

HOUSE BILL NO. 337

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

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

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

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

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

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

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

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

(b) for every head of household:

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

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

(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~~ ~~\$70,000~~ \$47,500 less nonqualified taxable income of net long-term capital gains, 3.0%;

(ii) on any net long-term capital gains that exceed ~~\$20,500~~ ~~\$70,000~~ \$47,500 less nonqualified taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~ ~~\$70,000~~ \$47,500 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~~ ~~\$70,000~~ \$47,500 less nonqualified taxable income of net long-term capital gains, 3.0%;

(ii) on any net long-term capital gains that exceed ~~\$20,500~~ ~~\$70,000~~ \$47,500 less nonqualified taxable income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~ ~~\$70,000~~ \$47,500 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 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)~~(3) For the purposes of this section, the following definitions apply:

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

Section 2. 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:

Amendment - 1st Reading/2nd House-blue - Requested by: Greg Hertz - (S) Taxation

- 2025

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Drafter: Jaret Coles,

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- 1 (a) for every married individual who files a joint return and for every surviving spouse:
- 2 (i) on the first ~~\$41,000~~ ~~\$200,000~~ \$130,000 of Montana taxable income or any part of that income,
- 3 4.7%;
- 4 (ii) on any Montana taxable income in excess of ~~\$41,000~~ ~~\$200,000~~ \$130,000 or any part of that
- 5 income, ~~5.9%~~:
- 6 (A) 5.4% for tax years beginning after December 31, 2026, unless a rate reduction occurs under
- 7 the provisions of subsection (1)(a)(ii)(B);
- 8 (B) 5.05% for the first tax year after December 31, 2027, when state revenue and reserves are
- 9 sufficient as provided in subsection (4), or 5.4% if state revenue and reserves are not sufficient;
- 10 (C) 5.05% for any subsequent tax year after the rate reduction in subsection (1)(a)(ii)(B), unless a
- 11 rate reduction occurs under the provisions of subsection (1)(a)(ii)(D);
- 12 (D) 4.7% for all tax years beginning after the tax year of the rate reduction to 5.05%, if state
- 13 revenue and reserves are sufficient as provided in subsection (4);
- 14 (b) for every head of household:
- 15 (i) on the first ~~\$30,750~~ ~~\$150,000~~ \$97,500 of Montana taxable income or any part of that income,
- 16 4.7%;
- 17 (ii) on any Montana taxable income in excess of ~~\$30,750~~ ~~\$150,000~~ \$97,500 or any part of that
- 18 income, ~~5.9%~~:
- 19 (A) 5.4% for tax years beginning after December 31, 2026, unless a rate reduction occurs under
- 20 the provisions of subsection (1)(b)(ii)(B);
- 21 (B) 5.05% for the first tax year after December 31, 2027, when state revenue and reserves are
- 22 sufficient as provided in subsection (4), or 5.4% if state revenue and reserves are not sufficient;
- 23 (C) 5.05% for any subsequent tax year after the rate reduction in subsection (1)(b)(ii)(B), unless a
- 24 rate reduction occurs under the provisions of subsection (1)(b)(ii)(D);
- 25 (D) 4.7% for all tax years beginning after the tax year of the rate reduction to 5.05%, if state
- 26 revenue and reserves are sufficient as provided in subsection (4);
- 27 (c) for every individual other than a surviving spouse or head of household who is not a married
- 28 individual:

(i) on the first ~~\$20,500~~ ~~\$100,000~~ \$65,000 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~~ \$65,000 or any part of that
income, ~~5.9%~~;

(A) 5.4% for tax years beginning after December 31, 2026, unless a rate reduction occurs under
the provisions of subsection (1)(c)(ii)(B);

(B) 5.05% for the first tax year after December 31, 2027, when state revenue and reserves are
sufficient as provided in subsection (4), or 5.4% if state revenue and reserves are not sufficient;

(C) 5.05% for any subsequent tax year after the rate reduction in subsection (1)(c)(ii)(B), unless a
rate reduction occurs under the provisions of subsection (1)(c)(ii)(D);

(D) 4.7% for all tax years beginning after the tax year of the rate reduction to 5.05%, if state
revenue and reserves are sufficient as provided in subsection (4);

(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~~ \$65,000 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~~ \$65,000 or any part of that
income, ~~5.9%~~;

(A) 5.4% for tax years beginning after December 31, 2026, unless a rate reduction occurs under
the provisions of subsection (1)(d)(ii)(B);

(B) 5.05% for the first tax year after December 31, 2027, when state revenue and reserves are
sufficient as provided in subsection (4), or 5.4% if state revenue and reserves are not sufficient;

(C) 5.05% for any subsequent tax year after the rate reduction in subsection (1)(d)(ii)(B), unless a
rate reduction occurs under the provisions of subsection (1)(d)(ii)(D);

(D) 4.7% for all tax years beginning after the tax year of the rate reduction to 5.05%, if state
revenue and reserves are sufficient as provided in subsection (4).

(2) Except as provided in 15-30-3704 and ~~subsection (3) of this section~~ 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~~ \$130,000 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~~ \$130,000 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~~ \$130,000 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~~ \$97,500 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~~ \$97,500 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~~ \$97,500 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~~ \$65,000 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~~ \$65,000 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~~ \$65,000 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~~ \$65,000 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~~ \$65,000 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~~ \$65,000 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) (a) The reduced rate of tax provided for in subsections (1)(a)(ii)(B), (1)(a)(ii)(D), (1)(b)(ii)(B), (1)(b)(ii)(D), (1)(c)(ii)(B), (1)(c)(ii)(D), (1)(d)(ii)(B), and (1)(d)(ii)(D), is not applicable unless:

(i) the balance in the budget stabilization reserve fund provided for in 17-7-130 was at least 16% of all general fund appropriations in the second year of the biennium pursuant to 17-7-130(5); and

(ii) the general fund revenue collections from the individual income tax provided for in Title 15, chapter 30, for the two most recently completed fiscal years averages at least 10% greater than the general fund revenue collections from the individual income tax provided for in Title 15, chapter 30, for the third most recently completed fiscal year.

(b) Starting in 2027, by September 15 of each year the budget director shall certify to the state treasurer, the legislative fiscal analyst, and the department regarding whether the conditions of subsection (4)(a)(i) and (4)(a)(ii) were satisfied for the most recently completed fiscal year. If the budget director certifies that both conditions are satisfied, the reduced rate of tax is in effect for the following calendar year.

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

(a) "Modified inflation factor" has the same meaning as "inflation factor" as defined in 15-30-2101, except that the consumer price index for June 2027 2026 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."

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

"15-30-2318. Earned income tax credit. (1) Except as provided in subsection (3), a resident taxpayer is allowed as a credit against the tax imposed by 15-30-2103 a percentage of the credit allowed for the