

HOUSE BILL NO. 337

INTRODUCED BY B. LER, W. GALT, L. SCHUBERT, R. GREGG, M. THIEL, E. TILLEMANN, E. BUTTREY, S. GIST, C. HINKLE, L. JONES, C. SPRUNGER, S. FITZPATRICK, G. OBLANDER, K. ZOLNIKOV, J. ETCHART, L. DEMING, B. BARKER, L. BREWSTER, G. HERTZ, B. MITCHELL, K. SEEKINS-CROWE, Z. WIRTH

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING INCOME TAXES; REVISING BRACKETS TO LOWER INCOME TAXES; INCREASING THE AMOUNT OF MONTANA TAXABLE INCOME BEFORE APPLICATION OF A HIGHER RATE OF TAX; REDUCING THE HIGHEST INCOME TAX RATE; INCREASING THE EARNED INCOME TAX CREDIT; AMENDING ~~SECTION SECTIONS~~ 15-30-2103 AND 15-30-2318, MCA; AND PROVIDING EFFECTIVE DATES, APPLICABILITY DATES, AND A TERMINATION DATE."

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

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

"15-30-2103. Rate of tax -- net long-term capital gains -- definitions. (1) Except as provided in subsections ~~(2) and (3)~~ subsection (2), there must be levied, collected, and paid for each tax year on the Montana taxable income of each taxpayer subject to this chapter a tax on the brackets of taxable income as follows:

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

(i) on the first ~~\$41,000~~ \$140,000 ~~\$95,000~~ of Montana taxable income or any part of that income, 4.7%;

(ii) on any Montana taxable income in excess of ~~\$41,000~~ \$140,000 ~~\$95,000~~ or any part of that income, ~~5.9%~~ 5.65%;

(b) for every head of household:

(i) on the first ~~\$30,750~~ \$105,000 ~~\$71,250~~ of Montana taxable income or any part of that income, 4.7%;

(ii) on any Montana taxable income in excess of ~~\$30,750~~ \$105,000 ~~\$71,250~~ or any part of that income, ~~5.9%~~ 5.65%;

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

3 (i) on the first ~~\$20,500~~ ~~\$70,000~~ \$47,500 of Montana taxable income or any part of that income,
4 4.7%;

5 (ii) on any Montana taxable income in excess of ~~\$20,500~~ ~~\$70,000~~ \$47,500 or any part of that
6 income, ~~5.9%~~ 5.65%;

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

9 (i) on the first ~~\$20,500~~ ~~\$70,000~~ \$47,500 of Montana taxable income or any part of that income,
10 4.7%;

11 (ii) on any Montana taxable income in excess of ~~\$20,500~~ ~~\$70,000~~ \$47,500 or any part of that
12 income, ~~5.9%~~ 5.65%.

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

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

18 (i) on the first ~~\$41,000~~ ~~\$140,000~~ \$95,000 less nonqualified taxable income of net long-term capital
19 gains, 3.0%;

20 (ii) on net long-term capital gains that exceed ~~\$41,000~~ ~~\$140,000~~ \$95,000 less nonqualified taxable
21 income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$41,000~~
22 \$140,000 \$95,000 or greater, all of the net long-term capital gains are taxed at 4.1%;

23 (b) for every head of household:

24 (i) on the first ~~\$30,750~~ ~~\$105,000~~ \$71,250 less nonqualified taxable income of net long-term capital
25 gains, 3.0%;

26 (ii) on any net long-term capital gains that exceed ~~\$30,750~~ ~~\$105,000~~ \$71,250 less nonqualified
27 taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$30,750~~
28 \$105,000 \$71,250 or greater, all of the net long-term capital gains are taxed at 4.1%;

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

3 (i) on the first ~~\$20,500~~ ~~\$70,000~~ \$47,500 less nonqualified taxable income of net long-term capital
4 gains, 3.0%;

5 (ii) on any net long-term capital gains that exceed ~~\$20,500~~ ~~\$70,000~~ \$47,500 less nonqualified
6 taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~
7 ~~\$70,000~~ \$47,500 or greater, all of the net long-term capital gains are taxed at 4.1%;

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

10 (i) on the first ~~\$20,500~~ ~~\$70,000~~ \$47,500 less nonqualified taxable income of net long-term capital
11 gains, 3.0%;

12 (ii) on any net long-term capital gains that exceed ~~\$20,500~~ ~~\$70,000~~ \$47,500 less nonqualified
13 taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~
14 ~~\$70,000~~ \$47,500 or greater, all of the net long-term capital gains are taxed at 4.1%.

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

19 ~~(4)(3)~~ For the purposes of this section, the following definitions apply:

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

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

24

25 **Section 2.** Section 15-30-2103, MCA, is amended to read:

26 **"15-30-2103. Rate of tax -- net long-term capital gains -- definitions.** (1) Except as provided in
27 subsections (2) and (3), there must be levied, collected, and paid for each tax year on the Montana taxable
28 income of each taxpayer subject to this chapter a tax on the brackets of taxable income as follows:

1 (a) for every married individual who files a joint return and for every surviving spouse:
2 (i) on the first ~~\$41,000~~ ~~\$200,000~~ \$130,000 of Montana taxable income or any part of that income,
3 4.7%;

4 (ii) on any Montana taxable income in excess of ~~\$41,000~~ ~~\$200,000~~ \$130,000 or any part of that
5 income, ~~5.9%~~;

6 (A) —, 5.4% FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2026, UNLESS A RATE REDUCTION OCCURS
7 UNDER THE PROVISIONS OF SUBSECTION (1)(A)(II)(B);

8
9 (B) — 5.05% FOR THE FIRST TAX YEAR AFTER DECEMBER 31, 2027, WHEN STATE REVENUE AND RESERVES
10 ARE SUFFICIENT AS PROVIDED IN SUBSECTION (4), OR 5.4% IF STATE REVENUE AND RESERVES ARE NOT SUFFICIENT;

11
12 (C) — 5.05% FOR ANY SUBSEQUENT TAX YEAR AFTER THE RATE REDUCTION IN SUBSECTION (1)(A)(II)(B);
13 UNLESS A RATE REDUCTION OCCURS UNDER THE PROVISIONS OF SUBSECTION (1)(A)(II)(D);

14
15 (D) — 4.7% FOR ALL TAX YEARS BEGINNING AFTER THE TAX YEAR OF THE RATE REDUCTION TO 5.05%, IF
16 STATE REVENUE AND RESERVES ARE SUFFICIENT AS PROVIDED IN SUBSECTION (4);

17 (b) for every head of household:
18 (i) on the first ~~\$30,750~~ ~~\$150,000~~ \$97,500 of Montana taxable income or any part of that income,
19 4.7%;

20 (ii) on any Montana taxable income in excess of ~~\$30,750~~ ~~\$150,000~~ \$97,500 or any part of that
21 income, ~~5.9%~~;

22 (A) —, 5.4% FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2026, UNLESS A RATE REDUCTION OCCURS
23 UNDER THE PROVISIONS OF SUBSECTION (1)(B)(II)(B);

24 (B) — 5.05% FOR THE FIRST TAX YEAR AFTER DECEMBER 31, 2027, WHEN STATE REVENUE AND RESERVES
25 ARE SUFFICIENT AS PROVIDED IN SUBSECTION (4), OR 5.4% IF STATE REVENUE AND RESERVES ARE NOT SUFFICIENT;

26 (C) — 5.05% FOR ANY SUBSEQUENT TAX YEAR AFTER THE RATE REDUCTION IN SUBSECTION (1)(B)(II)(B);
27 UNLESS A RATE REDUCTION OCCURS UNDER THE PROVISIONS OF SUBSECTION (1)(B)(II)(D);

28

1 ~~(D) — 4.7% FOR ALL TAX YEARS BEGINNING AFTER THE TAX YEAR OF THE RATE REDUCTION TO 5.05%, IF~~
2 ~~STATE REVENUE AND RESERVES ARE SUFFICIENT AS PROVIDED IN SUBSECTION (4);~~

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

5 (i) on the first ~~\$20,500~~ ~~\$100,000~~ \$65,000 of Montana taxable income or any part of that income,
6 4.7%;

7 (ii) on any Montana taxable income in excess of ~~\$20,500~~ ~~\$100,000~~ \$65,000 or any part of that
8 income, ~~5.9%~~;

9 ~~(A) —, 5.4% FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2026, UNLESS A RATE REDUCTION OCCURS~~
10 ~~UNDER THE PROVISIONS OF SUBSECTION (1)(C)(II)(B);~~

11 ~~(B) — 5.05% FOR THE FIRST TAX YEAR AFTER DECEMBER 31, 2027, WHEN STATE REVENUE AND RESERVES~~
12 ~~ARE SUFFICIENT AS PROVIDED IN SUBSECTION (4), OR 5.4% IF STATE REVENUE AND RESERVES ARE NOT SUFFICIENT;~~

13 ~~(C) — 5.05% FOR ANY SUBSEQUENT TAX YEAR AFTER THE RATE REDUCTION IN SUBSECTION (1)(C)(II)(B);~~
14 ~~UNLESS A RATE REDUCTION OCCURS UNDER THE PROVISIONS OF SUBSECTION (1)(C)(II)(D);~~

15
16 ~~(D) — 4.7% FOR ALL TAX YEARS BEGINNING AFTER THE TAX YEAR OF THE RATE REDUCTION TO 5.05%, IF~~
17 ~~STATE REVENUE AND RESERVES ARE SUFFICIENT AS PROVIDED IN SUBSECTION (4);~~

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

20 (i) on the first ~~\$20,500~~ ~~\$100,000~~ \$65,000 of Montana taxable income or any part of that income,
21 4.7%;

22 (ii) on any Montana taxable income in excess of ~~\$20,500~~ ~~\$100,000~~ \$65,000 or any part of that
23 income, ~~5.9%~~;

24 ~~(A) —, 5.4% FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2026, UNLESS A RATE REDUCTION OCCURS~~
25 ~~UNDER THE PROVISIONS OF SUBSECTION (1)(D)(II)(B);~~

26 ~~(B) — 5.05% FOR THE FIRST TAX YEAR AFTER DECEMBER 31, 2027, WHEN STATE REVENUE AND RESERVES~~
27 ~~ARE SUFFICIENT AS PROVIDED IN SUBSECTION (4), OR 5.4% IF STATE REVENUE AND RESERVES ARE NOT SUFFICIENT;~~

28 ~~(C) — 5.05% FOR ANY SUBSEQUENT TAX YEAR AFTER THE RATE REDUCTION IN SUBSECTION (1)(D)(II)(B);~~

1 ~~UNLESS A RATE REDUCTION OCCURS UNDER THE PROVISIONS OF SUBSECTION (1)(D)(II)(D);~~

2
3 ~~(D) 4.7% FOR ALL TAX YEARS BEGINNING AFTER THE TAX YEAR OF THE RATE REDUCTION TO 5.05%, IF~~
4 ~~STATE REVENUE AND RESERVES ARE SUFFICIENT AS PROVIDED IN SUBSECTION (4).~~

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

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

10 (i) on the first ~~\$41,000~~ ~~\$200,000~~ \$130,000 less nonqualified taxable income of net long-term
11 capital gains, 3.0%;

12 (ii) on net long-term capital gains that exceed ~~\$41,000~~ ~~\$200,000~~ \$130,000 less nonqualified
13 taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$41,000~~
14 \$200,000 \$130,000 or greater, all of the net long-term capital gains are taxed at 4.1%;

15 (b) for every head of household:

16 (i) on the first ~~\$30,750~~ ~~\$150,000~~ \$97,500 less nonqualified taxable income of net long-term capital
17 gains, 3.0%;

18 (ii) on any net long-term capital gains that exceed ~~\$30,750~~ ~~\$150,000~~ \$97,500 less nonqualified
19 taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$30,750~~
20 \$150,000 \$97,500 or greater, all of the net long-term capital gains are taxed at 4.1%;

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

23 (i) on the first ~~\$20,500~~ ~~\$100,000~~ \$65,000 less nonqualified taxable income of net long-term capital
24 gains, 3.0%;

25 (ii) on any net long-term capital gains that exceed ~~\$20,500~~ ~~\$100,000~~ \$65,000 less nonqualified
26 taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~
27 \$100,000 \$65,000 or greater, all of the net long-term capital gains are taxed at 4.1%;

28 (d) for every married individual who does not make a joint return and for every estate or trust that

1 is not exempt from taxation under the Internal Revenue Code:

2 (i) on the first ~~\$20,500~~ ~~\$100,000~~ \$65,000 less nonqualified taxable income of net long-term capital
3 gains, 3.0%;

4 (ii) on any net long-term capital gains that exceed ~~\$20,500~~ ~~\$100,000~~ \$65,000 less nonqualified
5 taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~
6 ~~\$100,000~~ \$65,000 or greater, all of the net long-term capital gains are taxed at 4.1%.

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

11 ~~(4) — (A) THE REDUCED RATE OF TAX PROVIDED FOR IN SUBSECTIONS (1)(A)(II)(B), (1)(A)(II)(D),~~
12 ~~(1)(B)(II)(B), (1)(B)(II)(D), (1)(C)(II)(B), (1)(C)(II)(D), (1)(D)(II)(B), AND (1)(D)(II)(D), IS NOT APPLICABLE UNLESS:~~

13
14 ~~(i) — THE BALANCE IN THE BUDGET STABILIZATION RESERVE FUND PROVIDED FOR IN 17-7-130 WAS AT LEAST~~
15 ~~16% OF ALL GENERAL FUND APPROPRIATIONS IN THE SECOND YEAR OF THE BIENNIUM PURSUANT TO 17-7-130(5); AND~~

16
17 ~~(ii) — THE GENERAL FUND REVENUE COLLECTIONS FROM THE INDIVIDUAL INCOME TAX PROVIDED FOR IN~~
18 ~~TITLE 15, CHAPTER 30, FOR THE TWO MOST RECENTLY COMPLETED FISCAL YEARS AVERAGES AT LEAST 10% GREATER~~
19 ~~THAN THE GENERAL FUND REVENUE COLLECTIONS FROM THE INDIVIDUAL INCOME TAX PROVIDED FOR IN TITLE 15,~~
20 ~~CHAPTER 30, FOR THE THIRD MOST RECENTLY COMPLETED FISCAL YEAR..~~

21
22 ~~(b) — STARTING IN 2027, BY SEPTEMBER 15 OF EACH YEAR THE BUDGET DIRECTOR SHALL CERTIFY TO THE~~
23 ~~STATE TREASURER, THE LEGISLATIVE FISCAL ANALYST, AND THE DEPARTMENT REGARDING WHETHER THE CONDITIONS~~
24 ~~OF SUBSECTION (4)(A)(i) AND (4)(A)(ii) WERE SATISFIED FOR THE MOST RECENTLY COMPLETED FISCAL YEAR. IF THE~~
25 ~~BUDGET DIRECTOR CERTIFIES THAT BOTH CONDITIONS ARE SATISFIED, THE REDUCED RATE OF TAX IS IN EFFECT FOR THE~~
26 ~~FOLLOWING CALENDAR YEAR.~~

27 ~~(4)(5) (4)~~ For the purposes of this section, the following definitions apply:

28 ~~(a)~~ "Modified inflation factor" has the same meaning as "inflation factor" as defined in 15-30-2101,

1 except that the consumer price index for June ~~2027~~ 2026 is substituted for the consumer price index for June
2 2023.

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

5 ~~(b)~~(c) "Nonqualified taxable income" means Montana taxable income that is not considered net long-
6 term capital gains."

7

8 **SECTION 3.** SECTION 15-30-2318, MCA, IS AMENDED TO READ:

9 **"15-30-2318. Earned income tax credit.** (1) Except as provided in subsection (3), a resident
10 taxpayer is allowed as a credit against the tax imposed by 15-30-2103 a percentage of the credit allowed for the
11 federal earned income credit for which the individual taxpayer is eligible for the tax year under section 32 of the
12 Internal Revenue Code, 26 U.S.C. 32.

13 (2) The amount of the credit allowed under subsection (1) is ~~40%~~ 20% of the amount of the credit
14 determined for the tax year under section 32 of the Internal Revenue Code, 26 U.S.C. 32.

15 (3) The credit is not allowed on earned income that is treated as a dividend received by a member
16 of an agricultural organization provided for in section 501(d) of the Internal Revenue Code, 26 U.S.C. 501(d).
17 For the purpose of this subsection, the amount of the state tax credit provided for in subsection (2) is reduced
18 by the reduction percentage.

19 (4) The taxpayer is entitled to a refund equal to the amount by which the credit exceeds the
20 taxpayer's tax liability or, if the taxpayer has no tax liability under this chapter, a refund equal to the amount of
21 the credit. The credit may be claimed by filing a Montana income tax return.

22 (5) For the purpose of this section, the following definitions apply:

23 (a) "Earned income" means earned income, as defined in section 32 of the Internal Revenue
24 Code, 26 U.S.C. 32, that was used to determine the amount of the federal earned income tax credit under
25 subsection (2).

26 (b) "Reduction percentage" means a percentage that is calculated by dividing the earned income
27 that is disallowed under subsection (3) by the total amount of earned income."

28

