duty military salary	153.853	5.810	1953 (Ch. 43, L. 1953)
32	Nonresident exempt military income	4.739	0.179	most likely before 1981
33	Exempt life insurance premiums reimbursement (National Guard)	0.069	0.003	2007 (Ch. 373, L. 2007)
34	Exempt pension income	142.366	5.376	1987 (Ch. 657, L. 1987)
35	Elderly interest exclusion	40.227	1.519	1981 (Ch. 546, L. 1981)
36	Exempt retirement disability income (under age 65)	0.787	0.030	1985 (Ch. 364, L. 1985)
37	Exempt tip income	43.593	1.646	1983 (Ch. 634, L. 1983)
38	Exempt income of child taxed to parent	0.114	0.004	1997 (Ch. 123, L. 1997)
39	Exempt health insurance premiums taxed to employee	0.677	0.026	1985 (Ch. 682, L. 1985)

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

40	Health Care Prof. Loan Pmt Excl. - underserved areas	0.477	0.018	2003 (Ch. 545, L. 2003)
41	Medical savings account excl.	18.732	0.707	1995 (Ch. 295, L. 1995)
42	First-time homebuyers acct. excl.	0.358	0.014	1997 (Ch. 544, L. 1997)
43	Family education account excl.	6.547	0.247	1997 (Ch. 540, L. 1997)
44	Farm and ranch risk management account	-	-	2001 (Ch. 262, L. 2001)
45	Subtraction to federal taxable social security/tier 1 railroad retirement	125.570	4.742	1985 (Ch. 682, L. 1985)
46	Subtraction for federal taxable tier II railroad retirement	37.812	1.428	-
47	Subtraction for spouse filing joint return: passive loss carryover	0.144	0.005	2007 (Ch. 509, L. 2007)
48	Subtraction for spouse filing joint return: IRA deduction		-	2007 (Ch. 509, L. 2007)

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

49	Subtraction for spouse filing joint return: capital loss adjustment	4.410	0.167	2007 (Ch. 509, L. 2007)
50	Allocation of compensation to spouse	7.903	0.298	-
51	Montana net operating loss carryover	308.242	11.640	1985 (Ch. 142, L. 1985)
52	40% capital gain exclusion (Montana) - pre-1987 gains	1.155	0.044	-
53	Business expense of recycled material	0.205	0.008	1991 (Ch. 712, L. 1991)
54	Sales of land to beginning farmers	0.006	0.000	1983 (Ch. 580, L. 1983)
55	Larger federal estate and trust taxable distributions	0.190	0.007	-
56	Wage deduction reduced by federal targeted jobs credit	1.190	0.045	-
57	Certain gains recognized by liquidating corporation	0.794	0.030	-
58	Other Reductions	164.001	6.193	1981 (Ch. 483, L. 1981)
59	Total Reductions	(1,670.219)	(63.074)	

60

61 Itemized Deductions	2010 (millions)	Approximate Fiscal Impact	Enactment History
-------------------------------	----------------------------	--------------------------------------	--------------------------

62	Medical Deduction	304.437	11.497	n/a
63	Medical Insurance Premiums	353.881	13.364	
64	Long-term Care Insurance	27.301	1.031	
65	Total Federal Income Tax Deduction	1,015.360	38.344	1933
66	Local Income Taxes	0.112	0.004	n/a

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

67	Real Estate Taxes	400.710	15.132	n/a
68	Personal Property Taxes	52.672	1.989	
69	Other Deductible Taxes	10.298	0.389	n/a
70	Home Mortgage Interest	1,075.407	40.611	n/a
71	NR Home Mortgage Interest	17.247	0.651	n/a
72	Home Mortgage Interest Points	6.775	0.256	n/a
73	Home Mortgage Interest Premiums	23.240	0.878	n/a
74	Deductible Investment Interest	37.073	1.400	n/a
75	Contributions by Cash or Check	443.303	16.741	
76	Contributions Other Than Cash or Check	59.816	2.259	
77	Contribution Carryover	34.782	1.313	n/a
78	Child/Dependent Care Expenses	1.468	0.055	2003
79	Casualty & Theft Losses	4.922	0.186	n/a
80	Tier-I Miscellaneous	198.644	7.502	
81	Political Contributions	0.822	0.031	
82	Tier-II Miscellaneous	7.635	0.288	
83	Gambling Losses	10.773	0.407	n/a
84	Total Deductions	(4,086.676)	(154.328)	
85				

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

86	Montana Standard Deduction	(708.795)	(26.767)	1933 (Ch. 181, L. 1933)
87	Montana Personal Exemption	(2,060.760)	(77.822)	1933 (Ch. 181, L. 1933)

88

89	Credits	2010 (millions)	Approximate Fiscal Impact	Enactment History
90	Capital Gains Tax Credit of 2%	19.642	19.642	2003 (Ch. 544, L. 2003)
91	Nonrefundable and No Carryover	-	-	-
92	Other states' income tax credit	20.608	20.608	1941 (Ch. 28, L. 1941)
93	College contribution tax credit	0.253	0.253	1991 (Ch. 542, L. 1991)
94	Qualified endowment tax credit	1.738	1.738	1997 (Ch. 537, L. 1997)
95	Energy conservation tax credit	10.234	10.234	1981 (Ch. 480, L. 1981)
96	Alternative fuel tax credit	0.025	0.025	1993 (Ch. 617, L. 1993)
97	Rural physician's tax credit	0.052	0.052	1991 - 2007

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

98	Insurance for uninsured Montanans' credit	0.276	0.276	1991 (Ch. 606, L.1991)
99	Elderly care tax credit	0.076	0.076	1989 (Ch. 469, L. 1989)
100	Recycling tax credit	0.493	0.493	1991 (Ch. 712, L. 1991)
101	Oil seed crushing/biodiesel facility credit	0.000	0.000	2005 (Ch. 524, L. 2005)
102	Biodiesel blending/storage tank credit	0.001	0.001	2005 (Ch. 524, L. 2005)
103	Nonrefundable but with Carryover			
104	Contractor's gross receipts tax credit	3.888	3.888	1967 (Ch. 195, L. 1967)

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

105	Geothermal systems tax credit	0.454	0.454	1991 (Ch. 646, L. 1991)
106	Alternative energy systems credit	1.377	1.377	1977 (Ch. 574, L. 1977)
107	Alternative energy production tax credit	0.011	0.011	1983 (Ch. 648, L. 1983)
108	Dependent care assistance credit	0.015	0.015	1989 (Ch. 706, L. 1989)
109	Historic property preservation tax credit	0.496	0.496	1997 (Ch. 545, L. 1997)
110	Infrastructure user fee credit	0.045	0.045	1995 (Ch. 2, L. 1995)
111	Empowerment zone credit	0.001	0.001	2003 (Ch. 582, L. 2003)
112	Research activities tax credit	0.150	0.150	1999 (Ch. 444, L. 1999)

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

113	Mineral exploration tax credit	0.027	0.027	1999 (Ch. 538, L. 1999)
114	Film production employment tax credit	0.000	0.000	2005 (Ch. 593, L. 2005)
115	Adoption credit	0.323	0.323	2007 (Ch. 320, L. 2007)
116	Refundable Credits			
117	Elderly homeowner/renter tax credit	11.355	11.355	1981 (Ch. 584, L. 1981)

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

118	\$140 Homeowner income tax credit	0.000	0.000	2007 (Ch. 6, Sp. L. May 2007)
119	Film production employment tax credit	0.011	0.011	2005 (Ch. 593, L. 2005)
120	Film qualified expenditure tax credit	0.017	0.017	2005 (Ch. 593, L. 2005)

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

121	Insure Montana small business health ins credit	2.891	2.891	2005 (Ch. 595, L. 2005)
122	Temporary Emergency Lodging	0.000	0.000	2007 (Ch. 375, L. 2007)
123	Total Credits	(74.459)	(74.459)	

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

1
2
3

4 Code Provision

Summary of the Provision

5 15-30-2110(1)(a)(i)	Montana taxes interest income that is received from bonds and obligations of another state, territory, or political subdivision of another state.
6 15-30-2110(1)(a)(ii)	Montana taxes exempt dividends that are attributable to the interest from bonds and obligations of another state, territory, or political subdivision of another state.
7 15-30-2110(1)(b)	Accounting concept: If a federal itemized deduction was claimed on the prior year tax return and a federal refund was received, then the refund may be considered income in the year received.
8 15-30-2110(1)(e)	Montana taxes the recovery during the tax year of an amount deducted in any prior tax year to the extent that the amount recovered reduced the taxpayer's Montana income tax in the year deducted.
9 15-30-2101(18)(a)(xiv), 15-30-2110(5)	Married taxpayers filing a joint federal return who are required to include part of their social security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income may split the federal base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad retirement benefits when they file separate Montana income tax returns. The federal base must be split equally on the Montana return.
10 -	
11 15-61-101 through 15-61-205	Montana taxes nonqualified withdrawals from a Montana medical care savings account if the withdrawal was used for any purpose other than to pay for eligible medical expenses or long-term care.

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

12	15-63-101 through 15-63-205	Montana taxes nonqualified withdrawals from a Montana first-time home buyer savings account if the withdrawals were used for any purpose other than for eligible costs for the purchase of a single-family residence.
13	15-30-3001 through 15-30-3005	All distributions from a farm and ranch risk management account are taxable unless: (a) the deposit, or that portion of the deposit to which the distribution is attributable, was not excluded from adjusted gross income for the tax year the deposit was made; or (b) the distribution was already taxed.
14	-	-
15	15-30-2110(1)(f)	If the state taxable distribution of an estate or trust is greater than the federal taxable distribution of the same estate or trust, the difference between the state taxable distribution and the federal taxable distribution of the same estate or trust for the same tax period is included in adjusted gross income.
16	15-30-2119	A Montana NOL is determined in accordance with section 172 IRC, but taxable income is defined according to state law.
17	15-30-2110(1)(c)	Any portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the income is included in adjusted gross income.
18	15-30-2110(1)(d)	
19	33-22-2007(4)(b)	A tax credit is not allowed under any provision of Title 15, chapter 30 or 31, with respect to any amount for which a tax credit is allowed under the insure Montana program.

20 -
21
22

23 Code Provision

24	<i>required under federal law</i>	Federal law prohibits states from taxing interest on federal government bonds.
25	<i>required under federal law</i>	Indian tribes are sovereign governments, and by federal law and treaty, the right to tax the income of a member who lives on the tribe's reservation is reserved to the tribal government.
26	15-30-2101(10)	Federal law exempts the first \$2,400 of unemployment, while Montana exempts all unemployment.

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

27	15-30-2110(2)(g)	Federal law and Montana exempt all workers' compensation payments.
28	15-33-106	Montana allows taxpayers to exempt capital gains or dividends from a Montana small business investment company.
29	15-30-2110(2)(d)	Montana income tax refunds and income tax refunds received from another state are not taxable to Montana.
30	15-30-2110(2)(m)	Montana does not tax the recovery of any amount deducted in any prior tax year to the extent that the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted.
31	15-30-2117(2)	Montana exempts military salary of residents who are on active duty in the armed forces.
32	15-30-2101(18)(b)(i)	Military personnel from another state who are stationed in Montana are not required to establish residency.
33	15-30-2117(3)	Montana reimburses members of the National Guard or Reserve for premiums they pay for military group life insurance. This reimbursement is exempt from state income tax.
34	15-30-2110(2)(c)	Each taxpayer may exclude up to \$3,600 (increases for inflation) of pension income from taxation. This exemption is reduced by \$2 for each \$1 when federal AGI exceeds \$30,000, including joint returns.
35	15-30-2110(2)(b)	Taxpayers who are age 65 or older may exclude up to \$800 of interest income.
36	15-30-2110(10)	Taxpayers who are under 65 and permanently disabled may exclude up to \$5,200 of disability retirement income -- the exclusion is reduced \$1 for every \$1 in excess of \$15,000 AGI.
37	15-30-2110(2)(f)	Tips earned while working for a licensed establishment providing food, beverage, or lodging are not taxable in Montana.
38	15-30-2110(2)(p)	A child is required to file a Montana personal income tax return if the child and taxpayer meet the filing requirements.
39	15-30-2110(2)(h)	Federal law treats employer-paid premiums provided to all employees as nontaxable, but benefits to only certain employees (<i>i.e.</i> , owners, executive, etc.) is taxable compensation. Montana extends the exclusion when the federal test is not satisfied.

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

40 15-30-2110(12)	Federal law excludes student loan payments that are made by certain federal and state programs. Montana excludes these payments from all programs, including private health care facilities.
41 15-61-101 through 15-61-205	Federal law excludes contributions to certain medical accounts when used in conjunction with a high-deductible policy. Montana provides an additional exclusion of up to \$3,000 for contributions to a medical care savings account for medical expenses.
42 15-63-101 through 15-63-205	Montana allows residents who have never owned a home to establish an account and deposits of up to \$3,000 per year (\$6,000 joint return) and earnings are exempt for up to 10 years.
43 15-62-101 through 15-62-302	Federal law provides that states may set up higher education savings programs. Contributions of up to \$3,000 to a Montana plan are excluded from AGI each year. Federal law does not provide for a deduction for contributions.
44 15-30-3001 through 15-30-3005	An individual or family farm corporation may deposit up to 20% of net income from agriculture each year (limit of \$20,000 per year), and the deposits are excluded from AGI -- funds deposited must be withdrawn within 5 years and are taxable at that time.
45 15-30-2110(5)	Married taxpayers filing a joint federal return who are required to include part of their social security benefits or part of their tier 1 railroad retirement benefits in federal adjusted gross income may split the federal base used in calculation of federal taxable social security benefits or federal taxable tier 1 railroad retirement benefits when they file separate Montana income tax returns. The federal base must be split equally on the Montana return.
46 <i>required under federal law</i>	Tier II benefits are taxed at the federal level, but federal law exempts them from state taxation.
47 15-30-2110(7)	If the allowable passive loss (on married filing separate forms) is clearly attributable to one spouse, the loss must be shown on that spouse's return; otherwise, the loss must be split equally on each return.
48 15-30-2110(8)	The deduction (on married filing separate forms) must be attributed to the spouse who made the contribution.

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

49	15-30-2110(6)	If the allowable capital loss is clearly attributable to one spouse, the loss must be shown on that spouse's return; otherwise, the loss must be split equally on each return.
50	-	-
51	15-30-2119	A Montana NOL is determined in accordance with section 172 IRC, but taxable income is defined according to state law.
52	15-30-2110(13)	AGI does not include 40% of capital gains on the sale or exchange of capital assets before December 31, 1986. Montana continues to allow the 40% exclusion for capital gains on installment sales made before the end of 1986.
53	15-32-609 through 15-32-611	Montana allows businesses to take an extra deduction of 10% of the cost of purchases of recycled materials.
54	80-12-211	Montana allows taxpayers to exclude up to \$50,000 of income from the sale of at least 80 acres to a beginning farmer. To be eligible, a taxpayer's land sale must be approved by the Montana Department of Agriculture.
55	-	-
56	-	-
57	-	-
58	15-30-2110(2)(e)	Provides an exclusion for gains required to be recognized by a liquidating corporation under 15-31-113(1)(a)(ii).

59

60

61 Code Provision

62	federal	Provides partial reimbursement or subsidy for taxpayers with unreimbursed medical expenses.
63	federal and 15-30-2131(1)(g)	Montana allows deduction for all unreimbursed health premiums without imposing a floor.
64	federal and 15-30-2131(1)(g)	Montana allows deduction for all unreimbursed long-term care premiums.
65	15-30-2131(1)(b)	Montana allows a deduction for federal income taxes paid up to \$5,000 (single) and \$10,000 (joint).
66	federal	Includes other states sales taxes - more than 1/2 goes to nonresidents.

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

67	federal	Provides subsidy for ownership of real estate and avoids levy on income paid to state or local governments.
68	federal and 15-30-2131(1)(h)	Primarily relates to motor vehicle license fees and avoids levy on income paid to state or local governments.
69	federal	Avoids income tax levy on income paid to U.S. or another country.
70	federal	Provides incentive for home ownership and disincentive for paying off mortgage.
71	federal	Reflects interest not reported on Federal Form 1098.
72	federal	Provides deduction for prepaid interest associated with mortgage.
73	federal	Provides deduction for mortgage insurance premiums paid - phases out at federal level after \$100,000 AGI.
74	federal	Provides deduction for interest reported on Federal Form 4952 - limited to net investment income.
75	federal and state	Limited to 50% of AGI, with slight modifications.
76	federal and state	Limited to 50% of AGI, with slight modifications.
77	federal	Charitable contributions that taxpayer was not allowed to deduct because they exceeded the AGI limit.
78	15-30-2131(1)(c)	Provides deduction for expenses for certain dependents while taxpayer works (child under 15 or unable to care for self; phase-out after \$18,000 AGI except for physical or mental illness).
79	federal	Provides deduction for uncompensated theft, damage, or destruction of nonbusiness property that exceeds 10% of AGI.
80		
81	15-30-2131(1)(d)	Provides deduction for up to \$100 for contributions up to \$100.
82		
83	federal	Provides deduction of gambling losses up to amount of reported winnings from gambling (not subject to 2% floor).
84		
85		

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

86	15-30-2132	Provides taxpayers who do not itemize a standard deduction minimum of \$1,580 and maximum of \$3,650 (tax year 2010 - indexed every year for inflation).
87	15-30-2114	Provides taxpayers, spouses, and each dependent an exemption of \$2,130 (tax year 2010 - indexed every year for inflation).

88

89 Code Provision

90	15-30-2301	The credit is equivalent to taxing capital gains at a lower rate than other income. A taxpayer in the 6.9% bracket is taxed at 4.9% for capital gains income.
91	-	-
92	15-30-2302	The credit prevents two states from taxing the same income.
93	15-30-2326	Taxpayers are allowed a credit equal to 10% of donations (max. \$500 per year) to general endowment funds of units of the Montana university system, Montana private colleges, or private college foundations.
94	15-30-2328 (<i>sunsets 12-31-2013</i>)	Taxpayers are allowed a credit equal to 40% of the present value of a planned gift to a qualified endowment (max \$10,000 per year). A qualified endowment is a permanent fund held by a charitable organization.
95	15-30-2319, 15-32-109	Resident taxpayers may take a credit for 25% of costs of investments in a building to save energy (max. \$500 per year -- married filing separate each entitled to \$500 max).
96	15-30-2320	Resident taxpayers can claim a credit of up to 50% of the cost of converting a motor vehicle to operate on natural gas, LPG, LNG, hydrogen, electricity, or a fuel at least 85% alcohol or ether (max credit \$500 for GVW of 10,000 or less -- \$1,000 for GVW over 10,000).
97	15-30-2370 (<i>repealed in 2010</i>)	Through 2007, a physician who began practicing in a rural or underserved area was allowed a \$5,000 credit against individual income tax for the first four years of practice.

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

98	15-30-2367, 15-31-132	An employer with 20 or fewer employees may claim a credit for paying at least 50% of health insurance premiums (max. credit \$3,000, max time 3 yrs, max employees 10). The credit is the lower of (\$25 per month x the percentage paid) or 50% of the premium.
99	15-30-2366	Subject to multiple limits and phase-outs, the credit covers part of the costs of caring for a low-income family member (with less than \$15,001 income) who is 65 or older or disabled. Limits include max. credit of \$5,000 per family member, max of 30% of qualifying expenses, subject to reductions after \$25,000 AGI, phase-out after \$50,000 AGI, and a reduction for costs that could be claimed as an itemized deduction.
100	15-32-603	Taxpayers are allowed a credit for part of the cost of investments in depreciable property used in collecting or processing reclaimable material or manufacturing a product from reclaimed material. The credit is 25% of the first \$250,000, 15% for the next \$250,000, and 5% for the next \$500,000. Taxpayers are allowed to deduct depreciation on property on which the credit has been claimed and basis is not reduced.
101	15-32-701 <i>(1-1-2015 prod. Deadline)</i>	Taxpayers are allowed a credit of 15% of the cost of investment in depreciable property that is used primarily for crushing oilseeds for producing biodiesel or lubricants. The max amount that can be claimed by a facility in all years is \$500,000, and a taxpayer may deduct depreciation with no reduction in basis.
102	15-32-703	Taxpayers who are biodiesel blenders are allowed a credit of 15% of the cost of investments in biodiesel blending. The max credits that may be claimed over time are \$52,000 for a distributor and \$7,500 for a retailer. Taxpayers are allowed to deduct depreciation with no reduction in basis.
103		
104	15-50-207	Contractors are required to pay a license fee equal to 1% of the gross receipts from state and federal government contracts during the year in which a license is issued. Contractors in turn may use the amount of the gross receipts tax paid as a credit that can be carried forward up to 5 years.

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

105	15-32-115	Taxpayers (homeowner or contractor of new residence) are allowed a credit up to \$1,500 of costs of installing a geothermal heating system in a principal residence. The carry-forward is up to 7 years. Homeowners cannot take the credit and the energy conservation deduction.
106	15-32-201	Resident individual taxpayers may take a credit of up to \$500 of the cost of installing an alternative energy heating system or low emission wood or biomass system in their principal residence. The carry-forward is up to 4 years.
107	15-32-402	A taxpayer is allowed a credit of 35% of the costs, less any federal or state grants, for a commercial or net metering alternative energy system, but the credit may only be taken against taxes on net income generated. The carry-forward is up to 7 years (15 years for 5MW on reservation).
108	15-30-2373, 15-31-131	Dependent care assistance is comprised of 2 related credits: 1) providing day care services for employees' dependents up to 25% of costs (max. of \$1,575 per employee); and 2) a credit of 25% of costs of providing information and referrals. The carry-forward is up to 5 years.
109	15-30-2342, 15-31-151	A taxpayer is allowed a credit of 25% of the federal credit (currently 20%) for the cost of rehabilitation of a building certified to have historic significance and 10% for buildings older than 1937 that are not certified. There is no maximum for the rehabilitation credit and the carry-forward is 7 years.
110	17-6-316	The board of investments can make loans to local governments to finance infrastructure (sewer, water, roads) to serve a new or relocated business that will result in 15 or more new full-time jobs. Local governments may charge fees to the businesses, and the business in turn may claim a credit for the fee it pays. The carry-forward is 7 years, or there is a 3-year carry-back.
111	15-30-2356, 15-31-134, 7-21-3710	Local governments can establish an empowerment zone in an area with chronic high unemployment. Employers in the zone are eligible for a credit per new employee of \$500 (1st year), \$1,000 (2nd year), and (\$1,500 (3rd year). The carry-back is 3 years and the carry-forward is 7 years.
112	15-30-2358, 15-31-150 (<i>ended 12-31-2010</i>)	The credit ended on 12-31-2010, but taxpayers can carry-forward unused credits up to 15 years. Taxpayers who increased research expenses over baseline received a 5% credit.

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

113	15-32-503	A taxpayer is allowed a credit of \$20 million per mine for solid mineral or coal exploration activity in the state up until the time of construction or reopening of a previously closed mine. The credit may not exceed more than 50% of tax liability and unused credits may be carried forward for 15 years.
114	15-31-907 (<i>sunset 1-1-2015</i>)	A taxpayer is allowed a credit of 14% of the first \$50,000 of compensation paid to each Montana resident employed on a state-certified (as determined by the Dept. of Commerce) film production. A taxpayer who claims the credit may not deduct the compensation from gross revenue, which gives a 7.1% cost advantage (14% credit - 6.9% normal tax = 7.1% advantage) to hiring Montana residents. CARRY-FORWARD/REFUND ELECTION: If the credit is more than a taxpayer's liability the taxpayer must make an irreversible election to either have the credit refunded or to carry it forward for up to four years.
115	15-30-2364	A taxpayer is allowed a credit of \$1,000 for costs of adopting a child, so long as the taxpayer meets the requirements for the federal credit (the federal credit was \$12,170 in 2010). CARRY-FORWARD: If the credit is more than a taxpayer's liability the excess may be carried forward for up to five years.
116		
117	15-30-2338	Taxpayers may receive a credit of up to \$1,000 if they are 62 or older, have resided in Montana for at least 9 months during the year, occupied a Montana residence for at least 6 months, and gross household income is less than \$45,000. The credit is limited to \$1,000 per household, and it phases out when income is between \$35,000 and \$45,000. REFUND: If a taxpayer claims a credit in excess of liability, the excess credit is refunded.

**HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012***

<p>118 15-30-2336 (<i>not in place without statutory change</i>)</p>	<p>The 2007 Legislature enacted a refundable credit against individual income tax that is calculated on the tax paid on \$20,000 of market value of a taxpayer's principal residence multiplied by a "relief multiple" that is zero unless changed by the Legislature. The 2007 legislation provided a method for determining the credit for 2007. The 2009 Legislature amended the statute to remove the reference to the 2007 calculation but did not enact legislation changing the relief multiple, which remains at zero so that no credit is available. Each interim, the revenue and transportation interim committee is required to review actual and projected state revenue and spending and any other appropriate factors and determine if a change in the relief multiple is justified. If a change is justified, the committee is charged with requesting a bill to change the relief multiple.</p>
<p>119 15-31-907 (<i>sunsets 1-1-2015</i>)</p>	<p>A taxpayer is allowed a credit of 14% of the first \$50,000 of compensation paid to each Montana resident employed on a state-certified (as determined by the Dept. of Commerce) film production. A taxpayer who claims the credit may not deduct the compensation from gross revenue, which gives a 7.1% cost advantage (14% credit - 6.9% normal tax = 7.1% advantage) to hiring Montana residents. CARRY-FORWARD/REFUND ELECTION: If the credit is more than a taxpayer's liability the taxpayer must make an irreversible election to either have the credit refunded or to carry it forward for up to four years.</p>
<p>120 15-31-908 (<i>sunsets 1-1-2015</i>)</p>	<p>A taxpayer is allowed a credit of 9% of purchases in Montana for making a state-certified (as determined by the Dept. of Commerce) film production. A taxpayer who claims the credit may not deduct the purchases from gross revenue, which gives a 2.1% cost advantage (9% credit - 6.9% normal tax = 2.1% advantage) for Montana purchases. REFUND: If a taxpayer claims a credit in excess of liability, the excess credit is refunded.</p>

HJR 13 Study -- Spreadsheet summary of Montana income tax deductions, exemptions, and credits
Prepared for the Revenue and Transportation Interim Committee -- April 2012*

121 33-22-2006, 15-30-2368, 15-31-130	A small employer that provides group health insurance for its employees through a state pool may claim a credit up to 50% of total premiums the employer pays for the plan, not to exceed \$100 per month per employee (\$125 if the average age is at least 45), up to \$100 per month per covered spouse, and up to \$40 per other covered dependent. The maximum number of employees an employer may have is set by rule by the State Auditor and may not exceed 9 employees. A taxpayer may not deduct premiums as a business expense if the credit is taken.
122 15-30-2381	DPHHS has a program to provide temporary emergency lodging to individuals or families referred by nonprofit organizations working with domestic violence victims. A lodging establishment (<i>i.e.</i> , hotels, motels, bed and breakfast, etc.) may receive a tax credit of \$30 per day for providing up to 5 days of free lodging to someone who has been referred to them through the program. REFUND: If a taxpayer claims a credit in excess of liability, the excess credit is refunded.