2019 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,

Thank you for filing your Montana tax return.

To make filing your tax return as easy as possible, we have made some changes. Please see the What's New section for the changes to our 2019 tax forms.

It is important for Montanans to know where your tax dollars go. In the graphs below, you can see where tax revenues come from and how they are used to support important services and infrastructure.

We are committed to assisting you with any questions you may have about your filing requirements. If you need more information or would like help, please visit *MTRevenue.gov* or call our help line at (406) 444-6900.

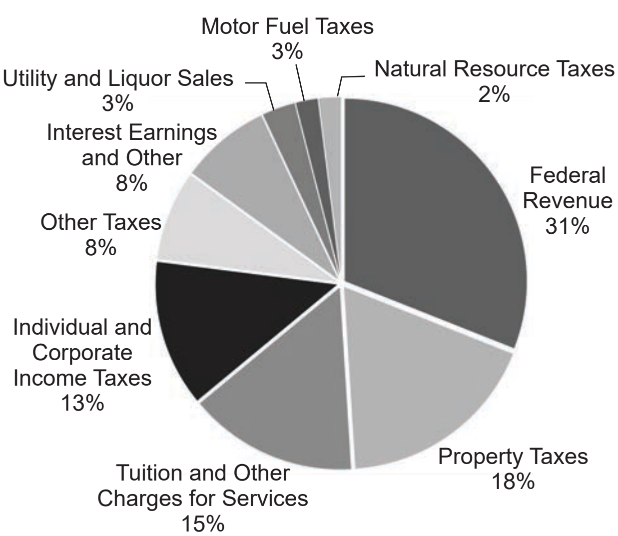
Also, we encourage you to file electronically. Last year nearly 90 percent of individual taxpayers filed electronically. Taxpayers find that e-filing is easy, and helps ensure accurate processing. It can also help you get any refund you are owed more quickly. Be sure to visit *montanafreefile.org* for help with free filing options.

Best regards,

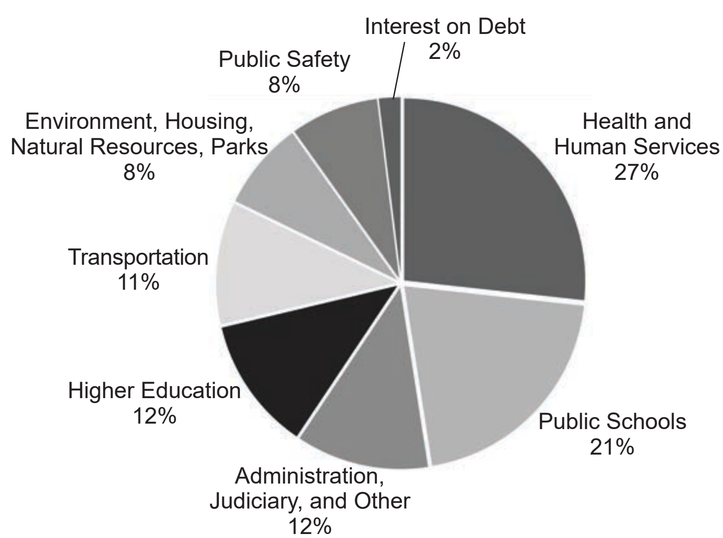
Your Montana Department of Revenue

Your Tax Dollars at Work

What are Montana's Public Revenues?
Total Montana State and Local Revenue, Fiscal Year Ending 2016



Where Do Your Public Dollars Go?
Total State and Local Spending in Montana, Fiscal year Ending 2016



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 *or call us with your questions.

What's New?

Updates and items of interest relating to individual income tax.

Federal Changes

Federal Extenders. The year-end federal budget bill was signed into law on December 20, 2019, which extended certain expired provisions (Federal Extenders) that were eliminated in the 2017 Tax Cut and Jobs Act. The 2019 Form 2, schedules, and worksheets conform to these Federal Extenders.

Legislative Changes

Earned Income Tax Credit. Beginning with Tax Year 2019, Montana has enacted a state version of the Earned Income Tax Credit (EITC). The Montana EITC is offered at 3 percent of the federal credit and is fully refundable. For example, if your federal EITC is $1,000, your Montana EITC will be $30.

If you are a part-year resident, a member of a 501(d) organization, or a tribal member, you may be entitled to a partial credit. This credit is not available for non-residents.

See page 11 for more information about the Montana EITC.

Deposits to 529 Accounts. You can now direct part or all your overpayment to a Family Education Savings account (IRC 529) or an Achieve a Better Life Experience account (IRC 529A). Use the MT- 529 Schedule to indicate which account you want your overpayment to be deposited. This deposit is considered a refund to you and will be included on federal Form 1099-G. For more information, see Form 2, page 12.

Allowable deductions for contributions to an ABLE account expanded. Beginning with Tax Year 2019, the list of family members eligible for a tax deduction for contributions to an Achieving a Better Life Experience (ABLE) account has been expanded to include grandparents, siblings or children related to an account owner by blood, marriage, or legal adoption.

In addition contributions are eligible for deduction regardless of the designated beneficiary's residency, or state in which the account is held or administered.

Business deduction when a federal credit is claimed. Beginning with Tax Year 2019, businesses that claim a federal credit are allowed the corresponding business expense as a deduction for Montana tax purposes when this deduction is disallowed for federal tax purposes. For example, employers receiving the federal credit for Social Security and Medicare taxes paid on certain employee tips are now allowed to take the related expense as a deduction. This deduction is limited to business expenses and does not impact expenditures that must be capitalized. For more information about this income tax deduction, see the instructions for Montana Subtractions Schedule, line 24, on page 24.

Changes to Form 2

Revisions related to the federal Form 1040. The Montana Form 2 was updated to reflect the changes made to the 2019 federal Form 1040. These changes include moving the capital gains line from federal Schedule 1 to the first page as well as the addition of a separate line for pensions and annuities.

Payment schedule for married taxpayers filing separately on the same form. Married taxpayers filing separately on the same form, with one spouse owing while the other has an overpayment, must use the Status 2a Payment Schedule on page 2 to determine whether they have a net amount owed or a net overpayment. If you are the spouse with the overpayment, you may be able to claim a partial refund after applying your overpayment to the amount owed by your spouse.

Schedule 1 (federal Form 1040 or 1040-SR) Additional Income and Adjustment to Income. We added a checkbox allowing you to indicate write-ins adjustments were included on line 22 of federal Schedule 1, page 3.

Montana Schedule K-1. Montana Schedule K-1 was revised to simplify both the reporting of Montana adjustments and the reporting of Montana source income by nonresidents. See the instructions for the Montana Additions Schedule, line 12, and Montana Subtractions Schedule, line 32, for additional information on how to report these adjustments.

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, if your federal gross income, excluding unemployment compensation, is equal to or greater than the threshold for your filing status as listed in the chart below, then you must file a Montana income tax return.

IF your filing status is…	AND at the end of 2019 you were…	THEN you must file a tax return if your federal gross income, excluding unemployment compensation was at least…
Single, or married filing separately	Under 65	$4,710
	65 or older	$7,220
Head of household	Under 65	$9,420
	65 or older	$11,930
Married filing jointly with your spouse	Both under 65	$9,420
	One spouse 65 or older	$11,930
	Both spouses 65 or older	$14,440

You are entitled to an additional exemption if you are blind or your spouse is blind. Increase your federal gross income in the last column by $2,510 to determine if you must file.

If you are not sure about your filing status, see page 5.

Important

You may qualify for the Elderly Homeowner/Renter Credit even if you do not have a Montana filing requirement. See page 3 for instructions on how to claim this credit.

To claim the Earned Income Tax Credit, you must still complete Form 2, pages 1 and 2, even if you do not meet the filing thresholds shown above. For more information about the Earned Income Tax Credit, see page 11.

Filing requirement for taxpayers with losses. If you incurred or reported losses (including 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.

Nonresident Military Servicemembers and Spouses

In general, if you are a military service member, or the spouse of a military service member, located in Montana solely in compliance with military orders, you do not acquire residency status in Montana.

Under the Servicemembers Civil Relief Act, if you are a service member located in Montana solely in compliance with military orders, you retain residency in the state you were a resident before moving to Montana. Your military compensation is not Montana source income.

Spouse of Active Duty Servicemember

You qualify for relief under the Military Spouse Residency Relief Act 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
- Both spouses are residents of the same state.

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

If you or your spouse have Montana source income, such as rental income from real property located in Montana, you must file as nonresidents. You must exempt the military compensation on the Montana Subtractions Schedule, line 13, if you included this compensation in your Federal Adjusted Gross Income.

The compensation for services rendered in Montana and received by the nonresident non-military spouse are not Montana source income and are not included on your Nonresident/Part-Year Resident Ratio Schedule, line 1.

If you meet the requirements of either situation described above and you do not have any Montana source income, you do not have a filing requirement in Montana.

Enrolled Member of a Tribe

If you are an enrolled member of a tribe and you live on the reservation governed by your tribe, you can subtract your income sourced to your reservation from your Federal Adjusted Gross Income. Other items of income are taxable and must be reported on Form 2.

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.

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.

If all your income can be subtracted from Montana income tax as a tribal member, you do not have to file a Montana income tax return, Form 2. Instead, you must file 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 with Form ETM. When you are required to file a Form 2, use the Montana Subtractions Schedule, line 8.

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 the income can be sourced to the reservation governed by your tribe.

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.

When Must You File?

File Form 2 and pay the tax due by April 15, 2020. 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 instructions about interest and penalties on page 47.

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 are filing your return on paper, you must include any applicable federal forms and schedules we requested on the return. You do not need to provide us with your entire federal return when you file your Montana return unless you are a nonresident or part-year resident. However, you should retain your federal return in your tax records and be able to provide it to us upon request.

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 the Form 2, Schedule 1, the Montana Subtractions Schedule, and you chose the standard deduction, you will only need to send pages 1, 2, 3, and 5.

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 page 1 and 2 to us. Include all pages with a completed schedule.

TIP: You will need to send only pages 1 and 2 of Form 2 if:

- You only received wages, dividends, or taxable interest, and
- You have fewer than four dependents, and
- You do not report any adjustment to income (see page 3), and
- You do not have any Montana additions or subtractions (see pages 4 and 5), and
- You chose the standard deduction for 2019, and
- You are not claiming any credit in 2019.

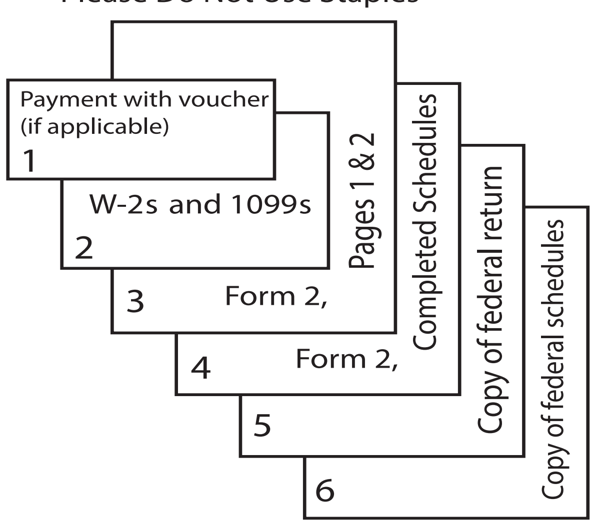
Important If you wish to contribute to a check-off program, you will have to use the Contributions, Penalties, and Interest Schedule, and include page 11 with the return you are mailing.

Easy Steps to Assemble Your Return as Shown Below – Do Not Staple

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. Montana Form 2, other pages with completed schedules
5. Copy of your federal tax return: Nonresident/part-year residents must include a copy of their entire federal return.
6. Copy of your federal schedules: Nonresident/part-year residents must include a copy of their completed federal schedules.

Please Do Not Use Staples



We have two different mailing addresses for your paper return, if you choose not to file electronically. 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

Elderly Homeowner/Renter Credit

Before you begin, gather all the information about the income of all the members of your household. You will need this information to verify eligibility and calculate the credit.

If you are required to file a return, you can calculate the credit on page 10 of Form 2 and claim it on the Other Payments and Refundable Credits Schedule on page 11.

If you are not required to file a return, and you wish to claim the Elderly Homeowner/Renter Credit, you can do so on the TransAction Portal (TAP) *https://tap.dor.mt.gov* or on paper by completing just Form 2, pages 1, 2, 10, and 11, in the following order:

- Page 10:
  - First, complete the Elderly Homeowner/Renter Credit Schedule (and, if applicable, the Long-Term Care Facility Rent Calculation Worksheet) to determine eligibility and calculate the amount of credit.
- Page 11:
  - Enter the amount of credit on the Other Payments and Refundable Credits Schedule, page 11, line 6.

- Page 1:
  - Provide your identification and filing status used to determine your filing requirement;
  - Check “Resident full-year” or “Resident part-year.” (To claim the credit, you must be a resident of Montana and have resided in the state for at least nine months of 2019);
  - List dependents, if any;
  - Mark the box “65 or older” in the exemption section if applicable;
  - Complete lines 1, 4a, 4c, and 5a when applicable. (Use any Forms W-2 and SSA-1099 or 1099-R you may have received to complete those sections);
  - Report the amount of credit on lines 19 and 24.
- Page 2:
  - Complete the direct deposit section;
  - Sign at the bottom.

Nonresident Tax

Nonresidents are taxed on their Montana source income. This tax is first calculated based on taxable income determined as if the taxpayer was a resident, and then apportioned to the amount of Montana source income included in Montana Adjusted Gross Income. This apportionment is determined using the Nonresident/Part-Year Resident Ratio Schedule. Do not exempt non-Montana source income on Montana Subtractions Schedule.

Example: Marla is a nonresident. Her Federal Adjusted Gross Income is $50,500 and includes $10,000 of rental income from a real property she owns in Montana. 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 Adjusted Gross 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 on her Montana Subtractions Schedule. After additions and subtractions, Marla’s Montana Adjusted Gross Income is $50,000.

Marla must first calculate her taxable income as a resident. After claiming her itemized deductions and her personal and dependent exemptions, her taxable income is $30,000.

Marla then calculates her nonresident ratio using the Nonresident Ratio Schedule on Form 2, page 8. She reports $10,000 of rental income on line 10 so her nonresident ratio is 20 percent ($10,000/$50,000).

Marla calculates her tax on the Tax Liability Schedule, line 1, which is $1,483. Her nonresident tax is $297 ($1,483 x 0.20). She reports $297 on her Tax Liability Schedule, line 3a, and on Form 2, page1, line 15.

Part-year residents calculate their tax like nonresidents. However, a part-year resident must include in the numerator of their ratio all their income received while they were a resident.

See instructions for the residency line on page 7 to determine your residency status.

Amending Your 2019 Return

If you are amending your 2019 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 box on the top left of page 1.
2. Make sure you sign and date your return.
3. Complete the Amended Return Information section on page 2.
4. Include any payments made with or after filing the original return on line 7 of the Other Payments and Refundable Credits Schedule on page 11.
5. If you requested a refund or if you carried over all or part of the overpayment reported on your original return to 2020, make sure that you completed line 2 of the Contributions, Penalties, and Interest Schedule on page 11.

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.

Interest Rate for 2020

Effective January 1, 2020, the annual interest rate assessed on outstanding balances is 5 percent. This rate also applies to 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, enter the date of death in the field next to his or her name. Include a copy of the federal Form 1310 unless you use filing Status 2a (married filing separately on the same form) or Status 4 (married filing jointly) on this return.

Filing Status – (mark only one box)

Montana law does not require you to claim the same filing status that you claimed on your federal tax return. For example, if you are married and you filed your federal income tax return jointly, you and your spouse have the option to file your Montana tax return either jointly or separately.

TIP: If you are married, and both spouses report income, filing separately may result in less tax due.

Filing Separately When Married.

If you and your spouse chose to file separately, you and your spouse will each need to report your own adjusted gross income. You cannot arbitrarily assign income or deductions between the two of you.

When filing separately, you must select whether you and your spouse are filing on the same form (Status 2a), on separate forms (Status 2b), or separately with your spouse not filing (Status 2c).

When you choose to file separately, you are filing a separate return from your spouse, even if you file on the same form.

How to allocate income and deductions when filing separately.

Apply the following general rules as you allocate income and deductions between you and your spouse.

When filing separately on the same form this allocation is done between Columns A and B, with each column being a return.

Allocation of income. If you filed your federal tax return separately, report the items of income the same way you reported them on your federal Form 1040.

Allocate income as follows:

- Income from wages, salaries, bonuses, commissions, and other income that is earned from providing personal services as an employee or as an independent contractor should be reported by the spouse who earned it.
- Income such as capital gains or losses, rents, royalties, dividends, and interest should be reported by the spouse who owns the property from which the income is derived. If you and your spouse jointly hold the property, you must split the income equally between both spouses unless you and your spouse can show a different proportional ownership.
- Income from your or your spouse's ownership in a sole proprietorship (federal Schedules C or F), partnership, S Corporation, or trust must be reported by the spouse who is the owner. An allocation for services rendered by a spouse can also be made (see instructions for Montana Additions and Montana Subtractions Schedules.)

Allocation of deductions. In general, if you filed your federal return separately, report the items of deduction the same way you reported them on your federal Form 1040.

- Spouses must either both claim the standard deduction, or both itemize their deductions. You are not allowed to claim one method for one spouse and another method for the other spouse.
- Deductions that are attributable to only one spouse must be claimed by that spouse. This includes, for example, federal income tax withheld from your wages and the Student Loan Interest Deduction.
- Payments made from accounts owned by both spouses and that pertain to expenses that are not attributable specifically to one spouse can be allocated to either spouse in any proportional amount.

Important Review the following before choosing Status 2a (Married Filing Separately on the Same Form).

The Status 2a election includes:

- An authorization to direct the department to automatically apply the tax overpaid reported by one spouse to the tax due by the other spouse, including when the return is revised. For example, if we discover a math or other computational error when processing the form, the correction may result in our applying one spouse's refund to the other spouse's increased tax automatically, even when neither of the spouses were expecting a refund.
  - If you file separately on the same form, before requesting any refund, you must apply your overpayment on line 24 to the amount owed by your spouse, if any, on line 23. See Status 2a Payment Schedule on Form 2, page 2.
- An authorization to allow department employees to discuss all information on the form with either spouse, as permitted by Montana law. The department may also discuss any subsequent adjustments with either spouse.
  - The law, however, does not allow you to make decisions for your spouse or to receive information about an amount your spouse may owe.
- The opportunity to qualify for the Household and Dependent Care Services itemized deduction, if you are married and you do not file jointly.
- The requirement to calculate your interest on underpayment of estimated tax on a combined basis.

If none of the above provisions apply to your tax situation and you still want to file separately, you must file on separate forms and choose Status 2b.

Status 1 – Single

You can claim this filing status if on December 31, 2019, you:

- were single;
- were legally separated according to your state law under a decree of divorce or separate maintenance; or
- were widowed before January 1, 2019, and you did not remarry in 2019.

If your filing status is Single, report your income and deductions in only column A.

Status 2a – Married Filing Separately on the Same Form

You can use Status 2a if both spouses are residents or both spouses are nonresidents receiving Montana source income.

Although submitted on the same form, married taxpayers electing to file using this status are submitting two tax returns, so each spouse must complete their own column.

Penalties and interest are calculated separately. Do not forget to reallocate estimated tax payments to your spouse, on your Other Payments and Refundable Credits Schedule, page 11, if you determine that all or part of these payments should be applied to your spouse's account.

Status 2b – Married Filing Separately on Separate Forms

You can choose Status 2b if you are both residents, and choose not to file on the same form.

You and your spouse must use filing Status 2b if one spouse is a resident of Montana and the other spouse is a nonresident who has Montana source income.

When you select this filing status, you must include your spouse's Social Security Number.

Status 2c – Married Filing Separately and Spouse Not Filing

You can use filing Status 2c when:

- Both you and your spouse are nonresidents and one spouse has no Montana source income;
- You are a resident and your spouse is a nonresident who has no Montana source income; or
- Another taxpayer claims your spouse as a dependent. When you select this filing status, you must include your spouse's Social Security Number.

Note: When you use this filing status, you cannot claim your spouse as an exemption on your return.

Status 3 – Head of Household

You qualify to file as Head of Household on your Montana tax return if you qualify as Head of Household for federal income tax purposes. When you use this filing status, include your federal Form 1040, page 1, with your Montana tax return.

Generally, when your filing status on your federal Form 1040 is Qualifying Widow(er), you can use Head of Household status. Verify that you qualify using the instructions for federal Form 1040 or IRS Publication 17.

Status 4 – Married Filing Jointly

You can claim this filing status if you were married as of December 31, 2019, even if:

- You did not live with your spouse at the end of 2019; or
- Your spouse died in 2019 and you did not remarry in 2019; or
- You were married as of December 31, 2019, and your spouse died in 2020 before filing a 2019 return.

Residency Status

In general, you are a resident of Montana for individual income tax purposes if you live in Montana or if you maintain a permanent home in Montana. A permanent home in Montana means a dwelling place you habitually use as your home, whether you own it or not, even if you may someday leave.

You do not lose your Montana residency if you leave the state temporarily for work or other purposes with the intention of returning. In general, your Montana residency is lost when you move and establish residency in another state.

Unless there is a specific exception under Montana law, if you establish Montana residency for any purpose, you are considered a Montana resident for income tax purposes.

You are a full-year nonresident of Montana if you were not a resident for whole tax year.

You are a part-year resident of Montana if you moved to or from Montana during the tax year with the intention of establishing a permanent residence in your new state.

Note: If you are married and one of you is a resident of Montana and the other is a nonresident of Montana, you cannot claim two residency statuses on the same return. You must file separate Montana tax returns and file using Status 2b or 2c described above.

Beginning in 2019, a nonresident spouse of a service member who is a resident of Montana may choose to become a resident of Montana. This change is irrevocable until such time residency is established in another state.

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 2019 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. File this form as a nonresident.
3. Mark the box for “North Dakota Reciprocity.”
4. Leave the dependents and exemptions sections blank.
5. Enter the Federal Adjusted Gross Income shown on your federal Form 1040, line 8b.
6. Fill in the amount of the Montana income tax withheld from your wages on line 18, and also include this amount on lines 22 and 24.
7. File this 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 Nonresident/Part-Year Resident Ratio 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.

Dependents

List each dependent’s first name, last name, Social Security Number, and his or her relationship to you. If you have more than three dependents, you need to include a separate list of these additional dependents.

A person who meets all the following requirements is considered your dependent for Montana income tax purposes. Some of Montana’s dependency requirements are different from the federal dependency requirements.

Your dependent is an individual:

- for whom you have provided more than half his or her support during the tax year; and
- who does not have gross income of more than $2,510, unless the dependent is a “qualifying child” according to the federal rules; and
- who is not filing a joint tax return with his or her spouse during the same tax year.

In addition to the requirements mentioned previously, your dependent must be:

- a relative to you (or your spouse if you are filing a joint return) in one of the following ways:

Child	Mother	Aunt
Stepchild	Grandparent	Son-in-law
Grandchild	Stepfather	Daughter-in-law
Brother	Stepmother	Father-in-law
Sister	Nephew	Mother-in-law
Stepbrother	Niece	Brother-in-law
Stepsister	Uncle	Sister-in-law
Father		

  or

- an individual who for the tax year has shared your home as his or her principal home, and has been considered a member of your household;

  or

- a cousin (or other descendant of your uncle or aunt) who is receiving institutional care because of a physical or mental disability and was a member of your household before receiving the institutional care.

Note: When the terms nephew, niece, uncle, or aunt are used, they mean a direct relative of yours. You can claim your uncle as a dependent, but you cannot claim your uncle's spouse. Similarly, you cannot claim your spouse's uncle as a dependent, only your spouse can.

A child who is under age 19 at the end of the year (or under age 24 and a full-time student) and lived with you for more than half the year can be considered a dependent even if they have more income than is otherwise allowed.

Disabled Child

In addition to the dependent exemption, you are entitled to another exemption for a child who is disabled. If your child is disabled and you qualify for this additional exemption, place an "X" in the "Mark if Disabled" column in the same row you listed your disabled child.

You are allowed this disabled child exemption if you meet all the following requirements:

- You provide more than half the disabled child's support.
- Your home is the disabled child's principal home.
- The disabled child has a permanent disability constituting a disability to 50 percent or more of the body. Deafness and blindness do not meet this requirement.
- A licensed physician has certified the child's disability. If this is the first year that you are claiming the additional exemption for this child, you must include a physician's certification of this qualifying disability with your tax return.

This physician's certification filed with us during the first year of eligibility remains in effect in subsequent years. We do not require you to file it again until the circumstances of your disabled child change.

Exemptions

You and your spouse are entitled to an additional exemption if you are age 65 or older at the end of the tax year, and an additional exemption if you are blind.

a – Yourself. You are always allowed one exemption for yourself. We placed an "X" in your box for you. Even if you are claimed as a dependent on another person's tax return, you are still entitled to your one personal exemption.

b – Spouse. Mark the box only if you are married and filing jointly with your spouse, or if you file separately on the same form. No exemption for the spouse is allowed on this form if you and your spouse chose Status 2b or 2c.

c – Exemptions for Dependents. You can claim a dependent exemption for each person who qualifies as your dependent.

If you are filing separately, and the same individual is the dependent of both, you must allocate this dependent to one or the other spouse. The same dependent cannot be claimed twice.

When adding your exemptions for dependents, add two exemptions, instead of one, for each dependent who is a disabled child in the column or on the form of the spouse claiming the dependent.

Federal Adjusted Gross Income

Your income on your Montana tax return begins with your Federal Adjusted Gross Income. You need to refer to your federal income tax instructions for detailed information about how to complete lines 1 through 8b and Form 2, Schedule 1, on page 3. Selected lines have been identified in these instructions to provide additional information about specific Montana tax details.

If you were required to complete and include a federal schedule for any of the items on these lines, also include those schedules when you submit your Montana tax return.

Lines 1 through 8b

On lines 1 through 8b, enter the amounts corresponding to your federal tax return Form 1040. Complete the Form 2, Schedule 1 on page 3, if needed.

Line 3b – Ordinary Dividends. Enter the total ordinary dividends that you reported on your federal Form 1040, line 3b. Montana taxes all dividends as ordinary dividends and does not have a specific qualified dividend tax rate.

Lines 4a-4d – IRA Distributions, Pensions and Annuities. IRA distributions, pensions, and annuities may entitle you to a partial exemption. See the Montana Subtractions Schedule, line 35, and related instructions.

Line 5a and 5b – Taxable Social Security Benefits. Your Montana taxable amount of Social Security benefits may be different than your federal taxable amount if your Montana Adjusted Gross Income differs from your Federal Adjusted Gross Income. First, Montana grants a partial exemption for pension and annuity income to some taxpayers. Second, the state uses the adjusted gross income after Montana additions and subtractions, including the exemption amount, to determine the taxable and excludable portion of your benefits. These adjustments to your taxable amount of benefit must be reported on the Montana Additions Schedule on page 4 or the Montana Subtractions Schedule on page 5.

Line 6 – Capital Gain or (Loss). Enter the same amount of your capital gain or loss that you reported on your federal income tax return.

Treatment of losses. Married taxpayers who are filing jointly for federal tax purposes, but separate for Montana tax purposes, may allocate the amount of losses shown on the federal joint return between the spouses. If you and your spouse jointly held the property, you must split the income equally between both spouses unless you and your spouse can show a different proportional ownership.

Example: Jack and June are married and file jointly for federal tax purposes and separately for Montana. They sold a property they jointly owned. They realized a loss and reported $3,000 of capital losses directly related to that sale on their federal Form 1040. Jack and June can claim $1,500 loss each. If June had owned the property, June could have reported $3,000 of capital loss and Jack $0.

If you are married and are both residents, and you filed a joint return for federal tax purposes, you can also report your gains or losses individually and separately. You must follow the federal rules for filing separately, including the limitation on losses in IRC 1211. In addition, reporting your gains and losses individually and separately may result in short-term gain or losses for one of the spouses. When using this method, we recommend each spouse recompute their own net gain or loss using the federal Schedule D.

Caution: If each spouse has capital gains and losses, this method can result in additional Montana tax being imposed on some of the gains and/or a different amount of carryover losses for Montana tax purposes than for federal tax purposes.

TIP: If you are a resident, reporting capital gains on this line entitles you to a tax credit of 2 percent of the amount reported. See the Nonrefundable Credits Schedule, line 1, and related instructions.

Nonresident and part-year residents calculate their capital gains credit based on the Nonresident/Part-Year Resident Ratio Schedule, line 7.

Line 8b – Federal Adjusted Gross Income. If you are filing Single, Married Filing Jointly, or Head of Household, this amount should correspond to the amount of your Federal Adjusted Gross Income you reported on your federal Form 1040.

If you file separately, in most cases, the sum of both columns equals the Federal Adjusted Gross Income reported on your federal Form 1040.

Montana Taxable Income

Line 9 – Montana Additions. Montana additions are all items of income that are not included in Federal Adjusted Gross Income and that must be added to determine Montana Adjusted Gross Income. To figure the amount of additions you must report on this line, see the instructions for the Montana Additions Schedule on page 17. If you report one or more additions, you must include page 4 of Form 2 with your return.

Line 10 – Montana Subtractions. Montana subtractions are all items of income that are included in Federal Adjusted Gross Income and that must be deducted to determine Montana Adjusted Gross Income. To figure the amount of subtractions you must report on this line, see the instructions for the Montana Subtractions Schedule on page 20. If you report one or more subtractions, you must include page 5 of Form 2 with your return.

Line 12 – Standard or Itemized Deductions. You must choose between the standard deduction or itemized deductions. To figure which is more beneficial (generally the larger of the two) complete the Standard Deduction Worksheet and the Itemized Deductions Schedule on page 7.

When you and your spouse file, you must both use the standard deduction or itemize your deductions. You cannot use two different methods. If one spouse itemizes, the other one will be deemed to be itemizing as well.

When you elect to itemize your deductions, you must mark the box and include page 7 of Form 2 with your return. If you do not mark the box or do not include page 7, the processing of your return may be delayed, or your return may be adjusted using the standard deduction.

Line 13 – Exemptions. Multiply $2,510 times the number of exemptions that you calculated on the Exemptions Section, line d.

Tax, Credits and Payments

Line 15 – Tax Liability Before Credits. Residents: If you are a full-year resident, and you do not owe any recapture tax (see page 36), nor any taxes on lump-sum distributions (see page 37), compute your tax using the following table and report the result on line 15.

2019 Montana Individual Income Tax Table

If Your Taxable Income Is More Than	But Not More Than	Multiply Your Taxable Income By	And Subtract	This Is Your Tax
$0	$3,100	1% (0.010)	$0	
$3,100	$5,400	2% (0.020)	$31	
$5,400	$8,200	3% (0.030)	$85	
$8,200	$11,100	4% (0.040)	$167	
$11,100	$14,300	5% (0.050)	$278	
$14,300	18,400	6% (0.060)	$421	
More Than $18,400		6.9% (0.069)	$587	

If you owe recapture taxes or the tax on lump-sum distributions, see the instructions on page 36 to complete the Tax Liability Schedule on Form 2, page 8, to figure the amount you need to report on line 15.

Nonresidents and part-year residents: See the instructions on pages 31 through 36 to complete the Tax Liability and the Nonresident/Part-Year Resident Ratio Schedules and report the amount of tax liability on line 15. Include Form 2, page 8, with your return.

Line 16 – Nonrefundable Credits. For information about nonrefundable credits, including the capital gains credit and credit for taxes paid to another state, see the instructions on page 38.

If you are claiming a nonrefundable credit you must include Form 2, page 9, with your return.

Line 18 – Montana Tax Withheld on Forms W-2 and 1099. Enter the sum of all the Montana income tax withheld from any Forms W-2 or 1099 you received.

This includes, for example, Forms W-2 and any 1099 received related to wages, pensions, self-employment, or royalties (including mineral royalties):

- If you received wages, the Montana tax withheld is reported in Box 17 of your federal Form W-2.
- If you received pensions, the Montana tax withheld is reported in Box 12 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.

When you claim Montana income tax withheld, you are required to include a copy of your withholding statements (federal Forms W-2 or 1099-R) with your return.

Line 19 – Other Payments and Refundable Credits. This line consists of all other refundable credits, including the Elderly Homeowner/Renter Credit. See the instructions on page 46 to complete the Other Payments and Refundable Credits Schedule. Include page 11 of Form 2 with your return.

If you or an entity made estimated tax payments on your behalf, pass-through entity withholding payments on a Montana Schedule K-1, or any other payments not reported on Forms W-2 and 1099, you must complete the Other Payments and Refundable Credits Schedule.

Line 20 – Earned Income Tax Credit. You are allowed a Montana Earned Income Tax Credit (EITC) of 3 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 and married taxpayers filing separately on separate forms do not qualify for the Montana EITC. If you are a nonresident or married filing separately on separate forms, enter 0 (zero) on line 20a and line 20b.

Line 20a. Enter the federal earned income credit amount from your federal Form 1040, page 2, line 18a on line 20a.

Line 20b. 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,

multiply line 20a by 3 percent (0.03) and enter the result on line 20b. (Example 1). If your filing status is 2a (Married and Filing Separately on Same Form), the amount of the credit maybe allocated between spouses. See Example 2.

Example 1: Filing status is Single, Head of Household, or Married Filing Jointly.

Your EITC claimed on your federal return is $2,000. Enter $2,000 on line 20a. Your Montana EITC is $60 (3 percent of your federal EITC). Enter $60 on line 20b.

Example 2: Filing status is Married Filing Separately on the Same Form (Status 2a).

Your EITC claimed on your federal tax return is $2,000. Enter $2,000 on line 20a. Your Montana EITC is $60 (3 percent of your federal EITC). You may choose to enter any portion of $60 in any column of line 20b, and the remainder on the other column. For example, you may enter $20 on line 20b, column A and $40 on line 20b, column B, for a total of $60.

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 servicemember of the armed forces, 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 on page 12 to calculate the amount you can claim on line 20b.

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 the Part-Year Resident Ratio Schedule, lines 1,6, and 11. Earned income sourced to Montana while you were not a resident is not Montana earned income. See example 3.
- If you are an enrolled tribal member living on the reservation of your tribe, the amount of earned income received for services performed outside the reservation. See Form ETM to calculate your Montana earned income.
- 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.
- If you are a servicemember with the armed forces, the amount of earned income that is not exempt from individual income tax in Montana. See Example 6.

Montana EITC Reduction Worksheet

1	Enter the federal EITC reported on page 1, line 20a	
2	Multiply line 1 by 3% (0.03)	
3	Enter your federal earned income used for the calculation of the credit	
4	Enter your Montana earned income	
5	Divide line 4 by line 3,	
6	Multiply line 2 by line 5. **This is your Montana EITC. Report the result on Form 2, page 1, line 20b.**	

Example 3: Part-year Resident. You are Married Filing Jointly (Status 4) as part-year residents who received $30,000 of earned income including $15,000 of wages in Montana while being residents, $5,000 of wages earned in Montana while being nonresidents, 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 $60 (3 percent of your federal EITC). Your Montana EITC after reduction is $30 ($60 x $15,000 / $30,000).

Example 4: Enrolled Tribal Member. You are single and 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 $2,000. Your Montana EITC before reduction is $60 (3 percent of your federal EITC). Your Montana EITC after reduction is $20 ($60 x $10,000 / $30,000).

Example 5: Member of a 501(d) Organization. You are Married Filing Jointly (Status 4), and a member of an agricultural organization provided for in section 501(d) of the Internal Revenue Code, and you received $30,000 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 $20,000. Assume your federal EITC is $2,000. Your Montana EITC before reduction is $60 (3 percent of your federal EITC). You Montana EITC after reduction is $40 ($60 x $20,000/$30,000).

Example 6: Member of the Armed Forces. You are a resident member of the armed forces Married Filing Jointly (Status 4), who is also a resident of Montana. Your federal earned income is $30,000, including wages of $5,000 earned by your spouse. Your military compensation is exempt from taxation in Montana. Assume your federal EITC is $2,000. Your Montana EITC before reduction is $60 (3 percent of your federal EITC). Your Montana EITC after reduction would be $10 ($60 x $5,000/$30,000)

Line 21 – Contributions, Penalties and Interest. Complete this schedule if you are:

- Making one or more contributions to a voluntary check-off program (see page 47)
  - Nongame Wildlife Program
  - Child Abuse Prevention Program
  - Agriculture Literacy in Montana Schools Program
  - Montana Military Family Relief Funds Program
- Filing an amended return and your initial return showed an overpayment, (see page 47), or
- Reporting interest or penalties related to savings and management accounts (see page 49), or

Line 23 – Tax Due. If line 22 is less than line 17, subtract line 22 from line 17 and enter the result on line 23. This is the amount you owe.

Note: If line 22 is zero or less, add lines 17 and 21, then subtract the total of lines 18, 19, and 20b, and enter the result on line 23.

Important If your status is 2a (Married Filing Separately on the Same Form) and your spouse has an amount overpaid on line 24, go to Status 2a Payment Schedule before making a payment. If you both have an amount owed on line 23, you may make two payments.

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. Visit *MTRevenue.gov* and click on "Filing and Payment Options" and choose either TransAction Portal (TAP) or Income Tax Express, (ITE) e-payment services. There is a small 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 2019" 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 the 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, 2020, you may not have to pay a late file 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, option 1,** as soon as possible to discuss your payment options and make arrangements.

Taxpayers filing separately on the same form may make two payments if both owe taxes.

Line 24 – Tax Overpaid. If you report tax overpaid on line 24, go to the Refund Schedule on page 2 to determine if you want this tax overpaid applied to your 2020 estimated tax, deposited onto a 529 Qualified Tuition Program (Family Education Savings Account) or 529A Achieving a Better Life Experience Account, or refunded.

Important If your status is 2a (Married Filing Separately on the Same Form) and your spouse has a tax due on line 23, go to Status 2a Payment Schedule first. Your tax overpaid must be reduced by the tax due by your spouse before you can calculate your refund.

Status 2a Payment Schedule

This schedule must be used by taxpayers who are married filing separately on the same form and when one of the spouses has a tax due while the other has a tax overpaid. By choosing Status 2a, you elect to have your tax overpaid applied against the tax due by your spouse.

Example: Kerri reports tax due of $60 on line 23. Steve has an overpayment of $100 on line 24. Kerri and Steve must complete the Status 2a Payment Schedule to figure if Kerri has a net amount due or if Steve has a net overpayment. On the Status 2a Payment Schedule, Kerri reports $60 on line 1 and Steve reports $100 on line 2. As a result, line 3 shows zero net amount due, and line 4 shows a net overpayment of $40 ($100-$60) that Steve may enter on his column of the Refund Schedule, line 1.

Line 1. Enter the amount from page 1, line 23. This amount may be in column A or B.

Line 2. Enter the amount from page 1, line 24. This amount may be in column A or B.

Line 3. If you are the spouse with an amount on line 23, this is the net amount of tax due. See instructions for line 23 on how to make a payment.

Line 4. If you are the spouse with an amount on line 24, this is the net amount of tax overpaid. Go to the Refund Schedule and report this amount in your column.

Refund Schedule

Line 1. Enter your tax overpaid here. If your status is 2a and part of your tax overpaid was used to pay your spouse's tax due, enter the amount from Status 2a Payment Schedule, line 4.

Line 2. This is the amount from your tax overpaid you want applied to your 2020 return. The amount you carry forward to your 2020 return is applied to your first Tax Year 2020 estimated tax quarterly payment. See Publication 1 (Prepaying Income Tax) for further information on your obligation to prepay income tax.

Line 3. If you want all or part of your refund deposited into a Family Education Savings account (FES) or an Achieve a Better Life Savings (ABLE) account, complete Schedule MT-529 and report the total amount deposited on this line (See Form 2, page 12, for Schedule MT-529 instructions).

Line 4. This is your refund. This amount cannot be less than zero.

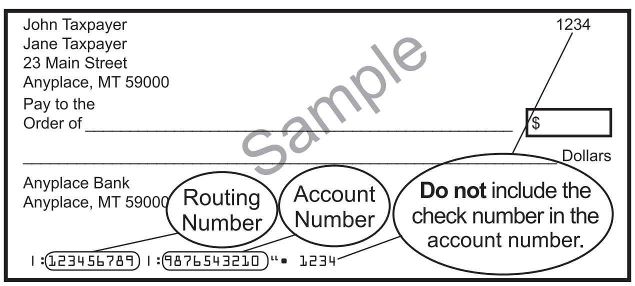
Direct Deposit

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 you and your spouse are due a refund, each of you will get a direct deposit.

If your financial institution does not accept the direct deposit, we will mail you a refund check. If both you and your spouse are due a refund, you will each receive a refund check.

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



Signature, Paid Preparer, and Third-Party Designee

Your tax return is not complete unless you sign it. If your filing status is Married Filing Jointly or Married Filing Separately on the Same Form, your spouse must also sign.

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 in the return; and
- The information in the return is true, correct, and complete.

Your 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 phone number here.

Paid Preparer

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/SSN. The paid preparer must include his or her Preparer Tax Identification Number (PTIN) in the space provided.

FEIN. The paid preparer must also include his or her firm's Federal Employer Identification Number (FEIN), if applicable.

Third-Party Designee Box. You (not the paid preparer) must mark the box if you want the paid preparer to be a third-party designee. When the third-party designee box is not checked, we cannot talk to the paid preparer about your return, which may delay the process of the return. For more information about third-party designees, see below.

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

Third-Party Designee

To allow us to discuss your 2019 Form 2 return with your paid preparer and/or 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 to the right of the "Firm's FEIN" boxes. You must include the Preparer's daytime phone number.

To designate someone other than, or in addition to, the paid preparer, mark the box below the "Paid preparer's signature" field and 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 2019 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; and
- 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 designation automatically ends no later than the due date (without regard to extensions) for filing your 2020 return. This is April 15, 2021, 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*.

If you are married filing separately on the same form or filing a joint return, review the following instructions carefully:

- If you and your spouse are filing separately on the same form or filing a joint return, and a Third-Party Designee is marked, each of you is authorizing us to discuss the return with the designee.
- If you are filing a joint return, you are automatically authorizing us to discuss the joint return with either spouse.

Amended Return Information

When amending a return, check the appropriate box(es) reflecting the reason(s) why you are amending your return. In the table, provide information about the lines you corrected that result in a change to your taxable income or to the credit(s) you are claiming.

Form 2, Schedule 1

Additional Income and Adjustments to Income

Line 1 – Taxable Refunds, Credits, or Offsets of State and Local Income Taxes. Enter the same amount that you reported on your federal tax return. You need to include your state tax refund here and then report it as a subtraction from income on your Montana Subtractions Schedule, line 1, to calculate your Montana Adjusted Gross Income.

Line 7 – Unemployment Compensation. Enter the same amount of the unemployment compensation that you reported on your federal tax return. Unemployment compensation is exempt from Montana tax. Subtract this same amount on the Montana Subtractions Schedule, line 7.

Line 8 – Other Income.

Global Intangible Low-taxed Income (GILTI): Include the same amount of GILTI that you included on your federal income tax return. If you made the election to have your GILTI taxed at corporate rate for federal tax purposes under IRC 962, this election does not apply for Montana individual income tax. Your GILTI will be taxed at the individual income tax rate.

Excess business losses: This line may contain an add-back resulting from the limitation on excess business losses in IRC 461(l).

The loss limitation and this add-back must be recalculated for Montana tax purposes based on your filing status and the business additions and subtractions used in determining Montana Adjusted Gross Income.

To recalculate the loss limitation add-back, use federal Form 461 and related definitions for the current tax year and:

1. Deduct the federal add-back reported on Form 2, Schedule 1, line 8, by reporting it on the Montana Subtractions Schedule, line 22;
2. Add any Business Additions from the Montana Additions Schedule to federal Form 461, Part I, line 9;
3. Subtract any Business Subtractions reported on Montana Subtractions Schedule from federal Form 461, Part I, line 9;
4. Recalculate federal Form 461, Part III, with the recomputed figures above and the threshold related to the filing status claimed on Form 2. Report the recomputed add-back on the Montana Additions Schedule, line 14.

See Montana Form NOL for instructions on how to carry over the disallowed losses under IRC 461(l).

Line 12 – Health Savings Account Deduction. Enter the same amount of federal health savings account contributions that you reported on your federal tax return.

Note: Be careful not to confuse this deduction with the Montana Medical Care Savings Account subtraction.

Line 21 – Tuition and Fees. Enter the same amount of tuition and fees that you reported on your federal tax return.

Line 22 – Combine lines 10 through 21. Include in the total of line 22 any of the write-in adjustments allowed on your federal Form 1040.

Net Operating Loss Election for Farming Losses

If you chose to forgo a carryback of the Montana NOL resulting from farming losses you calculated on Schedule A of the Form NOL, you must make this election by the due date, including the extension for filing Form 2. You cannot revoke this election after filing your return.

Montana Medical Savings Account (MSA) Schedule

An account holder who establishes a Medical Savings Account (or whose employer establishes an account for them) to pay for eligible expenses can exclude contributions plus interest and other income earned on the account during the year. In 2019 the contributions allowed are limited to $4,000.

Do not confuse this Montana MSA with the federal Health Savings Account (HSA) that is deductible on Form 2, Schedule 1, line 12. You can participate in both programs. See your federal income tax instructions for information on your federal HSA.

MSA accounts are usually self-administered. If you are married filing jointly with your spouse or married filing separately with your spouse, each of you can qualify for your own Montana MSA and you each can exclude up to $4,000 plus interest or other earnings earned on this account during the year. You must each establish a separate account. In addition, you cannot commingle other funds with an MSA account.

Subtraction

Each MSA account holder must report their beginning and ending balance in this section.

Line 2 - Total Contributions for the year. Report the total amount of contributions for the year, limited to $4,000 in 2019.

Line 3 - Earnings from the account: interest, dividends, capital gains, etc. Report the earnings for 2019 on line 3. Earnings can be found on the Form 1099 you received from the financial institution where the account is held.

Only residents of Montana are eligible to be account holders. If you established residency in another state, your ending balance must show 0 (zero) on line 5.

Nonqualified Withdrawal and Penalty

When you withdraw funds from your Montana Medical Savings Account for some purpose other than payment of eligible expenses, you must add this nonqualified withdrawal to Montana Additions Schedule, line 6. You incur a 10 percent penalty on these withdrawals, unless you withdraw them on the last business day of your tax year.

Eligible expenses mean: medical and dental expenses usually allowed as itemized deduction under IRC 213(d); long-term care expenses; annuities and insurance; and family leave expenses. An eligible expense can be withdrawn from the account until January 15 of the following tax year, even if you established residency in another state.

A family leave expense means an expense, calculated monthly, approximating wages lost by an immediate family member for the purposes allowed under the Family and Medical Leave Act of 1993. The approximation is reached by multiplying the hourly wage that the caregiver would have been paid by the number of hours of work lost.

Line 1 - Total withdrawals made during the year. Report your total withdrawals made during the year. This line must equal the beginning balance minus the ending balance, plus the subtraction calculated for the year.

Line 2 - Withdrawals for eligible expenses. Report your withdrawals of eligible expenses on line 2. You must be able to substantiate your eligible expenses with appropriate documentation. Any expense not substantiated by invoice, receipts, or employer's statement, depending on the circumstances, is not an eligible withdrawal and cannot be reported on this line.

Line 3 - Nonqualified withdrawals. Nonqualified total withdrawal is calculated by subtracting eligible withdrawals on line 2 from total withdrawals on line 1.

Line 4 - Nonqualified withdrawals not subject to the 10 percent penalty. Report your nonqualified withdrawal not subject to the 10 percent penalty. It includes nonqualified withdrawals made on the last business day of the year, and, if you established residency in another state, the balance on your account on the date you became nonresident.

Line 5 - Nonqualified withdrawals subject to penalty. The nonqualified withdrawal subject to penalty is calculated by subtracting line 4 from line 3. If you established residency in another state during the year and the result is less than zero, enter 0 (zero).

Your penalty on nonqualified withdrawals must be reported on your Contributions, Penalties, and Interest Schedule, line 5.

Montana Additions Schedule

To determine your Montana Adjusted Gross Income you may have to make some additions to your Federal Adjusted Gross Income.

General Additions

Line 1 – Recovery of Federal Income Tax Deducted in 2018. If you received a federal income tax refund in 2019 from federal taxes you claimed as an itemized deduction on your 2018 Montana tax return, you may need to report a portion or all your federal refund as income on your Montana tax return.

No addition is necessary if you claimed the standard deduction on your Form 2 for 2018, or if you limited your deduction to the amount of income tax after nonrefundable credit included on your 2018 return.

If you did not limit your 2018 deduction to federal income taxes assessed on your federal Form 1040, after nonrefundable credits, you may have to include a recovery on your Montana Additions Schedule. Payments of refundable credits are not included in this calculation because these refundable credits are not deductible as itemized deductions.

If your deduction for federal taxes paid in 2018 was limited to $5,000, or $10,000 if you filed jointly, your refund may or may not be taxable.

TIP: Use the Recovery of Federal Income Tax Deducted in 2018 Worksheet on Form 2, page 4, to figure how much of your refund is taxable.

If you and your spouse filed your federal tax return jointly and are now filing your Montana tax return separately, you each need to complete a separate Recovery of Federal Income Tax Deducted in 2018 Worksheet. Prorate your federal income tax refund between you and your spouse by applying the ratio of your 2017 federal income tax deduction to the total federal tax deducted.

If you received a refund for an amount deducted in 2018 other than federal income tax, you must report any recovery of that refund on Montana Additions Schedule, line 2.

Recovery of Federal Income Tax Deducted in 2018 Worksheet

Line 2. Include in your federal refund the portion of payments that you deducted as payments of federal income tax but that were used to pay taxes which were not income taxes.

Some of the payments included on line 4a and 4b of your 2018 return may be pre-payments of taxes other than federal income tax. For the purpose of the federal income tax deduction, federal income tax means:

- tax calculated on line 12b of your federal Form 1040, excluding any repayment of excess advance payments of the Health Coverage Tax Credit from federal Form 8885;
- line 45 of the federal Form 1040, Schedule 2 (Alternative Minimum Tax, federal Form 6251);
- Healthcare Individual Shared Responsibility Tax reported on federal Form 1040, Schedule 4, line 61;
- Net Investment Income Tax reported on your federal Form 1040, Schedule 4, line 62;
- any recapture tax based on any federal credit or deduction;
- IRC 965 net tax liability reported on federal Form 1040, Schedule 4, Part II, line 63;
- tax on excess golden parachute payments, Form W-2, code K; and
- tax on accumulation distribution of trusts, federal Form 4970.

If the combined amount of federal tax withheld (line 4a) and the federal estimated tax payments (line 4b) reported in 2018 is more than the sum of all the taxes listed above after deduction of all federal credits on your 2018 federal Form 1040, enter this excess on line 2 of the worksheet. This amount includes the refund you received in 2019 and the payment that you were not allowed to deduct in 2018 that did not result in a refund of your federal taxes.

Line 6. If you claimed nonrefundable credits, reduce the amount of your income taxes included on your 2018 federal Form 1040, line 11, by the amount of nonrefundable credits reported on your 2018 federal Form 1040, line 12.

Line 2 – Other Recoveries of Amounts Deducted in Earlier Years that Reduced Montana Taxable Income. To the extent that an itemized deduction you claimed on one of your previous Montana returns reduced the amount of your Montana income tax liability, any subsequent refund of the amount deducted is considered income in the year the refund is received.

If you received a refund of an expense you could have claimed as an itemized deduction in the year you used the standard deduction, your refund is not taxable.

For example, you may have received a refund in 2019, such as a federal income tax refund from 2016 and a casualty loss reimbursement for a loss claimed as a deduction in 2018. You elected to use the standard deduction in 2016. No addition is needed related to your refund from 2016 federal income tax return. To the extent that your deduction for casualty loss reduced your 2018 tax liability, you must include this reimbursement as income in 2019.

Recoveries must be added to your Montana income in the year you received the funds, up to the amount that the deductions reduced your Montana tax in the earlier year. To calculate your recovery, you will need to use the Tax Benefit Rule for Recoveries of Itemized Deductions Worksheet, on page 52 of the instructions. This worksheet helps you determine the amount of this addition for each previous tax year that some recovered funds were itemized. Complete a separate worksheet for each year.

Line 5 – Adjustment for Smaller Federal Estate and Trust Taxable Distributions. The Montana taxable distribution that you received from an estate or trust may be greater than your federal taxable distribution from the same estate or trust. If so, the difference is an addition to Federal Adjusted Gross Income and you report it on this line.

Caution: Your Montana Schedule K-1 received from the trust or estate may show some specific additions, such as interest and mutual fund dividends from state bonds. Report these additions to the corresponding lines on the Montana Additions Schedule, not on this line.

Savings Accounts

Line 6 – Medical Savings Account. If you made some nonqualified withdrawals from your account in 2019, report the amount here. See the Montana Medical Savings Account Schedule instructions on page 16.

Line 7 – First-time Home-Buyer Savings Account Nonqualified Withdrawals. If you made nonqualified withdrawals from your account in 2019, report the amount here. Refer to Montana Form FTB for detailed instructions.

Business Additions

Line 8 – Allocation of Compensation to Spouse in Sole Proprietorship. If you are the spouse of a sole proprietor reporting net income on your federal Schedules C or F, and you regularly and systematically provide substantial personal services in the operations of the business and are not paid a salary or wage, your spouse can allocate a reasonable amount of compensation to you to reduce his or her taxable income.

This allocation of income is available only if you file separately (Statuses 2a, 2b, or 2c).

Your spouse must base this allocation on an amount that is equivalent to the value of the services that you provide. It is considered taxable income to you.

Services that you provided for operating your household or services that are incidental to your spouse's operations cannot be used as a basis for allocation of income.

Report on this line the amount of income allocated to you corresponding to the subtraction on the Montana Subtractions Schedule, line 21 (on the spouse's column if using Status 2a).

Line 9 – Federal Net Operating Loss Deduction. The federal Net Operating Loss deduction that you reported on Form 2, Schedule 1, line 8, may be different from the amount of your Montana Net Operating Loss deduction calculated on Form NOL. Enter the amount of your federal Net Operating Loss carryover from line 8. You will need to determine your Montana Net Operating Loss deduction using Montana Form NOL and report it on the Montana Subtractions Schedule, line 22.

Line 10 – Addition for Dependent Care Assistance Credit Adjustment. If you claimed business expenses for providing dependent care assistance on your federal Schedules C, E, or F and now are claiming the Montana Dependent Care Assistance Credits on the Nonrefundable Credits Schedule, line 20, you must add the amount of the dependent care assistance expenses used to calculate your Montana Dependent Care Assistance credits on Montana Form DCAC as an addition to Federal Adjusted Gross Income on this line.

Line 11 – Farm and Ranch Risk Management Account Taxable Distributions. A distribution from your Montana Farm and Ranch Risk Management Account is taxable in either of the following situations:

- The distribution is from a fund that was previously excluded from Montana Adjusted Gross Income as a Farm and Ranch Risk Management Account deposit; or
- The distribution was not distributed within five years from the date the original deposit was made.

Refer to Montana Form FRM for detailed instructions. Report your Montana Farm and Ranch Risk Management Account taxable distributions as an addition to your Federal Adjusted Gross Income on this line.

You may also be subject to a penalty on your Farm and Ranch Management Account distribution if it is not distributed within five years from the date of the original deposit. See the instructions for Contributions, Penalties, and Interest Schedule, line 5, for more information on the Farm and Ranch Risk Management Account 10 percent penalty.

Line 12 – Total Additions from Montana Schedule K-1 (PTE), Part 3, Column I, Line 1. If you received Montana Schedules K-1 from a pass-through entity, report the total amount of everywhere additions (Column I). Do not report these additions separately on the Additions Schedule. Include a copy of the Montana Schedules K-1 you received.

Line 13 – Title Plant Depreciation and Amortization. If you are taking a federal deduction for depreciation and amortization on a title plant, you must add back to your Federal Adjusted Gross Income the amount of this depreciation and amortization when you determine your Montana Adjusted Gross Income.

Line 14 – Other Additions. Enter any other additions to Federal Adjusted Gross Income not described in lines 1 through 13. Some examples of other additions include:

- You may have a passive or rental loss carryover that is larger for federal purposes than for Montana purposes because of differences in state and federal filings in prior years. If this results in a larger passive or rental income reportable on your Montana tax return, enter the additional amount here.
- You may have a larger capital loss carryover for federal purposes than for Montana. If this results in larger reportable capital gains, enter the additional amount. Note that when computing your Montana Adjusted Gross Income, you can carryover capital losses incurred prior to becoming a Montana resident or losses from activity in another state.

If you are a shareholder in an S corporation that is required to pay a federal income tax on its income, and this S corporation did not issue a Montana Schedule K-1, add to your Federal Adjusted Gross Income that portion 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 Adjusted Gross Income.

Excess business loss limitation. Enter the amount of add-back you reported on Form 2, Schedule 1, line 8. See instructions on how to recompute the limitation on Form 2, Schedule 1, line 8, on page 15 of these instructions.

Retirement

Line 15 – Subtotal to Figure Taxable Social Security Benefits. Combine lines 1 through 14. This subtotal helps you figure your taxable amount of Social Security benefits for Montana tax purposes. If you did not receive any Social Security benefits in 2019 (line 16), enter the line 15 amount on line 17.

Line 16 – Addition to Federal Taxable Social Security. Your Social Security benefits taxable to Montana may be different from the amount of taxable benefits that you reported on Form 2, page 1, line 5b. Determine if you must enter an addition by completing the Taxable Social Security Benefits Worksheet on Form 2, page 6.

Before you can complete your Taxable Social Security Benefits Worksheet, you must complete your Montana Subtractions Schedule up to line 35.

Montana Subtractions Schedule

To determine your Montana Adjusted Gross Income you may have to make some subtractions from your Federal Adjusted Gross Income.

General Subtractions

Line 1 – 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 in your Federal Adjusted Gross Income on Form 2, Schedule 1, line 1, you can exclude that amount on this line.

Line 2 – Interest and Mutual Funds 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 can subtract these amounts from your Federal Adjusted Gross Income if they are included in your Federal Adjusted Gross Income on Form 2. In addition, if you received interest on obligations from U.S. territory or government agency obligations that are specifically exempt by federal law, or any mutual fund dividends attributable to this interest, you can subtract these amounts from your Federal Adjusted Gross Income if they are included in your Federal Adjusted Gross Income on Form 2.

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

United States obligations that are exempt include:

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

Refer to your federal Form 1099-DIV to determine what percentage of your dividends qualifies for this exemption.

Line 3 – Partial Interest Exemption for Taxpayers 65 and Older. If you are single and age 65 or older at the end of 2019, you can exempt up to $800 of the interest income that you reported in your Montana Adjusted Gross Income.

If you are married and are filing a joint return with your spouse and at least one of you is age 65 or older at the end of 2019, you can exempt up to $1,600 of the interest income that you reported in your Montana Adjusted Gross Income.

If you are married and filing your return separately and are age 65 or older at the end of 2019, you can exempt up to $800 of the interest income that you reported in your Montana Adjusted Gross Income. Note, however, that you are not allowed to exclude interest income earned by and reported by your spouse.

When you determine the amount of your interest income subject to this exemption, consider the distributions commonly called dividends on deposits or share accounts as interest. Under no circumstances may you exempt more interest income than what you have reported in your Montana Adjusted Gross Income.

Line 4 – Adjustment for Larger Federal Estate and Trust Taxable Distribution. The Montana taxable distribution that you received from an estate or trust may be less than your federal taxable distribution from the same estate or trust. If so, the difference is a subtraction from Federal Adjusted Gross Income, and you report it on this line.

Caution: Your Montana Schedule K-1 received from the trust or estate may show some specific subtractions, such as exempt interest. Report them on the corresponding lines on the Montana Subtractions Schedule, not on this line.

Line 5 – Exemption for Certain Income of Your Child Taxed to the Parents. If your Federal Adjusted Gross Income included unearned income of a dependent child as determined on federal Form 8814, you may be able to exclude the unearned income from your Montana Adjusted Gross Income. You can exclude the unearned income from your Montana Adjusted Gross Income if your child’s gross income does not exceed $4,710 or if they file their own Montana tax return.

Line 6 – Recoveries of Amounts Deducted in Earlier Years That Did Not Reduce Montana Income. If you are required to include in your Federal Adjusted Gross 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 Montana Adjusted Gross Income.

A distribution received from a pension trust or similar tax deferral scheme allowed under the Internal Revenue Code does not constitute a recovery for federal tax purposes, but the amount is included in gross income.

Employment

Line 7 – Unemployment Compensation. If you received unemployment benefits from Montana or from another state, these benefits are exempt from Montana tax. If you reported taxable unemployment benefits on Form 2, Schedule 1, line 7, enter the same amount of these benefits on this line.

Line 8 – Tribal Income When Exempt. 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 Montana Form ETM and include it with your Form 2.

Line 9 – Certain Taxed Tips and Gratuities. You can subtract from your Federal Adjusted Gross Income any tips and gratuities that you have received from customers while you worked in the food, beverage, or lodging industry that you reported as part of your Federal Adjusted Gross Income. All other tips and gratuities that you received for providing services in other types of businesses—such as hair stylists, paper carriers, and river guides—cannot be subtracted.

Line 10 – Workers' Compensation Benefits. Benefits received under the Workers' Compensation laws are not taxed by Montana. If you reported taxable Workers' Compensation benefits in your Federal Adjusted Gross Income, enter the amount of these benefits on this line.

Line 11 – Certain Health Insurance Premiums Taxed to Employee. If you are a shareholder in an S Corporation, subtract the cost of your health insurance premiums to the extent they are included in your Federal Adjusted Gross Income.

Your premiums cannot be deducted more than once on Form 2. If the premiums were already deducted on the Form 2, Schedule 1, line 16, or on the Itemized Deductions Schedule, line 2, you cannot report them on this line.

Line 12 – Student Loan Repayments Taxed to a Health Care Professional. If you are a health care professional licensed in Montana, you can exclude from your Federal Adjusted Gross Income up to $5,000 of any health-related student educational loan repayments that are paid on your behalf when this repayment is included in your Federal Adjusted Gross Income.

To qualify for this exclusion, you must be a health care professional who:

- is licensed in Montana;
- participates in a federal, state, or qualified private loan repayment program (these repayment programs are generally through the U.S. Department of Health and Human Services and its Nursing Education Loan Repayment Program, the Montana Rural Physician Incentive Program, or a qualified private program with a licensed health care facility in Montana); and
- serves a significant portion of a designated geographic area, a special population, or a facility population in a federally designated Health Professional Shortage Area (HPSA), a Medically Underserved Area (MUA), or a Medically Underserved Population (MUP).

You can determine if you are serving in an area listed above by contacting your employer or the Montana Department of Public Health and Human Services Primary Care Office at (406) 444-3934 or go to *dphhs.mt.gov*.

Military

Line 13 – Military Salary of Active Duty Service Person. 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 Adjusted Gross Income, you can use this line to subtract your basic, special, and incentive pay from your Federal Adjusted Gross Income.

If you receive wages under the Combat Zone Exclusion that are not included in your Form W-2, Box 1, it will not be included in your Federal Adjusted Gross Income, so do not subtract that pay again. Do not include this amount 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 Adjusted Gross Income on this line.

If you are a Reserve member, include on this line the salaries you received when on active duty in the regular armed forces. Compensation received when completing your annual training and inactive duty trainings is not deductible and must not be included on this line.

If you are a member of the National Guard, you can add to this line your compensation received under Title 10 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. Compensation received for completing your annual training, inactive duty trainings, or when you engaged in “active Guard and Reserve duty” as defined in 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 14 – Life Insurance Premiums Reimbursement or Death Benefits for National Guard and Reservist. If you are a Montana National Guard member or Reservist who is serving on active duty in a contingency operation and you were reimbursed by the U.S. Department of Defense for the life insurance premiums that you paid for benefits under the service members’ group life insurance program, you do not have to add the Department of Defense reimbursement when you figure your Montana tax. To the extent this federal reimbursement is taxable to you for federal and Montana income tax purposes, it has already been included in your Federal Adjusted Gross Income.

An adjustment to your Federal Adjusted Gross Income is needed if you also received a premium reimbursement from the Montana Department of Military Affairs for additional life insurance premiums you paid (up to $17.50 a month). The Montana reimbursement is taxable income for federal income tax purposes, but it is exempt for Montana income tax purposes, so you can deduct these reimbursements from your Federal Adjusted Gross Income in arriving at your Montana Adjusted Gross Income.

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 is included in your Federal Adjusted Gross Income, that amount is exempt from state taxes in Montana and you can subtract it here.

Saving Accounts

Line 15 – Medical Care Savings Account (MSA) Deposits and Earnings. Report the subtraction calculated on the MSA Schedule, Subtraction section, line 4.

Line 16 – First-Time Home Buyer Savings Account Deposits and Earnings. Your Montana First-Time Home Buyer Savings Account provides you with the opportunity to subtract up to $3,000 of contributions plus interest or other earnings on these funds annually.

If you are married filing jointly with your spouse or married filing separately with your spouse, both of you can qualify for your own Montana First-Time Home Buyer savings account and you each can exclude up to $3,000 plus interest or other earnings on this principal annually. To qualify for this exclusion, establish a separate or joint account with another person who also qualifies as a First-Time Home Buyer, and contribute to your account(s) prior to purchasing your first-time home.

If you file your income tax return separately with your spouse and you established a joint First-Time Home Buyer Savings Account with your spouse, you cannot take this exclusion.

Therefore, we recommend that you and your spouse establish separate First-Time Home Buyer Savings Accounts instead of a jointly held account. These separate accounts qualify both of you for the $3,000 annual exclusion whether you file jointly or separately with your spouse.

The contributed funds can be withdrawn only for the down payment and allowable closing costs for purchasing your single-family residence in Montana. Examples of eligible expenses include down payment, closing costs, broker’s fees, appraisal costs, credit history report, points, pro-rated property taxes, and loan origination fees. If you withdraw any of these funds for other purposes, they are subject to tax in the year that they are withdrawn, and they may be subject to a 10 percent penalty if they are withdrawn on any day other than the last business day of the year.

For further instructions on the Montana First-Time Home Buyer Savings Account, see Montana Form FTB. When you claim this exclusion, include a copy of Form FTB with your Montana tax return.

Note for lines 17 and 18

If you are planning to deposit all or part of your refund for Tax Year 2019 in a 529 account (see Form 2, page 12), this contribution will be deductible on line 17 or 18 in the tax year the contribution was made. For example, if the contribution is made in 2020 with the filing of your 2019 tax return, it will be deductible on the 2020 return.

Line 17 – Family Education Savings Account Deposits and Earnings. You can subtract up to $3,000 of the contributions that you made during 2019 to one or more Montana Family Education Savings Accounts.

If you are married, both you and your spouse can exclude up to $3,000 for contributions that you made to one or more Education Savings Accounts. This exclusion is allowed for contributions that you make to an Education Savings Account that is owned by you or jointly with your spouse. As part of your exclusion, you may also be able to include amounts that you use to establish a Montana family Education Savings Account (under the Montana Uniform Transfers to Minors Act or another state's Uniform Gifts to Minors Act) for your child or stepchild if that child is a Montana resident.

Withdrawals of your contributions and earnings from an Education Savings Account are not taxable to you if you withdraw them to pay for qualified higher educational expenses defined under federal law. If you withdraw these contributions for purposes other than to pay for qualified higher educational expenses, they are subject to a recapture tax of 6.9 percent, which should be reported on Tax Liability Schedule, line 1.

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

Contributions to another state's 529 College Savings Plan may qualify for the deduction. The rules for which contributions to the Montana Family Education Savings Program qualify for the deduction apply to these contributions as well. Please note that contributions to a state's prepaid tuition plan do not qualify. The department may ask for a copy of any statement(s) from the plan administrator after you file your return.

Caution: Expenses for K-12 education are not qualified withdrawals for Montana Family Education Savings Accounts. Taxpayers who are using these funds for K-12 education must pay recapture tax on any amount withdrawn that was deducted on prior returns.

Line 18 – Exempt Montana Achieving a Better Life Experience Act (ABLE) Account Deposits. You can subtract contributions that you made to one or more qualifying Achieving a Better Life Experience (ABLE) accounts during the tax year, not to exceed $3,000.

Generally, qualified ABLE accounts are established to support another person's qualified disability expenses and meet the requirements of 26 USC 529A. If you are married, you and your spouse can each exclude up to $3,000 for contributions that you made to one or more qualifying ABLE accounts. This exclusion is only allowed for contributions that you make to qualifying ABLE accounts that are owned by you, your spouse, or a child, a grandchild, or a sibling related to you by blood, marriage, or legal adoption.

Pre-2007 Status Adjustments

Line 19 – Capital Loss Adjustment. You may have capital losses previously used on your federal return before 2007 but not on your Montana return. This occurs with married taxpayers who were limited to a net capital loss of $1,500, resulting in different carryover amounts. Married couples filing separate Montana returns are now allowed a combined net capital loss of up to $3,000.

Use this line if you reported capital losses separately and individually on tax returns of previous years, and you have capital losses carryover for Montana tax purposes not included in your federal capital losses carryover. The sum of capital losses reported on Form 2, page 1, line 6, with the amount of capital losses reported on this line, cannot exceed the maximum capital losses allowable on a joint return or a married filing separately return.

Line 20 – Passive Loss Adjustment. You may have passive losses previously used on your federal return before 2007 but not on your Montana return.

This occurs with married taxpayers who were required to re-compute the allowable passive loss resulting in different carryover amounts. Married couples filing separate Montana returns are now allowed the same combined passive loss amount as if they were filing a joint return.

Business Subtractions

Business subtractions result from differences in the tax treatment of business income and business deductions.

Line 21 – Allocation of Compensation to Spouse in Sole Proprietorship. This subtraction is available to a sole proprietor reporting net income on Form 2 from their federal Schedules C or F, and who is filing separately (Statuses 2a, 2b, or 2c). If you are filing jointly, you cannot use this subtraction.

This allocation usually results in less overall taxes for the spouses.

If your spouse regularly and systematically provides substantial personal services in the operations of your business and is not paid a salary or wage, you can subtract a reasonable amount of compensation equivalent to the services that your spouse provides on this line.

This allocation reduces your taxable income as the sole proprietor of the business.

When you claim this subtraction to income, be prepared to provide us with verification of those services performed and the substantial contribution made by your spouse. You cannot use services that your spouse provides for operating your household, or services that are incidental to your operations, as a basis for allocating income to your spouse.

This allocation is considered taxable income to your spouse. It must be reported as an addition on your Montana Additions Schedule, line 8 (on the spouse's column if your status is 2a).

Line 22 – Montana Net Operating Loss Carryover. The Montana Net Operating Loss (NOL) deduction carried over from previous years may be different from the amount of your federal Net Operating Loss deduction carryover. On this line, enter the amount of the Montana Net Operating Loss deduction carried over as determined on Montana Form NOL. For further instructions on how to determine your Montana NOL deduction, and how to limit your deduction to 80 percent of your taxable income, see Montana Form NOL.

Carryback of farming losses. If you are carrying back a Montana source farming loss, do not forget to check the amended return box on the top of page 1 and complete the Amended Return section on page 2.

Excess business losses limitation: Add to this line any add-back computed on federal Form 461 that you reported on Form 2, Schedule 1, line 8.

Line 23 – Subtraction for Business-Related Expenses for Purchasing Recycled Material. You can subtract 10 percent of the expenses that your business paid for purchasing recycled products from your Federal Adjusted Gross Income. This deduction 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. If this deduction is passed through to you from a partnership, the share of this additional deduction is based on the same percentage used to report the partnership's income or loss for Montana tax purposes; or if an S Corporation, the pro rata share of the corporation's cost of investing in equipment.

Line 24 –Business expenses not included on Form 2, line 8b, due to an existing federal credit taken. If you incurred a business expense which was disallowed because you claimed a federal credit, you can deduct this business expense for Montana tax purposes. This subtraction includes wage deductions reduced by 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, or amortization deductions must be the same for federal and Montana income tax purposes.

Line 25 – Certain Expenses Incurred by Medical Marijuana Providers. If you are a Medical Marijuana provider 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, providers are generally not allowed a deduction on their federal return for business expenses associated with the production and sale of marijuana other than those directly related to the cost of manufacturing the product.

Line 26 – Sales of Land to Beginning Farmers. You can subtract 100 percent of your income or capital gain (up to a maximum of $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 and be approved by the Agricultural Loan Authority of the Montana Department of Agriculture. You need to include a copy of this approval with your individual income tax return. To learn more about the Montana Beginning Farm/Ranch Loan Program, call the agricultural finance program manager of the Montana Department of Agriculture at (406) 444-5420 or visit *agr.mt.gov/agr/Programs/GrantsLoans/beginFarmRanch/*.

Line 27 – Exempt Capital Gains and Dividends from Small Business Investment Companies. If you have capital gains or dividend income from an investment in a small business investment company (SBIC) included in your Federal Adjusted Gross Income, you can exempt these capital gains or dividends if all 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 federal 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 have at least 50 percent of their employees working in Montana.

Line 28 – Certain Gains Recognized by a Liquidating Corporation. You can subtract that 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 from your Federal Adjusted Gross Income.

Line 29 – Farm and Ranch Risk Management Account Deposits. You can subtract any deposits you made into a Farm and Ranch Risk Management Account equal to the lesser of 20 percent of the net income that is attributable to your agricultural business, or $20,000. This account is designed to be used as a risk management tool for your individual or family farm corporation's agricultural business. It is established as a Montana trust with your financial institution as the trustee.

Amounts that you contributed to your Farm and Ranch Risk Management Account that were excluded from your Montana Adjusted Gross Income in prior years are taxable to you and should be included in your Montana Adjusted Gross Income when you distribute your funds. Amounts that you contributed to your Farm and Ranch Risk Management Account that are not distributed before the last business day on the fifth year from the date that this contribution was deposited are considered distributed and are assessed a 10 percent penalty on the amount of tax resulting from the Farm and Ranch Risk Management Account principal. For further instructions about the Montana Farm and Ranch Risk Management Account, see Montana Form FRM. When you claim this exclusion, include a copy of Form FRM with your Montana tax return.

Line 30 – Donation of Mineral Exploration Information. If you received a Montana Schedule K-1 showing a deduction, or you incurred the expense yourself, for the donation of mineral exploration information to the Montana Tech Foundation within the limitations of 15-32-510, MCA, you can subtract this amount on this line.

Line 31 – Gain on Eligible Sale of Mobile Home Park. 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 may be able to subtract all or a portion of the gain you recognized. Complete Montana Form MHPE to determine the amount of the exclusion.

Line 32 – Total subtractions from Montana Schedules K-1 (PTE), Part 3, Column I, Line 2. If you received Montana Schedules K-1 from a pass-through entity, report the total amount of everywhere subtractions (Column I). Do not report these subtractions separately on the Subtractions Schedule. Include a copy of the Montana Schedules K-1 you received.

Retirement

Line 33 – Partial Retirement Disability Income Exemption for Taxpayers Under Age 65. You can qualify for a partial retirement disability income exemption of up to $5,200 if you are:

- under the age of 65; and
- retired as permanent and totally disabled; and
- not treating your disability income as a pension and annuity.

You are permanently and totally disabled if you are unable to engage in any substantial gainful activity, if you have been medically determined to be physically or mentally impaired, and if your condition is expected to last at least 12 months.

Your disability income is generally reported with a Distribution Code 3 on your federal Form 1099-R. It can also be reported on your Form W-2.

The exemption is phased out when your Montana Adjusted Gross Income is above $15,000. This limitation applies to married couples based on their combined Adjusted Gross Income. Complete this following worksheet to figure your exemption. When married couples are both claiming the exemption, they can allocate the exemption amount on line 11 as desired.

		Column A	Column B
1	Retirement disability benefits received		
2	Multiply $100 by the number of weeks you received benefits		
3	Enter the smaller of line 1 or line 2		
4	Add column A and B		
5	Enter the total of Montana Subtractions Schedule, line 36, without this exemption		
6	Deduct line 5 from Form 2, line 8b		
7	Add Montana Additions Schedule, line 16, to line 6		
8	Combine column A and B of line 7		
9	Your income limitation	$15,000	
10	Subtract line 9 from line 8 and enter the result, but not less than zero		
11	Subtract line 10 from line 4 and enter the result, but not less than zero. This is your partial retirement disability income exemption.		

Line 34 – Subtraction for Federal Taxable Tier II Railroad Retirement Benefits. Subtract your taxable Tier II Railroad Retirement benefits included on Form 2, line 4d, on this line. Your taxable pension and annuity income may include your taxable portion of Tier II Railroad Retirement benefits that are paid by the Railroad Retirement Board. These benefits are 100 percent exempt from Montana income tax.

Line 35 – Partial Pension and Annuity Income Exemption. If you have reported taxable retirement income on your Form 2, line 4c, you may be entitled to a partial exemption of this income.

Make sure you do not exclude again your Tier II Railroad Retirement benefits, or your disability pensions.

Distributions of your retirement income that are considered early or premature according to federal regulations do not qualify for the retirement income exemption, whether or not payment of the federal 5 percent or 10 percent additional tax was required.

Your retirement exemption is subject to two limitations:

- First, you cannot exclude more than $4,300 per taxpayer for the 2019 tax year;
- Second, your exclusion is reduced by $2 for every dollar your 2019 Federal Adjusted Gross Income exceeds $35,800, regardless of your filing status.

TIP: If you are married and both of you receive pensions or annuities, you are more likely to be able to deduct $4,300 each if you file separately.

Complete the Partial Pension and Annuity Income Exemption Worksheet on Form 2, page 6, to determine the amount of your exemption.

Line 36 – Subtotal to Figure Taxable Social Security Benefits. Combine lines 1 through 35. This subtotal helps you figure your taxable amount of Social Security benefits for Montana tax purposes. If you did not receive any Social Security benefits in 2019, report 0 (zero) on line 37.

Line 37 – Subtraction to Federal Taxable Social Security/Tier I Railroad Retirement. Your Social Security benefits taxable to Montana may be different from the amount of taxable benefits that you reported on Form 2, line 5b. Determine if you must enter a subtraction by completing the Taxable Social Security Benefits Worksheet on Form 2, page 6.

Montana does not tax Tier I Railroad Retirement benefits.

Add your Social Security subtraction from the Taxable Social Security Worksheet, if any, and any amount of Tier I Railroad Retirement benefits included on Form 2, line 5b. Report the total on this line.

Partial Pension and Annuity Income Exemption, and Taxable Social Security Benefits Worksheets

If you do not need to use these worksheets to calculate your Montana Adjusted Gross Income, do not include this page with your return.

Standard Deduction Worksheet

Use this worksheet to calculate the standard deduction you can claim if you do not choose to itemize your deductions. Note that if you choose to use the standard deduction, you do not need to include Form 2, page 7, with your return.

Itemized Deductions Schedule

Use the Itemized Deductions Schedule to calculate your itemized deductions. Your Montana itemized deductions may be different from your federal itemized deductions as some federal deductions are not allowed on your Montana tax return, and some state deductions are allowed only on the Montana tax return.

Do not forget to mark the box on Form 2, line 12, if you elect to itemize your deductions.

Medical and Dental Expenses

Line 1 – Medical and Dental Expenses. Enter your medical expenses paid in 2019 after you have deducted from these expenses any payments that you received from your insurance company or other sources. The expenses allowed on line 1 are the same medical and dental expenses that are allowed under the Internal Revenue Code. Do not include expenses that are already deductible on another line, such as:

- Medical insurance and long-term care insurance premiums paid in 2019 that are claimed as a deduction on lines 2 and 3 below;
- Health insurance premiums that are paid by your employer and are excluded from Federal Adjusted Gross Income on your Montana Subtractions Schedule, line 11; or
- Medical expenses paid with funds withdrawn from your Montana Medical Savings Account.

Follow the instructions for lines 1c and 2 to figure the amount of your medical and dental expenses you can deduct.

Line 2 – Medical Insurance Premiums. If you pay your own medical insurance premiums for coverage for yourself and your family, you may be eligible to deduct 100 percent of these medical insurance premiums.

In addition, the supplemental part of Medicare insurance (Medicare B) and the premiums you pay for Medicare Part D insurance from your Social Security benefits are 100 percent deductible on this line.

To qualify to deduct 100 percent of your medical insurance premiums, you must meet all of the following criteria:

- Your premiums must be paid for health and medical insurance coverage. Your life insurance premiums are not deductible.
- Your premiums cannot have been paid through a federal or state medical care savings account, such as the federal Health Savings Account or the Montana Medical Care Savings Account.
- Your premiums cannot have been paid through an employer health benefit cafeteria plan in which your premium payments are considered "pretax" payments and therefore not subject to federal or state income tax withholding, federal Social Security, or federal Medicare payments. If you are unsure whether your medical insurance premiums are covered by a health benefit cafeteria plan, check with your employer's payroll office.
- Your premiums cannot be deducted as a Self-Employed Health Insurance Deduction on your Form 2, Schedule 1, line 16, or as a subtraction from Federal Adjusted Gross Income on your Montana Subtractions Schedule, line 11.
- Medicare taxes that are withheld from your wages or paid as part of your self-employment tax are not deductible on this line.

Line 3 – Long-Term Care Insurance Premiums. You may be eligible to deduct 100 percent of the long-term care insurance premiums that are deductible on your federal Schedule A (under IRC 213(d)) without regard to the 10 percent floor limitation. You must meet all of the following criteria:

- Your payments must be for long-term care policies covering primarily qualified long-term care services such as the necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative service and personal care that is required for a chronically ill individual who is under the prescribed care of a licensed health care practitioner.
- The long-term care policies must be for the benefit of you, your dependents, your parents or your grandparents.
- Your premiums cannot have been deducted elsewhere on your tax return when you determined your Montana Adjusted Gross Income.
- Your premiums cannot have been included as qualified elderly care expenses when you claimed the Elderly Care Credit that you reported on the Nonrefundable Credits Schedule, line 9.

Taxes

Line 4 – Federal Income Tax. Montana allows federal income taxes paid during the year as an itemized deduction. This does not include any state income taxes you may have paid to Montana or any other state even if you were able to deduct them on your federal return.

Enter the total amount of federal income tax paid in 2019.

4a. Enter the income tax withheld that was reported to you on your federal Forms W-2 and 1099. If you are married filing separately with your spouse, the federal income tax withheld should be reported by the spouse who earned the income;

4b. Enter the amount of federal estimated income tax payments;

4c. Enter the balance of the total amount of the 2018 federal income tax that you paid in 2019;

4d. Enter the total amount of additional back year federal income taxes that you paid in 2019. For example, you may have paid additional 2016 federal income taxes in 2019.

Add lines 4a through 4d. Your federal tax deduction is limited as follows:

- If your filing status is Single, Married Filing Separately, or Head of Household, your deduction is limited to $5,000.
- If your status is Married Filing Separately, you each are limited to the $5,000 federal tax deduction and you cannot arbitrarily allocate this deduction between spouses.
- If you file your Montana tax return jointly with your spouse, your federal income tax deduction is limited to $10,000.

Note: The detail provided on line 4 allows you to calculate the sum of income tax payments made in 2019.

If the combined amount of federal tax withheld (line 4a) and the federal estimated tax payments (line 4b) is more than the sum of all the taxes listed above after nonrefundable credits on your 2019 federal Form 1040, the difference represents payments that are not deductible. To avoid a recovery on your Montana income tax return for 2020, you may reduce the amount you can report on lines 4a and 4b by the amounts you paid for federal liabilities that were not income taxes. See page 17 for a list of liabilities that are considered federal income taxes.

If the combined amount you paid is less than the sum of all taxes listed, part or all your return payment you make in 2020 will be deductible on your 2020 tax return.

Make sure that the taxes you paid for other back years on line 4d are income taxes. For example, back-year self-employment taxes, or additional taxes on IRA or other qualified plans distributions are not income taxes and cannot be deducted.

Line 5 – State and Local Taxes Limited to $10,000. You can deduct the state and local taxes you paid in 2019, excluding state income taxes. If you are a resident, state income taxes paid to another state may be claimed as a nonrefundable credit on the Nonrefundable Credits Schedule, page 9.

5a. General State and Local Sales Taxes: You may claim the general state and local sales taxes you paid in 2019 as a deduction. Montana does not have a general sales tax. None of the resort, accommodations, or similar taxes collected in Montana qualify as a general sales tax under the federal definitions, so they cannot be deducted.

If you are a nonresident and you did not save your receipts, you can fill out the worksheet and use the optional General Sales Tax Tables in the instructions for federal Schedule A (Form 1040) or use the Sales Tax Deduction Calculator available on the Internal Revenue Service's website at *apps.irs.gov/app/stdc/*.

5b. Local Income Tax: Enter any local income taxes that you paid in 2019. No city in Montana imposes a local income tax, so a Montana full-year resident would be unlikely to take this deduction.

5c. Real estate tax paid: Enter any real estate taxes that you paid in 2019 on real estate that you own and did not use for business.

Tip: If you apply for the Elderly Homeowner/Renter Credit, do not confuse this amount with the amount of your property tax billed that is used to determine the amount of your Elderly Homeowner/Renter Credit.

5d. Value-based personal property taxes: Enter any personal property taxes based on value that you paid in 2019.

Only personal property taxes that are based on value and charged on a yearly basis are deductible on this line.

Tip: When registering or renewing a registration of a light vehicle in Montana, you pay a registration fee and a county option tax. The county option tax is value-based and must be reported on line 5d. The light vehicle registration fee must be reported on line 6.

Line 6 – Montana Light Vehicle Registration Fees. You may claim the Montana Light Vehicle Registration Fees (LVREG) you paid in 2019. These fees are identified on specific lines of your vehicle registration bills.

Line 7 – Per Capita Livestock Fees. You may claim the per capita livestock fees you paid in Montana in 2019 as a deduction.

Line 8 – Other Deductible Taxes Paid. Enter any other deductible taxes that you paid in 2019 and that you did not report on lines 4 through 7. When you claim these other deductible taxes, list on this line the type and amount of tax that you paid.

Taxes you may be able to deduct include generation-skipping transfer taxes imposed on income distributions, environmental taxes imposed under IRC 59A of the Internal Revenue Code, and taxes paid to a foreign country. Note that you can only deduct foreign taxes on your Montana tax return if you claimed them as a deduction on your federal tax return.

You cannot take a deduction on your Montana individual income tax return for the following taxes that you paid in 2019: state income, federal excise, Social Security, Medicare, gasoline, lodging, alcoholic beverage, cigarette, tobacco, or selective sales taxes. Also, you cannot take a deduction for certain license fees paid in 2019 – such as hunting, fishing, or driver license fees.

Interest

Line 9 – Home Mortgage Interest and Points. Enter your home mortgage interest and points allowed by federal law that were reported to you on your federal Form 1098.

Enter any home mortgage interest and points that you paid that were not reported on your federal Form 1098.

Note that:

- For acquisition indebtedness incurred after Dec. 15, 2017, the deduction of interest is limited to the first $750,000.
- You cannot deduct interest paid on home equity indebtedness for tax years beginning after Dec. 31, 2017 and before Jan. 1, 2026.

Qualified Mortgage Insurance Premiums. Include on line 9 the deduction amount you can claim on your federal tax return. If you did not itemize your deductions on your federal return, complete the Qualified Mortgage Insurance Premiums Deduction Worksheet on page 52. Married taxpayers filing separately in Montana may allocate the total allowable amount between both spouses.

If you bought your home from another person, write that person's name, Social Security Number and address in the space provided.

Line 10 – Investment Interest. Determine your Montana Investment Interest Expense Deduction by following the computation on federal Form 4952, but include any Montana adjustments to income. You cannot use interest expense related to income that is exempt from Montana tax when computing your Investment Interest Deduction. If you and your spouse are filing separately, compute your Investment Interest Deduction on federal Form 4952 separately.

Gifts or Charity

The charitable contributions allowed as a deduction in computing your net income for Montana income tax purposes are those same contributions allowed as a deduction for federal income tax purposes, with the following exceptions:

- You can include your contributions made in 2019 to the Montana Veterans' Service Special Revenue Account or the Montana State Veterans' Cemetery Program, or the surcharge you paid for purchasing a Montana patriotic specialty license plate, as itemized deductions on your Montana income tax return even if they are not allowed as itemized deductions on your federal return. For further instructions about this contribution, see Montana Form VT, available at *MTRevenue.gov*.
- When you apply the federal 60 percent, 50 percent, 30 percent, and 20 percent contribution limitations, use your Montana Adjusted Gross Income instead of your Federal Adjusted Gross Income when you determine your contributions that are allowed.
- Any portion of a contribution that you used to calculate your Qualified Endowment Tax Credit, College Contribution Credit, Innovative Educational Program Credit, or Student Scholarship Organization Credit, cannot also be claimed as a contribution deduction. You can claim a charitable deduction for that portion of the contribution not used to calculate this credit.

In general, excess charitable contributions can be carried over five years.

You may deduct your 2019 contributions to the Child Abuse and Neglect Prevention Program on line 11 or 12. If you decide to use the checkoff provided on your Contributions, Penalties, and Interest Schedule, line 1b, you may deduct this contribution on the 2019 return. Just add it to line 11.

Make sure this deduction matches the contribution you are going to report on the checkoff box.

Line 11 – Contributions Made by Cash or Check. The cash contribution limit to charitable organizations listed in IRC 170(b)(1)(A) was increased to 60 percent starting with the 2018 tax year.

Line 12 – Contributions Made Other Than by Cash or Check. Enter your non-cash contributions on this line. Non-cash contributions are subject to the federal substantiation requirements. (See IRS Pub. 526 and 561 for details.)

Note: The contribution limit to charitable organizations listed in IRC 170(b)(1)(A) remains 50 percent of AGI when the contribution is made with property other than cash or check.

If you are filing on paper and making a non-cash contribution of over $500, include a copy of your federal Form 8283 with your return.

Line 13 – Contribution Carryover from the Prior Year. Enter any contribution carryover amounts that you were not allowed to deduct in an earlier year because they exceeded your Montana Adjusted Gross Income limitation.

Miscellaneous Deductions

Line 14 – Child and Dependent Care Expenses. If you pay for household or dependent care services for a child under the age of 15, or for a disabled dependent while you are searching for gainful employment or while you and your spouse both were at work, you can qualify for a child and dependent care expense deduction.

To qualify for this deduction, you must maintain a household for a child under the age of 15 or for a dependent or spouse who is unable to care for himself or herself. You also must meet the following income level requirements:

You qualify if you and your spouse's total Montana Adjusted Gross Income is:

Under	And You Have
$22,800	1 child
$25,200	2 children
$27,600	3 or more children

To qualify for this deduction if you are married, you must either file Married Filing Jointly (Status 4) or file Married Filing Separately on the Same Form (Status 2a). When you file separately on the same form, your deduction must be divided equally between both spouses. If you are married and filing separately on separate forms, or your spouse is not filing, you cannot qualify for this deduction.

If you are a licensed and registered daycare operator who operates a family daycare home or a group daycare home, and if you care for your own child in addition to at least one other unrelated child, you can deduct the employment-related expenses considered to have been paid by you for the care of your own child.

For further information on the Child and Dependent Care Expense Deduction, see the instructions on Montana Form 2441-M. When you claim this deduction, complete Form 2441-M and include a copy with your Montana tax return.

Line 15 – Casualty and Theft Loss. You may deduct a casualty loss and theft from a federally declared disaster (other than net qualified disaster losses). If you have a casualty and/or theft loss, complete federal Form 4684 to figure the amount of the Montana loss that you can enter on this line. To determine your casualty and/or theft loss, use your Montana Adjusted Gross Income in place of the Federal Adjusted Gross Income. And if you and your spouse are filing separately, you each should complete a separate federal Form 4684 to determine the amount of your separate casualty and/or theft loss.

Deductions for all other casualty loss and theft are suspended until tax years beginning after December 31, 2026.

Line 16 – Political Contributions. When you compute your net income, you can take a deduction for political contributions that you made during the year. These contributions are limited to a total of $100 for yourself and $100 for your spouse. To qualify for this deduction, your contribution of money must be made to:

- an individual who is a candidate for nomination or election to any federal, state, or local public office in a primary, general, or special election;
- a committee, association, or organization set up to campaign for the nomination or election to any federal, state, or local public office in a primary, general, or special election;
- a national committee or a national political party;
- a state committee of a national political party; or
- a local committee of a national political party.

Line 17 – Gambling Losses. You can take a deduction for gambling losses that you incurred during the year.

This deduction for losses is allowed only to the extent of the amount of gambling winnings that you have reported on Form 2, Schedule 1, line 8. If you are married and you and your spouse are filing your Montana tax return separately, the spouse who claims the gambling winnings should report the gambling losses on this line.

Note: Gambling losses include any expense otherwise allowable under the Internal Revenue Code in conducting gambling activities. These expenses must not be reported or included on any other line of Form 2.

Line 18 – Other Miscellaneous Deductions. These deductions are the same deductions that are allowed on your federal Form 1040, Schedule A, line 16.

They include a deduction for amounts you paid to purchase organic fertilizer and inorganic fertilizer that is produced as a by-product of mining or industrial operations in Montana.

Nonresident/Part-Year Resident Ratio Schedule

If you are a nonresident or part-year resident, you must complete this schedule. Up to this point, you have reported your income as if you were a resident because you need to first calculate the tax as if you were a resident. This tax is reduced to your portion of Montana source income included in your Montana Adjusted Gross Income by applying the nonresident/part-year resident ratio. See below for an example.

Reporting Your Montana Source Income

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, partnership, or other pass-through entity.

If you are a part-year resident, your Montana source income includes all the income your received during the part of the year you were a Montana resident, no matter where you earned it.

For example, you relocated to Montana and established your 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 and are taxable to Montana.

Adjusting for Montana Additions and Subtractions

Amounts reported on lines 1 through 15 must include any related Montana sourced additions and subtractions. If you are a part-year resident, this means that you must prorate your income received as a resident after you adjust for any related Montana additions and subtractions. Adjustments from pass-through entities are reported on line 13.

Example 1: You relocated to Montana and established your residency July 1, 2019. You are filing your 2019 Montana tax return as a part-year resident of Montana 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, 2019, are Montana source income and are taxable to Montana.

Example 2: You worked in Montana and earned $15,000 in wages included in the amount on Form 2, page 1, line 1. If those wages include $2,000 in eligible tips that can be subtracted by reporting them on the Montana Subtractions Schedule, line 9, the amount to report on line 1 is $13,000 ($15,000 - $2,000).

Example 3: You were a resident of Michigan in 2019 and must file a Montana return due to royalty income from wells located in Montana. Additionally, on the Montana Additions Schedule, line 3, you reported $1,500 in interest income received evenly throughout the year. This interest is exempt from federal tax but is included in income taxable to Montana because the interest is from bonds issued by the State of Ohio. Yet this interest is not Montana source income. All the royalty income is reported on line 10, but the $1,500 of interest is not included on line 2.

Example 4: Assume the same facts as Example 3 except that you became a Montana resident on July 1. The appropriate amount to include on the Nonresident/Part-Year Resident Ratio, line 2, is $750 because one-half of the interest was earned while you were a Montana resident.

Example 5: You received federally taxable pension distributions evenly throughout the year totaling $28,000 and became a Montana resident on March 31. Because your Federal Adjusted Gross Income is low enough, you are eligible for the maximum Partial Pension and Annuity Income Exemption (see page 26) of $4,180. That results in $23,820 ($28,000 - $4,180) being included in Montana Adjusted Gross Income. The appropriate amount to include on line 9 is $17,865 because you were a Montana resident for only three-fourths of the year.

Example 6: You were a Montana resident for several years and had been making deposits into a Montana Medical Care Savings Account (MSA) and claiming your contributions as a subtraction. On July 15, you moved to Arizona and became a resident of that state. Because your MSA had a balance when you established residency in another state, you must report an amount on the Montana Additions Schedule, line 6, as a Montana addition to federal income. The same amount is included on line 14 as Montana source income.

Reporting Montana Source Losses

Montana source losses all stem from business carried on in the state directly or through a pass-through entity, from the sale of tangible assets located in the state or used or held in connection with a trade or business, or from 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 (except Net Operating Losses; see below.)

Any suspended losses or capital losses carried over to another year can only be taken as Montana source losses on this schedule until such time when 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 this schedule. Consequently, a taxpayer cannot “reserve” a loss for future years.

Example: Daniel is a resident of the State of Washington, and he owns interest in two partnerships. In 2017, Partnership A, doing business inside and outside Montana, reported a large loss, part of which was Montana source. In 2018, Daniel acquired interest in Partnership B, doing business only in Washington State. Assume that in 2018, Partnership A had nearly no income, and Partnership B’s income is more than the Partnership A’s loss from 2017.

On his 2018 federal return, Daniel uses the 2017 loss from Partnership A to reduce the 2018 income from Partnership B. If in 2019, Partnership A has Montana source income, Daniel cannot use the Montana source loss from 2017 to reduce that 2019 Montana source income because that loss was taken on his federal return in 2018.

Special Rule for Net Operating Losses (NOL)

For the purpose of these instructions, Montana Class A NOLs are considered NOLs generated in tax years ending before January 1, 2018, and Montana Class B NOLs are NOLs generated in tax years after December 31, 2017.

If you deducted a Montana Class A NOL, you do not have to track the losses included in your NOL deduction. However, you must add back the amount of NOL deduction you took in calculating your Montana Adjusted Gross Income, to the Nonresident/Part-Year Resident Ratio Schedule, line 17.

If you deduct a Montana Class B NOL, you may reduce the numerator of your nonresident/part-year resident ratio by the amount of Montana source losses included in your NOL deduction on line 15. See Montana Form NOL to figure the amount of Montana source losses you can deduct.

Excess business losses limitation: If some of your loss is disallowed by IRC 461(l), you may only reduce the numerator of the ratio by the amount of Montana source losses multiplied by the ratio of the amount of loss that is reducing federal taxable income after the limitation over the overall amount of losses for the year before the limitation. We recommend you use the figures calculated on federal Form 461 you used to limit your losses for Montana tax purposes.

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 in your total on Form 2, line 1.

If you are a part-year resident, enter all the wages, salaries, tips, and other compensation that you earned during the period of the year you were a 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.

Do not include compensation that is exempt from Montana tax on this line. This includes exempt tribal income, unemployment compensation, Workers' Compensation benefits, military salary of residents on active duty, exempt income of nonresident military servicepersons and their spouses when protected by the Service Members Civil Relief Act (see page 1 of the instructions), some federally taxed tips and gratuities, health insurance premiums taxed to the employee, student loan repayments taxed to a health care professional, or wages covered by the Montana/North Dakota reciprocal agreement.

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 2, line 2b, and on your Montana Additions Schedule, line 3.

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 in 2018 and that are included in your total on Form 2, line 3b.

Line 4 – Montana Source Refunds, Credits, or Offsets of Local Income Tax. If you are a nonresident or a part-year resident and you have a taxable income tax refund or a recovery of an amount deducted in 2018 that is reported on Form 2, Schedule 1, line 10 or line 21, 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 in this amount.

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 on your 2018 refund. If you did not have any Montana source income in 2018 and you were not required to file a 2018 Montana tax return, your income tax refund and/or recovery is not Montana source income.

If, in 2019, you received a refund and/or recovery of a prior-year deduction from a year other than Tax Year 2018, use the ratio of your Montana source income to total income that was determined in the year of the deduction.

Line 5 – Montana Source Alimony Received. If you are a nonresident, the alimony that you reported on Schedule 1, line 2a, is not Montana source income and is not taxable to Montana.

If you are a part-year resident, enter the amount of the alimony that you received during the period that you were a Montana resident in 2019 and that is included in your Federal Adjusted Gross Income on Form 2, Schedule 1, line 2a.

Line 6 – Montana Source Business Income or (Loss). If you are a nonresident, enter the net income or loss that is included in the amount reported on Form 2, Schedule 1, line 3, that you received from a trade, business, profession, or occupation carried on in Montana.

If you are a part-year resident, enter the net income or loss received from any trade, business, profession or occupation during the period you were a resident that is included in your total on Form 2, Schedule 1, line 3. Also include, where applicable, the portion of any net income or loss you received from a trade, business, profession, or occupation that is carried on in Montana during the period you were a nonresident.

Line 7 – Montana Source Capital Gain or (Loss). If you are a nonresident, enter the Montana source gains or losses used in the determination of your net gains or losses reported on Form 2, page 1, line 6.

Example: If you reported a loss of ($3,000) on Form 2, page 1, line 6, which is the result of a capital loss of ($13,000) from Oregon, and a capital gain of $10,000 of Montana source income, you must report the $10,000 of Montana source income on this line.

Montana source capital gains or losses are those from the sale or transfer of 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. Tangible property includes real property and tangible personal property.

If you are a part-year resident, enter all your gains or losses included in your net gains or losses reported on Form 2, page 1, line 6, received during the period you were a resident. Make sure to reduce any net capital gains by the amount of capital losses carryover for Montana purposes you may have reported on the Montana Subtractions Schedule, line 19.

Also, 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 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 by the partnership, you need to contact them.

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 on this line. Only capital gains reported on this line will be used for the computation of the Capital Gains Tax Credit if you are a nonresident or part-year resident. Your distributable share of Montana source capital gain or loss is computed using lines 8 through 9 of your Montana Schedules K-1.

If you reported an exemption on Montana Subtractions Schedule, line 27, you must reduce the capital gains sourced to Montana by the same amount.

Report the net amount of your IRC 1231 gain or loss sourced to Montana on this line if it is a gain. 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.

A gain or loss from the disposition of an IRC 1231 property is sourced to Montana when the property is located in Montana.

If the overall net amount of your IRC 1231 gains or losses is a loss, report this loss on line 8.

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 2, 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 2, Schedule 1, line 4, received during the part of the year 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.

The sale of your interest in a single-member limited liability company is treated as if you sold the assets of the company.

Line 9 – Montana Source IRA, Pensions, and Annuities. If you are a nonresident, the IRA distributions on Form 2, page 1, line 4b, and pensions and annuities that you reported on Form 2, page 1, line 4d, are not Montana source income and are not taxable to Montana.

If you are a part-year resident, enter all the taxable IRA distributions on Form 2 page 1, line 4b, and pensions and annuities included in your total on Form 2, page 1, line 4d, received during the part of the year that you were a resident.

Line 10 – 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 2, Schedule 1, line 5:

- Net rental income or loss from real property and tangible personal 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 that 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 already reported on lines 7 and 8;
- Montana source trust income.

If you are a part-year resident, enter all the income or losses included in your total on Form 2, 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 2019. You reported $12,000 from a partnership on Schedule 1, line 5. You received a Montana Schedule K-1 from this partnership showing $5,000 of Montana source income on Part 5, line 1. The amount to report on line 10 is $6,750 ($3,000 from the three first months of the year you were a resident, plus 3/4 of $5,000 ($3,750) for the nine months of the year you were a nonresident).

Mark the box if you have Montana source losses that you are carrying over to Tax Year 2020 on your federal return. This information will help us process your return faster.

Line 11 – Montana Source Farm Income or (Loss). If you are a nonresident, enter the portion of your net income or loss reported on Form 2, Schedule 1, line 6, received from the 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 2, Schedule 1, page 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.

Line 12 – Montana Source Taxable Social Security Benefits. If you are a nonresident, the taxable Social Security benefits that you reported on Form 2, line 5b, are not Montana source income and are 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 that you were a resident. You need to complete the Taxable Social Security Benefits Worksheet on Form 2, page 6, first, and report the required addition or subtraction, whichever applies. Then you need to calculate your portion of taxable Social Security benefits sourced to Montana by dividing the amount calculated on line 20 of the worksheet by 12 months, and then multiply this result by the number of months you were a resident of Montana in 2018. You can use a similar calculation based on the number of weeks if this gives you a better result.

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 Lottery winnings
- Nonemployee compensation

Federal Adjustments to Income

Your Montana Adjusted Gross Income includes deductions taken on federal Schedule 1. Deductions directly related to the production of Montana source income also reduce Montana source income. Voluntary expenses, such as contributions to a health savings account or contributions to a pension plan, are not considered directly related to the production of Montana source income and do not result in an adjustment.

Deductions taken as a part-year resident while a resident can reduce Montana source income.

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 federal Schedule 1 that is related to your Montana source wages received as an educator.

Example 2: You are a nonresident self-employed, and you must pay self-employment tax (SE Tax) on your self-employment income. You can reduce your Montana source self-employment income by the portion of SE tax related to your Montana source self-employment income. The portion related to your Montana source self-employment income is the ratio of Montana source self-employment over your self-employment from all sources.

Example 3: You are a nonresident self-employed. You took a deduction for a contribution to a self-employed qualified plan. Your self-employment Montana source income is NOT adjusted, because this deduction is voluntary.

Example 4: You are a part-year resident, you can deduct the portion of interest expenses paid while a resident.

Montana Adjustments from Montana Schedule K-1

Report your total Montana source adjustments from Part 3 of your Montana Schedules K-1 on line 13. Subtract column II, line 2, from line 1 and report the result. This amount may be a positive or a negative number.

Line 14 – Montana Source Additions to Income. If you are a nonresident, enter any amount of income not included above that you reported on your Montana Additions Schedule derived from Montana sources. This includes, but is not limited to:

- Federal Tax Refunds and Other Recoveries

  If you received a federal income tax refund or a refund that is required to be included in Montana Adjusted Gross Income as an addition on the Montana Additions Schedule, lines 1 and 2, a portion of such additions may be considered Montana source income. To determine this portion for each addition, multiply the amount of your addition by the nonresident/part-year resident ratio of the year you took the deduction. Add the results to this line.

- Medical Care Savings Account Nonqualified Withdrawals

  Include on this line the entire addition you reported on the Montana Additions Schedule, line 6.

- First-time Home Buyer Savings Account Nonqualified Withdrawals

  Include on this line the entire addition you reported on the Montana Additions Schedule, line 7.

Line 15 – Montana Source Net Operating Loss. Enter here the amount of Montana source losses included in the Montana NOL deduction reported on the Montana Subtractions Schedule of this return for Montana Class B NOL.

Tax Liability Schedule

If you are a full-year resident, and you do not have to pay any recapture taxes, line 2, nor any taxes on lump-sum distributions, line 4, you do not need to complete this page. For instructions on how to calculate your income tax, see page 10, line 15 – Tax Liability Before Credits. Enter the result on Form 2, page 1, line 15.

Line 1 –Tax from Tax Table. Use the income tax table at the bottom of Form 2, page 8, to calculate the tax. Use your taxable income you reported on Form 2, page 1, line 14, to determine your tax.

Line 2 – 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 tax year, when 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. If your status is 2a, and each spouse is subject to a different recapture tax, or several recapture taxes applies to the same spouse, provide a statement with your return to indicate to which spouses the recapture are applied.

The four possible recapture taxes are:

BD – Biodiesel/Bio-lubricant Production Facility, Biodiesel Blending and Storage, and Oilseed Crushing Credit Recapture Tax. If you previously claimed any of the tax credits for biodiesel 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 Credit Recapture Tax and enter the code "BD" in the space indicated.

EC – Endowment Credit Recapture Tax. 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 that previous credit to the extent it reduced your income tax liability in a previous year and to include in your income any amounts that you previously deducted as an itemized deduction.

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 Montana Additions Schedule, line 2, any recoveries of this prior-year deduction that reduced your tax liability in the year of that deduction. Complete the Tax Benefit Rule for Recoveries of Itemized Deductions Worksheet to determine if you must recapture any amount of your prior-year deduction. See the worksheet at the end of these instructions.

FE – Family Education Savings Account Recapture Tax. If you have a recapturable withdrawal from your Family Education Savings Account, you must pay a 6.9 percent recapture tax on this withdrawal instead of including this withdrawal in your Montana Adjusted Gross Income (AGI).

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

To determine the portion of withdrawal that reduced Montana AGI 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 AGI, the difference is subject to recapture.

Note: Payments for K-12 education are not qualified higher education expenses under Montana law. Withdrawals of contributions that reduced Montana AGI use to pay for such expenses are subject to recapture.

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 claimed as deductions over the years, $4,000 of contributions that did not reduce Montana AGI, and $4,000 of earnings (20 percent of the total). Brenda makes a withdrawal of $10,000 to pay for K-12 education. The recapturable withdrawal is $4,000 ($10,000 - $2,000 of earnings - $4,000 of contributions that did not reduce AGI).

Multiply your recapturable withdrawal by 6.9 percent, enter the result on this line, and enter the code “FE” in the space indicated. This is your Family Education Savings Account recapture tax.

AB – Montana Achieving a Better Life Experience Recapture Tax. If you have a recapturable withdrawal from your Montana ABLE account, you must pay a 6.9 percent recapture tax on this withdrawal instead of including this withdrawal in your Montana Adjusted Gross Income (AGI).

A recapturable withdrawal is a withdrawal from contributions that reduced Montana AGI 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 AGI is calculated the same way as for the Family Education Savings Plan.

Multiply your recapturable withdrawal by 6.9 percent, enter the result on this line and enter the code “AB” in the space indicated. This is your Montana ABLE account recapture tax.

Line 3a – Nonresident Tax. Nonresidents must calculate their nonresident tax using the nonresident ratio determined on Form 2, page 8, and add the recapture tax from line 2 if applicable. Enter the result on this line and on Form 2, page 1, line 15.

Line 3b – Alternative tax method for certain nonresidents. You may elect to pay a tax of 0.5 percent on the gross receipts made in Montana in lieu of paying the individual income tax that is based on net income.

You may make this election if you meet all the following criteria:

- Your only activities in Montana consist of receipts.
- Your Montana activities do not include owning or renting real or tangible personal property.
- The dollar volume of gross receipts made during the tax year within Montana did not exceed $100,000.

If you elect to pay the alternative tax, enter the calculated tax liability and include a statement showing the detailed calculation. See 15-31-122, MCA.

If you elected to pay the alternative tax but also owed some recapture tax, add the amount reported on lines 3a and 3b and report this sum on Form 2, page 1, line 15.

Line 4 – Tax on Lump-Sum Distributions. 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 Adjusted Gross 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 residing in Montana. Include a copy of federal Form 4972.

Line 5 – Part-Year Resident Tax. Part-year residents must calculate their Part-Year Resident tax using the Part-Year Resident Ratio determined on Form 2, page 8, and add the recapture tax from line 2 and/or the tax on lump-sum distributions on line 4 if applicable. Enter the result on this line and on Form 2, page 1, line 15.

Line 6 – Resident Tax. Residents who owe recapture taxes and/or lump-sum distribution tax, and income tax from the tax table must add lines 1, 2, and 4. Enter the result on this line and on Form 2, page 1, line 15.

Nonrefundable Credits Schedule

- **Nonrefundable Single-Year Credits**

  Your nonrefundable single-year credits can only be used to offset your 2019 tax and cannot reduce your tax liability below zero. The unused portion of your nonrefundable single-year credits cannot be carried forward or carried backward to other tax years.

- **Nonrefundable Carryover Credits**

  Your nonrefundable carryover credits can be used to offset your 2019 tax. These credits cannot reduce your tax liability below zero. Your excess nonrefundable carryover credits that were not applied against your 2019 income tax liability can be carried forward and used to offset future year tax liabilities.

Nonrefundable Single-Year Credits (Lines 1-13)

Line 1 – Resident Capital Gains Credit. If you are a resident, you can claim a credit against the taxes imposed. This credit equals 2 percent of your net capital gains reported on Form 2, page 1, line 6.

Before calculating the credit, you must reduce the amount of net capital gains reported on Form 2, page 1, line 6, by any amount of capital losses carryover for Montana purposes you may have reported on your Montana Subtractions Schedule, line 19 or 27.

Part-year residents must use line 2.

Line 2 – Nonresident/Part-Year Resident Capital Gains Credit. If you are a nonresident or a part-year resident, you can claim a credit against the taxes imposed on your Montana source income. This credit equals 2 percent of your Montana source net capital gains reported on the Nonresident/Part-Year Resident Ratio Schedule, line 7.

Line 3 – Credit for Income Tax Paid to Another State or Country. You can claim this credit only if you are filing as a full-year or part-year resident, and you paid income tax to another state or country on an item of income included in your Montana Adjusted Gross Income while a resident of Montana.

To compute this credit, use the Credit for Income Tax Paid to Another State or Country Schedule on page 9. You must complete a new schedule for taxes paid to each state or country for which you are claiming a credit.

Include as many copies of page 9 as needed. Complete the Nonrefundable Credits Schedule only once.

Wages for work performed in North Dakota: 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, file a North Dakota individual income tax return to obtain a refund of the North Dakota income tax withheld.

Income other than wages from North Dakota sources: You may be eligible for this credit if you must pay income tax to North Dakota on income other than wages, provided you earn or receive the income while a Montana resident.

Line 4 – College Contribution Credit. You can claim a credit against your income tax liability for contributions that you made in 2019 to a foundation or general endowment fund of the Montana university system, a private college in Montana, a community college, or a tribal college. Your credit is equal to 10 percent of the contribution that you made with a maximum credit allowed of $500.

To qualify for this credit, you must make your contribution to a Montana college or university that offers an associate or baccalaureate degree level education program.

For further instructions on the College Contribution Credit, and to calculate this credit, see Montana Form CC. When you claim this credit, include a copy of Form CC with your tax return.

Line 5 – 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.

Your credit is equal to 40 percent of the present value of a planned gift that you personally made during the year to the qualified Montana endowment. 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 a credit equal to 20 percent of your share of the entity's outright gift or 40 percent of your share of the entity's planned gift. In no case can your credit be larger than $10,000 for your contribution and, when applicable, $10,000 for your spouse.

When claiming this credit, you cannot claim a charitable contribution deduction on the Itemized Deductions Schedule for the contribution that you used to calculate this credit.

For further instructions on the Qualified Endowment Credit, and to calculate this credit, see Montana Form QEC. Visit *mtnonprofit.org/endowMontana* to learn more about the endowments statewide. When you claim this credit, include a copy of Form QEC with your tax return.

Line 6 – Energy Conservation Installation Credit. If you are a resident of Montana, you can claim a credit against your income tax liability for energy conservation investments that you made to your home or other buildings. Your credit is equal to 25 percent of your expenses, for a maximum credit of up to $500 for the capital investments you made to your home or another building for energy conservation purposes, or for the installation or replacement of a hot water heater or household heating or cooling system. If you are married, your spouse may also qualify for a credit of up to $500 if you both made qualifying capital investments.

You will not qualify for this credit by simply switching to an energy source that is less expensive or free (investments of this nature may qualify for the alternative energy system credit).

For further instructions and a list of investments that qualify for the energy conservation credit, see Montana Form ENRG-C. In addition, refer to *MTRevenue.gov* for more information such as specific examples of what investments may or may not qualify. When you claim this credit, include a copy of Form ENRG-C with your tax return.

Line 7 – Alternative Fuel Credit. You can claim a credit against your income tax liability for the cost of converting your motor vehicle to operate on an alternative fuel. Your credit is equal to 50 percent of the cost to convert your motor vehicle for a maximum credit of up to $1,000.

To qualify for this credit, your motor vehicle has to be licensed in Montana and the conversion has to be from gasoline to an alternative fuel, such as natural gas, liquefied petroleum gas, liquefied natural gas, hydrogen, electricity, or other combinations.

For further instructions on the alternative fuel credit and to calculate this credit, see Montana Form AFCR. When you claim this credit, include a copy of Form AFCR with your tax return.

Line 8 – Health Insurance for Uninsured Montanans Credit. You can claim a credit against your income tax liability if your business provides health insurance coverage for its employees. Your credit is a percentage of the premium payments that you made throughout the year for a maximum credit of up to $3,000 per year.

To qualify for this credit, as an employer you must meet the following criteria:

- You have been in business in Montana for at least 12 months; and
- You employ at least two but not more than 20 employees who work at least 20 hours a week; and
- You pay at least 50 percent of each of your employees' health insurance premiums.

Your credit is limited to a maximum of 10 employees and should include small employer group health insurance under the Small Employer Health Insurance Availability Act.

Your eligibility for this credit is not affected if you claimed the federal Small Business Health Care Tax Credit.

For further instructions on the Health Insurance for Uninsured Montanans Credit, and to calculate this credit, see Montana Form HI. When you claim this credit, include a copy of Form HI with your tax return.

Line 9 – Elderly Care Credit. You can claim a credit against your income tax liability for paying certain expenses to provide care to an elderly family member. Your credit cannot exceed $5,000 for one qualifying family member, or $10,000 for the care of two or more qualifying family members.

To qualify for this credit, you need to care for an elderly family member who is at least 65 or has been determined to be disabled by the Social Security Administration, and who has a family income of

$15,000 or less if not married, or $30,000 or less if married. In addition, your Montana Adjusted Gross Income must be less than $55,000 if your filing status is single or married filing jointly, or $27,500 if your filing status is married filing separately.

For further instructions on the Elderly Care Credit and to calculate this credit, see Montana Form ECC. When you claim this credit, include a copy of Form ECC with your tax return.

Line 10 – Recycle Credit. You can 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 invested, and 5 percent of the next $500,000 invested. You are not entitled to any additional credit for investment that exceeds $1 million.

For further instructions on the recycle credit, and to calculate this credit, see Montana Form RCYL. When you claim this credit, include a copy of Form RCYL with your tax return.

Line 11 – Innovative Educational Program Credit. You can claim a credit against your tax liability for donations made to the Innovative Educational Program. Your credit cannot exceed $150. If you file a joint tax return, each taxpayer can receive a credit up to $150.

You are not allowed to take this credit if you deducted the same amount as a charitable contribution on Itemized Deductions Schedule.

To qualify for the credit, you must preapprove your donation on the Education Donations Portal, *svc.mt.gov/dor/educationdonations*. Once your donation is preapproved, you will receive a confirmation code that you must keep in your records.

Line 12 – Student Scholarship Organization Credit. You can claim a credit against your tax liability for donations made to a Student Scholarship Organization. Your credit cannot exceed $150. If you file a joint tax return, each taxpayer can receive up to $150.

You are not allowed to take this credit if you deducted the same amount as a charitable contribution on Itemized Deductions Schedule.

To qualify for the credit, you must preapprove your donation on the Education Donations Portal, *svc.mt.gov/dor/educationdonations/*. Once your donation is preapproved, you will receive a confirmation code that you must keep in your records.

Line 13 – 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.

For more information visit *apprenticeship.mt.gov*.

Applications for the credit must be submitted to the Department of Labor and Industry (DLI), Workforce Services Division.

The credit equals:

- $750 for each new registered apprentice, or
- $1,500 for each new registered apprentice who is a veteran.

If the employer is a pass-through entity, the credit is calculated first at the entity level and owners may claim their distributive share of credit on this line.

The credit must be claimed on the income tax return of the year it is approved by DLI.

Nonrefundable Carryover Credits (Lines 14-26)

Line 14 – Biodiesel Blending and Storage Credit. You can claim a credit for the cost of investments in depreciable property used for storing or blending biodiesel made from Montana products with petroleum diesel for sale. This credit can be carried over for seven succeeding tax years if the facility is blending or storing biodiesel for blending. If the facility ceases blending biodiesel for sale for a period of 12 consecutive months within five years of claiming the credit, the credit is subject to recapture. If the facility's biodiesel sales are not at least 2 percent of all diesel sales by the end of the third year after the credit is initially claimed, the credit is subject to recapture. For detailed instructions, see Montana Form BBSC. If you claim this credit, include a copy of Form BBSC with your tax return.

Line 15 – 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 16 – Geothermal Systems Credit. If you are a resident of Montana, you can claim a credit against your income tax liability for the cost of purchasing and installing a geothermal system in your principal home. The amount of the credit cannot exceed $1,500 and is applied in the year that you installed your geothermal system. The balance of your credit that is not used can be carried forward and applied against subsequent income tax liabilities for a period of seven years. You cannot claim both the Alternative Energy Systems Credit and the Geothermal Systems Credit for the same investment.

For further instructions on the Geothermal Systems Credit, and to calculate this credit, see Montana Form ENRG-A. When you claim this credit, include a copy of Form ENRG-A with your tax return.

Lines 17 and 18 – Alternative Energy Systems Credit. When you claim one of these credits, include a copy of Form ENRG-B with your tax return.

Line 17 – Nonfossil Form of Energy. If you are a resident of Montana, you can claim a credit against your income tax liability for the cost of purchasing and installing an energy system in your principal home that uses a recognized nonfossil form of energy such as, but not limited to, solar energy, wind energy, solid waste, and organic waste. Your total credit cannot exceed $500 per taxpayer. Any balance of your credit that is not used in 2019 can be carried forward and applied to future income tax liabilities for a period of four succeeding tax years. You cannot claim both the Alternative Energy Systems Credit and the Geothermal Systems Credit for the same investment.

Line 18 – Low-emission wood or biomass Combustion. If you are a resident of Montana, you can claim a credit against your income tax liability for the cost of purchasing and installing an energy system using a low-emission wood or biomass combustion device, such as a pellet or wood stove, in your principal home. You can also claim the credit for installing certain outdoor hydronic heaters or masonry heaters. Your total credit cannot exceed $500 per taxpayer. Any balance of your credit that is not used in 2019 can be carried forward and applied to future income tax liabilities for a period of four succeeding tax years.

For further instructions on the Alternative Energy Systems Credit, and to calculate this credit, see Montana Form ENRG-B.

Line 19 – Alternative Energy Production Credit. You can claim a credit against your income tax liability for an investment of $5,000 or more that your business makes in depreciable property for the use of a commercial system or a net metering system that is located in Montana and that generates energy by means of an alternative renewable energy source.

The amount of your credit is limited to 35 percent of the eligible cost associated with the purchasing, installing, and upgrading of the alternative energy system. Your credit is further limited in that it can only be applied against the tax liability due as a consequence of the alternative energy system generating taxable or net income. Your credit cannot exceed that portion of your tax liability that results from taxable or net income generated as a result of the system. Your unused credit can be carried forward and applied to future income tax liabilities for a period of seven years. An exception to the seven-year carryforward period applies when your investment is located within the exterior boundaries of a Montana Indian reservation.

For further instructions on the Alternative Energy Production Credit and to calculate this credit, see Montana Form AEPC. When you claim this credit, include a copy of Form AEPC with your tax return.

Line 20 – Dependent Care Assistance Credit. If you are an employer in Montana, you can claim a credit against your income tax liability for the amount that you paid or incurred during the year to provide dependent care assistance to your employees. There are two programs that are available to you that qualify for this credit, including:

- Dependent Care Assistance Credit.
- Dependent Care Information and Referral Service Credit.

For further instructions about the amount of the credit that is available, the carryforward provisions, and how to calculate these credits, see Montana Form DCAC. When you claim these credits, include a copy of Form DCAC with your tax return.

Line 21 – 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 IRC 47(a)(2). The credit may not be allocated between spouses unless the property is used by a small business corporation or a partnership in which they are shareholders or partners. 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 22 – 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 23 – Empowerment Zone Credit. You can claim a credit against your income tax liability if you are an employer who has a business in an empowerment zone. The credit is based on the number of qualifying new employees and is equal to $500 for each qualifying employee in the first year of employment, $1,000 for each qualifying employee in the second year of employment, and $1,500 for each qualifying employee in the third year of employment. To be eligible for this credit, you must be certified by the Montana Department of Labor and Industry.

Your credit can be carried back three years and carried forward seven years. The entire amount of your credit that you do not use in the year that you earned it must be carried first to the earliest tax year that the credit can be applied and then to each succeeding tax year.

Line 24 – Increasing Research Activities Credit. The Increasing Research and Development Activities Credit expired on December 31, 2010. Therefore, a current year credit cannot be claimed for periods beginning after that date. Any unused credit from a prior period can be carried forward for up to 15 tax years. If you are claiming unused credit carryforward, include a detailed schedule of the credit carryforward with your tax return.

Line 25 – Mineral and Coal Exploration Incentive Credit. You can claim a credit against your income tax liability for the certified expenditures for mining exploration activities involving mineral and coal deposits. In determining your credit, your qualified expenditures include those costs that you incurred for activities that directly support the exploration at a specific site. Your credit cannot exceed 50 percent of that portion of your tax liability that is related to the production from the mining operation for which the exploration activity occurred.

You need to apply for the certification of expenditures incurred by sending the Montana Form MINE-CERT to the department within 60 days after the close of the calendar year. The department will make a determination about the certification of the expenditures by September 30.

For further instructions on the Mineral and Coal Exploration Incentive Credit, and to calculate this credit, see Montana Form MINE-CRED. When you claim this credit, include copies of Forms MINE-CRED and MINE-CERT with your tax return.

Line 26 – Adoption Credit. You can claim a credit against your income tax liability if you finalized the adoption of an eligible child in 2019 and the adoption qualified for the federal adoption credit. An eligible child is:

- any child under age 18, or
- any disabled person physically or mentally unable to take care of himself or herself.

The amount of the credit is $1,000 per child. If the amount of the credit exceeds your tax liability for 2019, you can carry forward the unused credit to the next five tax years. Also, the legal adoption of a stepchild does not qualify for the federal or Montana credit. Include a copy of federal Form 8839 for the year of the adoption with your tax return.

Credit for Income Tax Paid to Another State or Country Schedule

If you are filing as a full-year or part-year resident and paid income tax to another state or country, use this schedule to determine the amount of nonrefundable credit that you may be able to claim on your Montana tax return.

You are not entitled to 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.

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 paid on your behalf) 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.

This credit also applies to excise taxes or franchise taxes that are paid by the pass-through entity if they are imposed on and measured by net income. However, you are not allowed to use other taxes paid by your S Corporation or partnership such as, but not limited to, franchise or license taxes or fees that are not imposed on or measured by net income, gross receipt taxes, or gross sales taxes.

When you claim this credit for the taxes paid by your S Corporation or partnership, in determining your Montana Adjusted Gross Income, you must add back your share of the S Corporation's or partnership's federal tax deduction that may be included in your total on Form 2, Schedule 1, line 5, to your Federal Adjusted Gross Income on Montana Additions Schedule, line 12. This is required whether or not your S Corporation or partnership separately or non-separately stated the income tax 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. If the income is partially exempt, only the part that is nonexempt can be used for the calculation of this credit. On a practical level, income that is sourced and taxable to another state is found on the line after state-specific additions and subtractions to Federal Adjusted Gross Income, but before state deductions (standardized or itemized) and personal exemptions. In general, this line is labeled as the state-specific Adjusted Gross Income.

Taxes Paid to Another Country. Individuals are not entitled to a Montana tax credit for taxes paid to a foreign country when they claim a federal foreign tax credit the same year. For example, if you received Canada source income, you paid income tax to Canada, and you claimed the federal foreign tax credit on federal Form 1116, then you cannot claim any foreign tax credit on your Montana return.

You can claim a credit for foreign taxes paid to another country if you did not claim the federal Foreign Tax Credit, if you do not take the foreign taxes as a deduction on your Itemized Deductions Schedule, and if the foreign country does allow a credit for taxes paid to Montana.

Line 1. Enter the total income sourced and taxable to the other state that is also included in your Montana Adjusted Gross Income (Form 2, page 1, line 11) if you are a resident, or your Montana source income (Nonresident/Part-Year Resident Ratio Schedule, line 16) if you are a part-year resident.

Only report the part that is included in Montana taxable income and in the taxable income of the other state or country. Make sure that exemptions of any kind are accounted for before completing this schedule.

Example: If you worked in both Utah and Montana while a resident of Montana during the year, and your total wages were $50,000, with $10,000 earned in Utah, then enter $10,000 on line 1.

Do not include income on this line that is not taxable in Montana. For example, if a portion of your total wages came from $2,000 you earned in tips in Utah and you included that portion in the subtraction you claim on Montana Subtractions Schedule, line 9, then do not report the tip income on this line.

Line 2. Enter the total income sourced and taxable to the other state or country. See "Sourced and Taxable" above to find the appropriate amount of income on another state return.

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 composite tax 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. If you are a resident, and you do not have to complete the Tax Liability Schedule on Form 2, page 8, your tax liability can be found on Form 2, page 1, line 15.

If you are a resident, and you must complete the Tax Liability Schedule because you must pay either a recapture tax or a tax on lump-sum distribution, your tax liability can be found on the Tax Liability Schedule, line 2.

If you are a part-year resident, report the tax liability you reported on the Tax Liability Schedule, line 5, without regard to the taxes on lump-sum distribution or recapture taxes.

Line 9. If you have capital gains included on line 1 and you claimed a capital gains credit on the Nonrefundable Credits Schedule, line 1, multiply line 5 by line 8, and then reduce this amount by 2 percent of the capital gains included on line 1.

Example: Brian is a resident of Montana and sold a house in Idaho. Brian is reporting a capital gain of $10,000 for the sale of this house, which is included on line 1. Brian is claiming $200 of capital gains credit (2 percent of $10,000) related to the sale of this house. Brian's tax liability before credits is $2,500 and the ratio calculated on line 8 is 15 percent. The amount to report on line 9 is $175 ($2,500 x 15%) - $200).

Elderly Homeowner/Renter Credit Schedule

If you claim the credit, you must include a copy of your 2019 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. 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.

When you claim this credit, you attest that:

- Age 62 Test – You are 62 or older as of December 31, 2019.

  If you are married and both spouses own or rent your residence, only one of you must meet the age requirement.
- Six-Month Test – You occupied a Montana residence as a renter, owner or lessee for at least six months during the tax year.
- Nine-Month Test – You have lived in Montana for at least nine months during the tax year.
- Gross Household Income Test – Your total household income of all household members is less than $45,000 for the tax year.

  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.

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, 2019.

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, 2019, 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, 2019.

Note: If either spouse died during the claim year, enter the date of death in the appropriate box on top of page 1.

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

Note: Only one claim is allowed per household and that married taxpayers who are living apart may qualify for only one credit per year.

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.

If members of your household, including the claimant, are filing a Montana Form 2 for 2019, use the information on each Form 2 to complete lines 1 through 4. If a member of your household is not filing a Montana Form 2 for 2019, but is filing a federal Form 1040, use the information on this federal Form 1040 to complete lines 1 through 4.

If members of the household, including the claimant, are not filing a Form 2 nor a federal Form 1040 for Tax Year 2019, report the incomes of these household members on lines 6 through 9.

Line 1 – Enter the federal adjusted gross income from line 8b. The calculation starts with the Federal Adjusted Gross Income (AGI) of each member of the household. Combine the amounts reported on Form 2, Page 1, line 8b, of each 2019 Montana individual income tax return or federal Form 1040 completed by each member of the household.

Line 2 – Enter the exempt interest from line 2a. Your federal AGI does not include tax-exempt interest reported on line 2a of Form 2 or federal Form 1040. Combine all the amounts reported on lines 2a of all Forms 2 or federal Forms 1040 completed by each member of the household.

Line 3 – Enter any IRA distribution reported on line 4a not included on line 4b. Do not include any rollover. Your federal AGI only includes the taxable amount of the income reported on Form 2, page 1, lines 4b. However, some amounts may be reported on Form 2, page 1, line 4a, and must be added back to your federal AGI for the purpose of the calculation of the Elderly Homeowner/Renter Credit.

Amounts reported on Form 2, page 1, line 4a, that are not reported on Form 2, page 1, line 4b, and must be reported on this line are:

- 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
- a conversion from a traditional IRA to a Roth IRA.

Do not include non-taxable rollovers.

Line 4 – Enter any pensions and annuities reported on line 4c not included on line 4d. Do not include your cost or net investment (federal Form 1099-R, box 9) in your annuity.

Line 6 - Social Security payment not reported, except when paid directly to a nursing home. If you received Social Security benefits that are not included on lines 1, 3, and 4, report them here, even if the funds were ultimately used to pay a nursing home.

If members of the household are not required to file a Form 2, nor a federal Form 1040, enter all the Social Security benefits received that were not reported on previous lines, and that were not directly paid to a nursing home.

Line 7 – Refundable credits received, including the Elderly Homeowner/Renter Credit. Combine all the refundable credits received by the members of the household in 2019. Refundable credits include the federal Earned Income Tax Credit, the federal Child Tax Credits, the state Emergency Lodging Credit, the Unlocking Public Land Credit, and the Elderly Homeowner/Renter Credit.

Line 8 – Other income not listed above. Enter all items of income received by the members of the household that were not reported on lines 1 through 7.

Such items of income may include:

- Pension and annuity income. If you received pension or annuity income or a distribution from a traditional IRA, include the federally taxable amount as shown on your Form 1099.
- Disability benefits including, but not limited to, veteran's disability, SSI payments, and workers' compensation.
- Capital gains. Report capital gains that members of the household excluded from their Montana Adjusted Gross Income, such as the gain from the sale of your primary residence.
- Interest on federal, state, county, and municipal bonds.
- Long-term care insurance benefits.

In addition, members of the household who are not filing a Form 2 or a federal Form 1040 must report all wages, business income, and investment income not listed above.

A household member may have a basis (the amount you invested) in some items above. If applicable, the amount received as an item of income may be reduced by the household member's basis in that item. For example, if you paid $50,000 for the ownership of a primary residence, $50,000 is your basis. If you sell that residence for $80,000, your gross household income only includes the gain of $30,000 ($80,000 sales price minus $50,000 basis).

Line 9 – Enter all losses included on page 1, Line 8b. The gross household income cannot be reduced by any losses. If losses are included on line 1, you must add them back here as a positive number. Include net operating losses deductions taken on federal Schedule 1 on this line.

Line 10 – Gross Household Income. The total amount of income from all household members used to determine your eligibility is called "Gross Household Income." Gross household income does not always equal the taxable income that individuals report on their Montana income tax return. It also includes income that is normally not taxable.

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

Net Household Income

Complete lines 11 through 14 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. This amount is determined through a formula.

You must first deduct $6,300 from your gross household income. Then multiply the result by the corresponding multiplier in the Household Income Reduction Table on page 10.

Credit Computation

Line 15– Property Tax Billed. Report the amount of taxes, special assessment 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: the total amount of property tax billed multiplied by 80 percent, 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) and trustee(s) of that property, you can qualify for this credit. If 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 16 – Rent Equivalent Paid. Your rent is only the amount of money that you paid to occupy your home.

If you live in a health care, long-term care, personal care, or residential care facility, the rent allowed is the actual out-of- pocket rent that you paid, excluding services provided by staff, such as board expenses including meals, housekeeping, and 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, or by deducting from your total payments some proportional amount representing board and/or care as follows. If you use the second method, complete the Long-Term Care Facility Rent Calculation Worksheet.

If you wish to claim the credit for a previous tax year still open and you were living in a long-term care facility, you must use the rules that applied during these years. Refer to the instructions of each tax year.

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 15 are as follows (this list is not all-inclusive):

- Mortgage payments, including mortgage interests;
- 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).

Other Payments and Refundable Credits Schedule

Payments

If you file separately you may reallocate part or all your estimated tax payments to your spouse to reduce the assessment of any interest and penalties. Only estimated payments (line 1), and overpayments from 2018 (line 2), can be reallocated. Withholding must be reported by the spouse whose name appears on the federal Forms W-2 or 1099.

Line 1 – 2019 Estimated Tax Payments. If you made estimated income tax payments for Tax Year 2019, enter the amount of these estimated tax payments. Estimated tax payments include any payment you made on or before April 15.

Line 2 – Overpayment applied from 2018 return. Report the amount the 2018 overpayment that you requested us to apply to your 2019 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 2019. You can view your payment history on our TransAction Portal (TAP), at *https://tap.dor.mt.gov*.

Line 3 – Total Withholding from Montana Schedules K-1. Report the amount of withholding taxes shown on the Montana Schedules K-1 you received from pass-through entities.

Combine the total pass-through withholding on Part 5, line 3c, and the mineral royalty withholding reported on Part 5, line 4, of the Montana Schedule K-1, and report the total here.

Refundable Credits

Line 4 – Emergency Lodging Credit. A refundable tax credit is available for licensed establishments that provide short-term emergency lodging under the Emergency Lodging Program. The program helps provide lodging for individuals or families who have been displaced from their residence and have been referred to the establishment by a charitable organization approved by the Montana Department of Public Health and Human Services. Visit *dphhs.mt.gov/ publichealth/FCSS/PublicAccommodations/emergencylodging* for additional information regarding participation in this program.

The credit is $30 for each night of lodging provided by the establishment with a maximum of five nights' lodging for each individual or family. An individual may claim the credit if they are the owner of the establishment or they have an ownership interest in the partnership or S Corporation that owns the establishment.

For further instructions on the emergency lodging credit, and to calculate this credit, see Montana Form ELC. When you claim this credit, include a copy of Form ELC with your tax return.

Line 5 – 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*.

Line 6 – 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 $1,000. To claim this credit, you must live in a household where the total income of all household 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 this credit, use the Elderly Homeowner/Renter Credit Schedule on Form 2, page 10. See instructions on pages 44 through 46.

If you do not have a filing requirement and you wish to claim the credit, see page 3.

Line 7 – Other Payments. Use this line if you made any payment after April 15. This line does not include payments you make with your return.

If you are filing an amended return, include on this line any payment made with your original return.

Contributions, Penalties, and Interest Schedule

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. Each taxpayer can contribute. When married filing jointly, all contributions must be made on Column A.

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 a – Nongame Wildlife Program. Your contributions to this 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 b – Child Abuse Prevention. Your contributions to this program fund services and activities related to the prevention of child abuse and neglect. In addition, if you enclose a separate check with your timely filed return, you can take an itemized deduction for this contribution on the tax return you are filing with this contribution.

Line c – 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 d – 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. Calculate the total of your contributions and enter the result on this line.

Line 2 – If Filing an Amended Return, enter Overpayments Already Refunded or Applied to Tax Year 2019. If you are filing an amended return and you had an overpayment on your original Tax Year 2019 return, or on the last amended return filed for 2019 if this is not your first amendment, report this overpayment here. You may have chosen to apply this overpayment to your Tax Year 2020 estimated taxes.

If you made a payment with any of your previous return(s) filed for Tax Year 2019, report that payment on the Other Payments and Refundable Credits Schedule, line 7.

Line 3 – 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 Publication 1 for more information about the Montana pay-as-you-go system.)

If you did not pay at least 90 percent of your 2019 income tax liability in advance (after applying your credits) or 100 percent of your 2018 income tax liability (after applying your credits), you may have to pay interest on the underpayment of your estimated tax with your return.

You do not have to make estimated tax payments if at least 2/3 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 the annualization method to make your estimated tax payments for 2019.

Taxpayers filing separately on the same form must calculate their interest on underpayment of estimated taxes on a combined basis. This often results in having less interest to pay.

To calculate your interest, complete either the Calculation of Interest of Underpayment of Estimated Taxes – Short Method Worksheet on Form 2, page 11, or Form EST-I (2018 Underpayment of Estimated Tax by Individuals, Estates and Trusts). This form is available at *MTRevenue.gov* or call us at (406) 444-6900.

You can use the short method to determine your interest only if your taxable year was 12 full months and one of the following conditions applies to you:

- You made no estimated tax payments (in other words, your only payments were Montana withholding); or
- You made four equal estimated payments by the required due dates.

Line 4 –Late File Penalty, Late Payment Penalty, and Interest. This line allows you to use a simplified worksheet to estimate the penalties and interest you may owe.

Caution: The calculation of penalties and interest you report on your return is an approximation. The department will recalculate this amount and adjust penalties and interest if necessary. This adjustment may result in more or less penalties and interest owed.

If you and your spouse are filing on separate returns, penalties and interest are based on the amount that each spouse owes. If both spouses owe additional tax, penalties, or interest, they will receive individual Notices of Assessment for the amount they owe.

Interest. If you do not pay 100 percent of your income tax liability by April 15, 2020, you must pay 5 percent annual interest, computed daily on the amount you owe. Multiply your amount owed by 0.000137 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. You must 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. His interest is ($16.44 + $16.85 = $33.29).

Late File Penalty. If you file your return after October 15, you must pay a late file penalty. The penalty is equal to 5 percent per month on the amount owed on the extended due date, up to 25 percent of the amount owed on October 15, until the return is filed. The minimum penalty is $50, even if you are claiming a refund.

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

Late Payment Penalty. The late payment penalty is equal to 0.5 percent per month, calculated daily, on the unpaid amount from April 15, 2020, until it is paid. The daily rate is 0.0164 percent. Your late payment penalty will never exceed 12 percent (24 months x 0.5 percent) of the unpaid tax. Late pay penalty is automatically waived if you pay all the tax and interest with your return, or within 30 days of the first notice from the department.

If you are planning to pay the entire amount owed with the tax return, you do not need to calculate late payment penalty.

If you are not able to pay the entire amount owed with your tax return, use the calculation worksheet below to determine an estimation of the late payment penalty accumulated up until the date you file your return.

The total amount to report on line 4 can be figured using the Penalties and Interest Worksheet on page 49.

Line 5 – Other Penalties. Include on this line the sum of the following penalties if they apply to your situation.

- First-Time Home Buyer Savings Account 10 percent Penalty

  If you withdrew funds from your First-Time Home Buyer Savings 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 on the last business day in December. Complete the penalty calculation on Montana Form FTB, 2019 First-Time Home Buyers Savings Account. Enter the amount of the penalty on this line and include a copy of Form FTB with your tax return.

- Medical Care Savings Account 10 percent Penalty

  If you withdrew funds from your Medical Care Savings Account for purposes other than to pay for eligible medical costs, you must pay a 10 percent penalty on this withdrawal unless you made this withdrawal on the last business day in December. Enter the penalty calculated on the Montana MSA Schedule, Nonqualified Withdrawal and Penalty section, line 6.

- Farm and Ranch Risk Management Account 10 percent Penalty

  If you have not distributed your deposits and income from your Farm and Ranch Risk Management Account within five years, they are considered distributed. You must pay a 10 percent penalty on the amount of tax due on this amount that is considered distributed. On this line, enter the amount of your farm and ranch risk management account 10 percent penalty.

Penalties and Interest Worksheet Instructions

If you are paying or filing late, use the instructions for this worksheet to calculate any penalties and interest you may owe.

Line 4. Net amount owed on April 15: If you make payments after April 15, 2020, these payments are reported on the Other Payments and Refundable Credits Schedule, line 7. You must subtract these payments from the net amount owed and report the result on this line.

Line 6. This worksheet assumes you have not made any payment since April 15, 2020. If you made payments after April 15, you must adjust the amount owed after each payment for the calculation of interest. You must 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. His interest is $33.29 ($16.44 + $16.85).

Line 7. Report the amount from line 4 on this line. If you made payments between April 15 and October 15, you must deduct them from the amount reported on line 4.

Penalties and Interest Worksheet

Penalties and Interest Worksheet		
1	Form 2, line 17	
2	Form 2, line 18	
3	Form 2, line 19	
4	Net amount owed on April 15: subtract lines 2 and 3 from line 1.	
5	Number of days since April 15, 2020	
6	Interest: multiply line 4 by line 5, and by 0.000137 (if you made payments after April 15, see instructions)	
7	Net amount owed on October 15	
8	Divide line 7 by 4	
9	If the return is late, (filed after October 15,) number of months and parts of a month the return is late	
10	Late file penalty: Enter the greater of $50 or your base amount, which is the lesser of 5% of line 7 multiplied by line 9, or line 8.	
11	Late payment penalty: If applicable, multiply line 7 by line 5, and by 0.000164. Enter the result or 12% of line 4, whichever is smaller, on this line.	
12	Total: combine lines 6, 10, and 11, and report this total on the Contributions, Penalties, and Interest Schedule, line 4.	

Tax Benefit Rule for Recoveries of Itemized Deductions Long Worksheet Instructions

What documentation will you need to complete this worksheet?

You will need the original Form 2 or 2M, the Itemized Deduction Schedule when applicable, and documentation recording the original deductions. You will also need any document or worksheet you used to record refunds related to expenses you itemized or any recoveries already reported on a previous return plus any form or worksheet that was used to limit allowable deductions.

Federal Income Tax Refund Section

This section helps you calculate the recovery for a refund of federal income tax received in 2019 if you deducted these payments of federal income tax on a prior return. If, in 2019, you only received a refund of federal income taxes paid in 2018, you must use the Recovery of Federal Income Tax Deducted in 2018 Worksheet on Form 2, page 4, of the return to figure how much of your refund is taxable.

Other (recoveries)

Enter the amount of refund of expenses, other than federal income tax, that you deducted in the year for which you are completing this worksheet. If you received refunds for several items you deducted that year, enter the sum of these refunds.

Note: When the original deduction was limited to a portion of the expense you originally incurred, either because of a floor (such as for medical expenses) or a ceiling (such as for the overall limitation on itemized deductions) the amount of your recovery is limited to the amount you effectively deducted. To determine how much of your refund was effectively deducted you may have to recalculate your itemized deduction for the year of the deduction using the original expense reduced by the amount of refund you received. Your recovery would be the difference between the original deduction taken and the deduction calculated after taking the refunds into account.

Standard Deduction Benefit Rules and Rates

When you deduct an expense as an itemized deduction, the amount of taxes you must pay is reduced, this reduction in tax is the tax benefit of the deduction. If you receive a refund of that expense in a following year, that refund is income in the year it is received. This recovery may be less than the amount of refund you received. This happens when the deduction you took on your previous return, reduced by the refund you received, would have resulted in more tax than choosing standard deduction. The worksheet compares whether the itemized deductions net of the refund or the standard deduction would have been more advantageous and reduces the recovery accordingly. This tax benefit rule is applied on an individual basis regardless of your filing status. It does not constitute a change to your election to use itemized deductions in either year.

Example: Assume Anna, a single taxpayer, chose to itemize her deduction in 2012 and recorded $3,000 of property tax deduction and $7,000 of casualty loss. In 2019, Anna received a refund of the $7,000 that she deducted as casualty loss in 2012. That refund is a recovery. In 2012, without the casualty loss, her itemized deduction would have been $3,000. Yet, she would have been able to deduct $4,200 if she had elected for the standard deduction. That is $1,200 more than the itemized deduction considered after the refund. As a result, her taxable recovery is limited to $5,800 ($7,000 - $1,200).

Do not use this worksheet if you received a refund for a given tax year and a previous recovery for the same tax year was already limited by the tax benefit rule. This may occur when, over the course of several years, you receive several refunds of expenses reported as deductions for that given tax year.

For purposes of the worksheet, “deduction year” means the year you took an itemized deduction for the expense you incurred. You must use a new worksheet for each deduction year for which you may have to report a recovery.

Standard Deduction for Past Years

Multiply the amount on the worksheet, line 13 by 20 percent (0.20). Enter this amount on line 14 of the worksheet, but not more than the maximum amount or less than the minimum amount reported below that corresponds with the tax year for which you are calculating your tax benefit rule recovery amount.

In the following table statuses are referenced as:

- Single: S
- Married Filing Jointly: MFJ
- Married Filing Separately: MFS
- Head of Household: HoH

Tax Year	Status	Minimum	Maximum
2018	S or MFS	$2,030	$4,580
	MFJ or HoH	$4,060	$9,160
2017	S or MFS	$2,000	$4,510
	MFJ or HoH	$4,000	$9,020
2016	S or MFS	$1,980	$4,460
	MFJ or HoH	$3,960	$8,920
2015	S or MFS	$1,940	$4,370
	MFJ or HoH	$3,880	$8,740
2014	S or MFS	$1,940	$4,370
	MFJ or HoH	$3,880	$8,740
2013	S or MFS	$1,900	$4,270
	MFJ or HoH	$3,800	$8,540
2012	S or MFS	$1,860	$4,200
	MFJ or HoH	$3,720	$8,400
2011	S or MFS	$1,820	$4,110
	MFJ or HoH	$3,640	$8,220

Taxable Recovery for Itemized Deductions from Tax Year ______

				Column A (for single, joint, separate, or head of household)	Column B (for spouse when filing separately using filing Status 2a)
Federal Income Tax Refund	1	Enter the total of your federal income tax deducted on Form 2, Schedule III or Form 2M, Schedule I, lines 7a to 7d, for the deduction year (indicated above).	1		
	2	Enter the total refund(s) you received in 2019 and prior years from the federal income tax reported on line 1. This amount should not include any refundable credits that are not attributable to income taxes you paid.	2		
	3	Deduct line 2 from line 1. This is your federal income tax not refunded.	3		
	4	Enter the federal income taxes you deducted on Form 2, Schedule III or Form 2M, Schedule I, line 7e, in the deduction year.	4		
	5	Is line 3 larger than line 4? If yes, enter 0 here. If no, subtract line 3 from line 4 and enter the result here. This is the amount of taxes you deducted that were refunded to you.	5		
	6	Enter the total of all taxable recoveries of federal income tax already reported in previous year returns, if you received consecutive refunds for the deduction you took.	6		
	7	Subtract line 6 from line 5. This is your federal income tax recovery for 2019.	7		
Other	8	Enter the total of all other itemized deductions recovered in 2019.	8		
Total	9	Add lines 7 and 8	9		
Standard Deduction Benefit Rule	10	Enter the total Montana allowable itemized deductions for the deduction year	10		
	11	Enter any taxable recovery you reported on returns prior to the 2019 and related to the deduction year. These recoveries must not be included in lines 7 or 8.	11		
	12	Subtract line 11 from line 10	12		
	13	Montana Adjusted Gross Income for the deduction year	13		
	14	Enter the standard deduction for the deduction year. (See instructions)	14		
	15	Subtract line 14 from line 12. If the result is zero or less, stop here. The amount on line 9 is not taxable.	15		
	16	Enter the smaller of line 9 or line 15.	16		
Taxable Recovery	17	Enter your Montana taxable income for the deduction year.	17		
	18	If line 17 is zero or more, enter the amount from line 16. If line 17 is a negative amount, add lines 16 and 17 and enter the result, but not less than zero. This is your recovery amount. You must follow the instructions below to include this amount in your income for 2019	18		
Allocation		If line 18 equals line 9, enter the amount from line 7 on Form 2, Montana Additions Schedule, line 1, and enter the amount from line 8 on Form 2, Montana Additions Schedule, line 2. If line 18 is less than line 9, and either line 7 or line 8 is zero: If there is an amount on line 7, enter the amount from line 18 on Form 2, Montana Additions Schedule, line 1. If there is an amount on line 8, enter the amount from line 18 on Form 2, Montana Additions Schedule, line 2. If line 18 is less than line 9 and there are amounts on both lines 7 and 8, complete lines A, B, and C below.			
	A	Divide the amount on line 7 by the amount on line 9. Enter the percentage here.	A		
	B	Multiply the amount on line 18 by the percentage on line A. Enter the result here and on Form 2, Montana Additions Schedule, line 1.	B		
	C	Subtract the amount on line B from the amount on line 18. Enter the result here and on Form 2, Montana Additions Schedule, line 2.	C		

Qualified Mortgage Insurance Premiums Deduction

If you have completed the Qualified Mortgage Insurance Premiums Deduction Worksheet for your federal return, you do not need to complete this worksheet. You are allowed the same deduction. If you did not complete the federal worksheet, use this worksheet to calculate the amount you are allowed to deduct.

1	Enter the total premiums you paid in 2019 for qualified mortgage insurance for a contract issued after December 31, 2006	1	
2	Enter your federal adjusted gross income from Form 2, page 1, line 8b	2	
3	Enter $100,000	3	
4	Is the amount on line 2 more than the amount on line 3? No ► Your deduction is not limited. Enter the amount from line 1 above on Form 2, page 7, Itemized Deductions Schedule, line 9. Yes ► Subtract line 3 from line 2. If the result is not a multiple of $1,000, increase it to the next multiple of $1,000. For example, increase $425 to $1,000; increase $2,025 to $3,000. Enter the result here.	4	
5	Divide line 4 by $10,000. Enter the result as a decimal. If the result is 1.0 or more, enter 1.0.	5	
6	Multiply line 1 by line 5 and enter the result here	6	
7	Subtract line 6 from line 1. Enter the result here and on Form 2, page 7, Itemized Deductions Schedule, line 9. **This is your qualified mortgage insurance premiums deduction.**	7	