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SENATE BILL NO. 121

INTRODUCED BY B. BEARD, L. JONES, G. HERTZ, D. ZOLNIKOV, W. MCKAMEY, J. TREBAS, J. ELLSWORTH, R. KNUDSEN, J. KASSMIER, B. MITCHELL, S. KERNS, Z. WIRTH

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING INDIVIDUAL INCOME TAX LAWS; REDUCING ~~THE TOP MARGINAL~~ INDIVIDUAL INCOME TAX ~~RATE RATES~~; INCREASING THE EARNED INCOME TAX CREDIT; AMENDING SECTIONS 15-30-2103 AND 15-30-2318, MCA; AND PROVIDING EFFECTIVE DATES AND 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. (Temporary) Rate of tax. (1) Except as provided in 15-30-3704 there must be levied, collected, and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income as follows:

- (a) on the first \$2,900 of taxable income or any part of that income, 1%;
- (b) on the next \$2,200 of taxable income or any part of that income, 2%;
- (c) on the next \$2,700 of taxable income or any part of that income, 3%;
- (d) on the next \$2,700 of taxable income or any part of that income, 4%;
- (e) on the next \$3,000 of taxable income or any part of that income, 5%;
- (f) on the next \$3,900 of taxable income or any part of that income, 6%;
- (g) on any taxable income in excess of \$17,400 or any part of that income, [6.75%].

(2) By November 1 of each year, the department shall multiply the bracket amount contained in subsection (1) 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 subsection (1) of this section. (Bracketed language is temporarily amended to "6.9%" on occurrence of contingency for income tax years 2022 and 2023 until December 31, 2023--secs. 8, 10, Ch. 488,

1 L. 2021--see compiler's comment.)

2 **15-30-2103. (Effective January 1, 2024) Rate of tax.** (1) Except as provided in 15-30-3704 and
3 subsection (2) of this section, there must be levied, collected, and paid for each tax year upon the Montana
4 taxable income of each taxpayer subject to this chapter a tax on the brackets of taxable income as follows:

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

6 (i) on the first \$41,000 of Montana taxable income or any part of that income, ~~4.7%~~ 3.6%;

7 (ii) on any Montana taxable income in excess of \$41,000 or any part of that income, ~~6.5%~~ 5.9%;

8 (b) for every head of household:

9 (i) on the first \$30,750 of Montana taxable income or any part of that income, ~~4.7%~~ 3.6%;

10 (ii) on any Montana taxable income in excess of \$30,750 or any part of that income, ~~6.5%~~ 5.9%;

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

13 (i) on the first \$20,500 of Montana taxable income or any part of that income, ~~4.7%~~ 3.6%;

14 (ii) on any Montana taxable income in excess of \$20,500 or any part of that income, ~~6.5%~~ 5.9%;

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

17 (i) on the first \$20,500 of Montana taxable income or any part of that income, ~~4.7%~~ 3.6%;

18 (ii) on any Montana taxable income in excess of \$20,500 or any part of that income, ~~6.5%~~ 5.9%.

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

23

24 **Section 2.** Section 15-30-2318, MCA, is amended to read:

25 **"15-30-2318. Earned income tax credit.** (1) Except as provided in subsection (3), a resident
26 taxpayer is allowed as a credit against the tax imposed by 15-30-2103 a percentage of the credit allowed for the
27 federal earned income credit for which the individual taxpayer is eligible for the tax year under section 32 of the
28 Internal Revenue Code, 26 U.S.C. 32.