SENATE BILL NO. 203

INTRODUCED BY M. YAKAWICH, B. BEARD, K. BOGNER, L. BREWSTER, B. CARTER, M. DUNWELL, S. ESSMANN, D. FERN, P. FIELDER, P. FLOWERS, W. GALT, C. GLIMM, D. HAYMAN, G. HERTZ, J. KASSMIER, D. LENZ, B. LER, W. MCKAMEY, T. MCGILLVRAY, R. MINER, M. ROMANO, M. REGIER, D. ZOLNIKOV, C. SCHOMER, K. SULLIVAN, M. THANE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING INCOME TAX BRACKETS TO LOWER INCOME TAXES; INCREASING THE AMOUNT OF MONTANA TAXABLE INCOME BEFORE APPLICATION OF A HIGHER RATE OF TAX; AMENDING SECTION 15-30-2103, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

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

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

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

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

(i) on the first ~~$41,000~~ $200,000 of Montana taxable income or any part of that income, 4.7%;

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

(b) for every head of household:

(i) on the first ~~$30,750~~ $150,000 of Montana taxable income or any part of that income, 4.7%;

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

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

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

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

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

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

(ii) on any Montana taxable income in excess of ~~$20,500~~ $100,000 or any part of that income, 5.9%.

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

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

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

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

(b) for every head of household:

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

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

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

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

(ii) on any net long-term capital gains that exceed ~~$20,500~~ $100,000 less nonqualified taxable

income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~$20,500~~ $100,000 or greater, all of the net long-term capital gains are taxed at 4.1%;

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

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

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

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

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

(a) "Modified inflation factor" has the same meaning as inflation factor in 15-30-2101, except that the consumer price index for June 2024 is substituted for the consumer price index for June 2023.

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

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

NEW SECTION. **Section 2. Transition.** The modified inflation factor provided for in 15-30-2103(3) does not apply until tax year 2026.

NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

NEW SECTION. **Section 4. Retroactive applicability.** [This act] applies retroactively, within the meaning of 1-2-109, to income tax years beginning after December 31, 2024.

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