

1 SENATE BILL NO. 514

2 INTRODUCED BY B. MOLNAR

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR INDIVIDUAL INCOME TAX REFUNDS OF

5 SURPLUS REVENUE; PROVIDING ~~REFUNDABLE~~ NONREFUNDABLE INCOME TAX CREDITS FOR

6 SOCIAL SECURITY, TIER 1 RAILROAD RETIREMENT, AND MILITARY PENSION OR MILITARY

7 RETIREMENT INCOME SUBJECT TO STATE INCOME TAXES IN ~~2021 AND~~ 2022; PROVIDING A

8 ~~REFUNDABLE~~ NONREFUNDABLE INCOME TAX CREDIT FOR INCOME THAT WAS TAXED AT A RATE

9 EXCEEDING 5.9% IN TAX YEAR 2022; PROVIDING A REDUCTION OF CREDITS BASED ON FILING

10 STATUS AND ADJUSTED GROSS INCOME; PROVIDING DEFINITIONS; PROVIDING RULEMAKING

11 AUTHORITY; AMENDING SECTIONS 15-30-2110 AND 15-30-2120, MCA; AND PROVIDING EFFECTIVE

12 DATES, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

13

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

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16 NEW SECTION. Section 1. Surplus revenue income tax credits -- social security and tier 1

17 railroad retirement income -- military pension and retirement income -- rate reduction. (1) For tax year

18 2023, an individual resident taxpayer is allowed credits against the taxes imposed by 15-30-2103 in an amount

19 equal to the total amount of state income taxes paid on:

20 (a) social security benefits or tier 1 railroad retirement benefits received or accrued while a resident

21 of the state in tax ~~years 2021 and year~~ 2022;

22 (b) military pensions or military retirement income received or accrued while a resident of the state

23 in tax ~~years 2021 and year~~ 2022; and

24 (c) taxable income that was taxed at a rate greater than 5.9% while a resident of the state in tax

25 year 2022.

26 (2) For the purpose of subsections (1)(a) and (1)(b), the department shall prepare forms that are

27 filed with the 2023 individual income tax return that provide for a calculation of the amount of tax liabilities a

28 taxpayer would have had in tax ~~years 2021 and year~~ 2022 if social security or tier 1 railroad retirement income

1 and military pension or military retirement income were exempt from income tax in tax ~~years 2021 and year~~
 2 2022. ~~The Subject to subsection (4),~~ credit amount is equal to the amount of tax liability reported on the ~~2021~~
 3 ~~and 2022 returns return~~ minus the tax liability as recalculated pursuant to this subsection. The recalculated tax
 4 amount must provide for a reduction in tax rates pursuant to subsection (3). ~~If the recalculated tax liability is~~
 5 ~~less than zero, the credit must also include the amount of the refund that would have been issued.~~

6 (3) For the purpose of subsection (1)(c), the department shall prepare a form that is filed with the
 7 2023 individual income tax return that provides for a calculation of the amount of tax liabilities a taxpayer would
 8 have had in tax year 2022 if the rate of tax in 15-30-2103(1)(f) and (1)(g) was 5.9%. The credit amount is equal
 9 to the amount of tax liability reported on the 2022 return minus the tax liability as recalculated pursuant to this
 10 subsection. The recalculated tax amount must provide for a reduction in tax liability pursuant to subsection (2).
 11 ~~If the recalculated tax liability is less than zero, the credit must also include the amount of the refund that would~~
 12 ~~have been issued.~~

13 (4) (a) ~~The combined credits in subsection (2) for married individuals filing a joint return when both~~
 14 ~~spouses receive taxable benefits, military pension, or military retirement income are reduced at a rate of \$50 for~~
 15 ~~each \$1,000 of federal adjusted gross income on the joint return in excess of \$65,000.~~

16 (b) ~~The credits provided for in subsection (2) are reduced at a rate of \$25 for each \$1,000 of the~~
 17 ~~taxpayer's federal adjusted gross income in excess of:~~

18 (i) ~~\$65,000 for every married individual who files a joint return when only one spouse has taxable~~
 19 ~~benefits, military pension, or military retirement income and for every surviving spouse;~~

20 (ii) ~~\$55,000 for every head of household; and~~

21 (iii) ~~\$45,000 for every individual other than a surviving spouse or head of household who is not a~~
 22 ~~married individual.~~

23 (4)(5) The credits provided by this section may ~~be claimed even though the taxpayer has no income~~
 24 ~~taxable under this chapter not exceed the taxpayer's tax liability and may not be carried forward or carried back.~~

25 (5)(6) The department may adopt rules, prepare forms, and maintain records that are necessary to
 26 implement the credits provided by this section.

27 (6)(7) The tax credits received pursuant to this section are exempt from state income taxes.

28 (7)(8) For the purposes of this section, "military pension or military retirement income" means money

1 that is received by a retired member of:

- 2 (a) the armed forces of the United States, as defined in 10 U.S.C. 101;
- 3 (b) the Montana army national guard or the army national guard of other states;
- 4 (c) the Montana air national guard or the air national guard of other states; or
- 5 (d) a reserve component, as defined in 38 U.S.C. 101, of the United States armed forces; and
- 6 (e) all income received as survivor benefits for military service provided for in subsections

7 ~~(7)(a)(8)(a)~~ through ~~(7)(e)(8)(d)~~.

8

9 **Section 2.** Section 15-30-2110, MCA, is amended to read:

10 **"15-30-2110. (Temporary) Adjusted gross income.** (1) Subject to subsection (15), adjusted gross
11 income is the taxpayer's federal adjusted gross income as defined in section 62 of the Internal Revenue Code,
12 26 U.S.C. 62, and in addition includes the following:

- 13 (a) (i) interest received on obligations of another state or territory or county, municipality, district, or
14 other political subdivision of another state, except to the extent that the interest is exempt from taxation by
15 Montana under federal law;
- 16 (ii) exempt-interest dividends as defined in section 852(b)(5) of the Internal Revenue Code, 26
17 U.S.C. 852(b)(5), that are attributable to the interest referred to in subsection (1)(a)(i);
- 18 (b) refunds received of federal income tax, to the extent that the deduction of the tax resulted in a
19 reduction of Montana income tax liability as determined under subsection (16);
- 20 (c) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal
21 Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the
22 income;
- 23 (d) depreciation or amortization taken on a title plant as defined in 33-25-105;
- 24 (e) the recovery during the tax year of an amount deducted in any prior tax year to the extent that
25 the amount recovered reduced the taxpayer's Montana income tax in the year deducted;
- 26 (f) if the state taxable distribution of an estate or trust is greater than the federal taxable
27 distribution of the same estate or trust, the difference between the state taxable distribution and the federal
28 taxable distribution of the same estate or trust for the same tax period; and