_____________ BILL NO. _____________

INTRODUCED BY ____

A BILL FOR AN ACT ENTITLED: “AN ACT REDUCING INCOME TAX RATES FOR INCOME FROM MANUFACTURING IN MONTANA; AMENDING SECTIONS 15-30-2103 AND 15-31-121, MCA; AND PROVIDING AN 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)~~ through (4), 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 of Montana taxable income or any part of that income, 4.7%;

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

(b) for every head of household:

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

(ii) on any Montana taxable income in excess of $30,750 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 of Montana taxable income or any part of that income, 4.7%;

(ii) on any Montana taxable income in excess of $20,500 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 of Montana taxable income or any part of that income, 4.7%;

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

(2) Except as provided in 15-30-3704 and subsection ~~(3)~~ (4) 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 less nonqualified taxable income of net long-term capital gains, 3.0%;

(ii) on net long-term capital gains that exceed $41,000 less nonqualified taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is $41,000 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 less nonqualified taxable income of net long-term capital gains, 3.0%;

(ii) on any net long-term capital gains that exceed $30,750 less nonqualified taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is $30,750 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 less nonqualified taxable income of net long-term capital gains, 3.0%;

(ii) on any net long-term capital gains that exceed $20,500 less nonqualified taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is $20,500 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 less nonqualified taxable income of net long-term capital gains, 3.0%;

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

(3) That portion of a taxpayer's Montana taxable income that consists of net income from manufacturing in Montana after accounting for amounts included in taxable income that are not net income from manufacturing in Montana is subject to a tax on the brackets of net income from manufacturing in Montana as

follows:

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

(i) on the first $41,000 of net income from manufacturing in Montana less net income that is not from manufacturing in Montana, 2.7%;

(ii) on net income from manufacturing in Montana that exceeds $41,000 less net income that is not from manufacturing in Montana or any part of that income, 3.9%;

(b) for every head of household:

(i) on the first $30,750 of net income from manufacturing in Montana less net income that is not from manufacturing in Montana, 2.7%;

(ii) on net income from manufacturing in Montana that exceeds $30,750 less net income that is not from manufacturing in Montana or any part of that income, 3.9%;

(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 of net income from manufacturing in Montana less net income that is not from manufacturing in Montana, 2.7%;

(ii) on net income from manufacturing in Montana that exceeds $20,500 less net income that is not from manufacturing in Montana or any part of that income, 3.9%;

(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 of net income from manufacturing in Montana less net income that is not from manufacturing in Montana, 2.7%;

(ii) on net income from manufacturing in Montana that exceeds $20,500 less net income that is not from manufacturing in Montana or any part of that income, 3.9%.

~~(3)~~(4) By November 1 of each year, the department shall multiply the bracket amounts contained in subsections (1) ~~and (2)~~ through (3) by the 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)~~ through (3).

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

(a) "Manufacturing" means:

(i) the mechanical, physical, or chemical transformation of materials, substances, or components into new products; or

(ii) the assembling of component parts of manufactured products for purposes other than construction.

(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."

Section 2. Section 15-31-121, MCA, is amended to read:

"**15-31-121. Rate of tax -- minimum tax -- distribution of revenue.** (1) Except as provided in ~~subsection~~ subsections (2) and (3), the percentage of net income to be paid under 15-31-101 is ~~6 3/4%~~ 6.75% of all net income for the tax period.

(2) For a taxpayer making a water's-edge election, the percentage of net income to be paid under 15-31-101 is 7% of all taxable net income for the tax period.

(3) The percentage of net income from manufacturing in Montana to be paid under 15-31-101 is 5.75% of all net income from manufacturing in Montana for the tax period.

~~(3)~~(4) Each corporation subject to taxation under this part shall pay a minimum tax of not less than $50.

(5) For the purposes of this section, "manufacturing" means:

(a) the mechanical, physical, or chemical transformation of materials, substances, or components into new products; or

(b) the assembling of component parts of manufactured products for purposes other than construction."

NEW SECTION. **Section 3. Applicability.** [This act] applies to income tax years beginning after December 31, 2025.

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