

SENATE BILL NO. 546

INTRODUCED BY D. FERN, P. FLOWERS

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE CALCULATION OF INCOME TAX LIABILITIES FOR CERTAIN TAXPAYERS; ESTABLISHING AN INCOME-BASED TAX CREDIT SUBJECT TO A COMPLETE PHASEOUT WHEN INCOME INCREASES; PROVIDING DEFINITIONS; AMENDING SECTION 15-30-2303, MCA; AND PROVIDING A DELAYED EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

NEW SECTION. Section 1. Income-based tax credit -- reduction percentage. (1) A qualified taxpayer is allowed a ~~fixed, one-time~~ credit calculated pursuant to this section ~~that is multiplied by a~~ against a ~~qualified~~ taxpayer's Montana taxable income and based on filing status.

(2) The credit amount is equal to 4.7% of ~~Montana taxable income for taxpayers with less than:~~

(a) the first \$2,000 of Montana taxable income on a joint income tax return and for every surviving spouse;

(b) the first \$1,500 of Montana taxable income on a head of household income tax return;

(c) the first \$1,000 of Montana taxable income on an individual income tax return other than a surviving spouse or head of household who is not a married individual; and

(d) the first \$1,000 of Montana taxable income for every income tax return of a married individual who does not make a joint return.

(3) The total credit amount available of 4.7% is reduced by 0.094% of credit for every additional:

(a) \$2,000 of Montana taxable income on a return provided for in subsection (2)(a);

(b) \$1,500 of Montana taxable income on a return provided for in subsection (2)(b);

(c) \$1,000 of Montana taxable income on a return provided for in subsection (2)(c); and

(d) \$1,000 of Montana taxable income on a return provided for in subsection (2)(d).

(4) ~~The credit is not available for each increment of Montana taxable income during the phaseout provided for in subsection (3).~~ (a) To calculate the credit, the taxpayer's Montana taxable income must be used

1 to determine if the rate provided in subsection (2) or the phaseout rate applicable to the taxpayer's total
2 Montana taxable income in subsection (3) applies. If the taxpayer's Montana taxable income:
3 (i) is less than the limits in subsection (2), the rate provided in subsection (2) must be multiplied by
4 the taxpayer's total Montana taxable income; or
5 (ii) is greater than the limits provided in subsection (2), the phaseout rate determined under
6 subsection (3) applicable to the taxpayer's total Montana taxable income must be multiplied by the taxpayer's
7 total Montana taxable income to determine the amount of the credit.

8 (b) There is no credit if Montana taxable income exceeds the applicable phaseout amount.

9 (c) The credit amount may not exceed the taxpayer's income tax liability and may not be carried
10 forward or carried back.

11 (d) The department shall publish the amount of credit available based on Montana taxable income.

12 (5) As used in this section, the following definitions apply:

13 ~~(a) "Nonqualified taxable income" has the same meaning as provided in 15-30-2103.~~

14 ~~(b)~~(a) (i) "Qualified taxpayer" means an individual who files a Montana individual income tax return.

15 (ii) The term does not include:

16 (A) an individual who was claimed as a dependent by another taxpayer for federal or Montana
17 income tax purposes for the year of the credit; or

18 (B) a trust.

19 ~~(e)~~(b) "Total credit amount" means a fixed single credit amount of one calculated rate that is phased
20 downward as income increases and that is based on total Montana taxable income.

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22 **Section 2.** Section 15-30-2303, MCA, is amended to read:

23 **"15-30-2303. Tax credits subject to review by interim committee.** (1) The following tax credits
24 must be reviewed during the biennium commencing July 1, 2021, and during each biennium commencing 8
25 years thereafter:

26 (a) the credit for donations to innovative educational programs provided for in 15-30-2334, 15-30-
27 3110, and 15-31-158;

28 (b) the credit for donations to a student scholarship organization provided for in 15-30-2335, 15-