

Tax Benefits for Veterans

REVENUE INTERIM COMMITTEE
MEGAN MOORE – NOVEMBER 2025

VETERANS ELIGIBLE FOR INCOME, PROPERTY TAX BENEFITS

Article II, Section 35 of the Montana Constitution allows the Legislature to establish “special considerations” for veterans. Income tax and property tax provisions both include such special considerations.

INCOME TAX: VETERAN PENSION, APPRENTICESHIP BENEFITS

Two income tax provisions may benefit veterans: a partial exemption for military pension or retirement income and an increased credit for an employer that employs a registered veteran apprentice.

Section 35. Servicemen, servicewomen, and veterans. The people declare that Montana servicemen, servicewomen, and veterans may be given special considerations determined by the legislature.

MILITARY RETIREMENT INCOME EXEMPTION PROVIDES \$25.5 MILLION BENEFIT

The 2023 Legislature enacted section [15-30-2120\(3\)\(n\)](#), to exempt military retirement income of a retired member of:

- the U.S. armed forces;
- the Montana army national guard or the army national guard of another state;
- the Montana air national guard or the air national guard of another state; or
- a reserve component of the U.S. armed forces.¹

A person who was a resident before receiving the military pension or retirement income or who became a resident on or after June 30, 2023, is eligible for a partial exemption for up to 5 consecutive years. The exemption is equal to the lesser of Montana source wage income or 50% of the military pension or retirement income.

The partial exemption first became available in tax year 2024. In tax year 2024, the military pension and retirement income exemption resulted in a loss of revenue of \$25.5 million. Residents claimed the bulk of the benefit: 1,711 residents received a reduction of nearly \$24.8 million.²

USE OF EXEMPTION FOR MILITARY PENSION OR RETIREMENT INCOME, 2024

| Residents | Nonresidents | Part-Year Residents | Total |
|-----------|--------------|---------------------|----------|
| 1,711 | \$24,754,179 | * | \$49,210 |

*Not disclosed due to confidentiality concerns.

¹ A person receiving survivor benefits for an eligible military retiree and who meets the residency requirement may also receive the exemption.

² Department of Revenue data. Aaron McNay, email message to Megan Moore, November 3, 2025.

When enacted in 2023, the exemption terminated December 31, 2033, but the 2025 Legislature removed the termination date in [Senate Bill 93](#).

CREDIT MAY BOOST EMPLOYMENT OF VETERAN APPRENTICES

An employer who employs a registered apprentice is eligible for a credit against the individual income tax or corporate income tax. The credit amount is \$1,500 for an apprentice who is a veteran, double the amount for a non-veteran apprentice. This higher tax credit for veterans may incentivize employers to hire veteran apprentices.

The apprenticeship tax credit, provided for in [15-30-2357](#), [15-31-173](#), and [39-6-109](#), is available to the employer upon application and approval by the Department of Labor and Industry. A qualifying apprentice must have completed the training program's probationary period or been employed for 6 months, whichever is less. The credit may be claimed for up to 5 years for each apprentice.

The following table shows the number of credits *approved* each year for veteran apprentices and the total number and dollar amount of actual credits *claimed* for all apprentices, not just veterans. Employers approved for the credit do not always claim the credit or may not claim the full amount. The credit may not be refunded and may not be carried to another tax year so the employer must pay \$1,500 in taxes to claim the full credit for a veteran apprentice.

VETERAN APPRENTICESHIP CREDITS APPROVED AND APPRENTICESHIP CREDITS CLAIMED, 2018-2024

| Tax Year | Veteran Apprenticeship Credits Approved ³ | Total Apprenticeship Credits Claimed ⁴ | Veteran Credits Approved as a Share of Total Credits Claimed |
|----------|--|---|--|
| | Number | Number | Number |
| 2018 | 33 | >133 | \$159,544 25% |
| 2019 | 76 | >233 | \$302,439 33% |
| 2020 | 93 | >310 | \$427,638 30% |
| 2021 | 115 | >351 | \$539,583 33% |
| 2022 | 141 | >415 | \$684,606 34% |
| 2023 | 188 | >456 | \$774,079 41% |
| 2024 | 182 | >348 ⁵ | \$531,869 or more 52% |

*Not disclosed due to confidentiality concerns.

³ Department of Labor and Industry data. Nick Holom, email message to Megan Moore, November 7, 2025.

⁴ Department of Revenue data. Aaron McNay, email message to Megan Moore, November 3, 2025.

⁵ Corporate income tax credit data not yet available for 2024. Data only reflects individual income tax credits.

SEVERAL PROPERTY EXEMPTIONS AVAILABLE FOR VETERANS

Property tax laws include exemptions for a primary residence of a disabled veteran, veterans' clubhouses, and property of an incompetent veteran held by a guardian.

NEARLY \$7M IN BENEFITS FOR DISABLED VETERANS' PRIMARY RESIDENCES

Certain disabled veterans and their surviving spouses who own a primary residence are eligible for a property tax exemption. To qualify for the disabled veteran exemption, provided for in [15-6-311](#), a taxpayer must:

- be rated 100% disabled or be paid at the 100% disabled rate or be the unmarried surviving spouse of a qualified disabled veteran or of a veteran who was killed while on active duty; and
- own and occupy a primary residence for at least 7 months of the year.

Once approved for the exemption, the taxpayer remains eligible subject to annual verification by the Department of Revenue.

The exemption is based on federal adjusted gross income excluding capital and income losses. The income limits for tax year 2026 and the exemption amounts are shown in the table below.⁶ There is a similar property tax assistance program for the owners of primary residences who are not disabled veterans, but the disabled veterans program offers larger exemptions, higher income limits, and does not limit the value of the primary residence.

2026 INCOME LIMITS AND EXEMPTION AMOUNTS FOR DISABLED VETERAN PROGRAM

| Income | | | Exemption |
|----------------------|---------------------------|----------------------|-----------|
| Single | Married/Head of Household | Surviving Spouse | |
| \$0 to \$48,152 | \$0 to \$57,781 | \$0 to \$40,127 | 100% |
| \$48,153 to \$52,968 | \$57,782 to \$62,598 | \$40,128 to \$44,942 | 80% |
| \$52,969 to \$57,781 | \$62,599 to \$67,412 | \$44,943 to \$49,758 | 70% |
| \$57,782 to \$62,598 | \$67,413 to \$72,229 | \$49,759 to \$54,573 | 50% |

Preliminary data from the Department of Revenue shows 3,612 disabled veterans and surviving spouses received an average tax benefit of \$1,913 in 2025. The total value of the benefit to participants was \$6.9 million, which includes a loss in state revenue of \$1.2 million and shifts to other taxpayers of \$5.7 million.

⁶ Department of Revenue. 2025. "Montana Disabled Veteran Assistance Program (MDV)." Effective November 4. <https://revenue.mt.gov/property/property-tax-help/MDV>.

The benefit amount generally increases over time as both the number of participants and residential property values increase. While the number of claimants increased from 2024 to 2025, the average benefit, state revenue loss, and tax shifts decreased because of reductions in residential property values resulting from tax rate revisions in [House Bill 231](#) and [Senate Bill 542](#).

MONTANA DISABLED VETERAN PROGRAM USAGE, 2015 TO 2025⁷

| Tax Year | Participants | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Tax Benefit to Participants | Average Tax Benefit |
|----------|--------------|----------------------------|-----------------------|-------------|-----------------------------------|---------------------|
| 2015 | 2,103 | \$4,916,616 | \$499,854 | \$2,495,371 | \$2,995,225 | \$1,424 |
| 2016 | 2,383 | \$5,324,319 | \$541,332 | \$2,764,896 | \$3,306,227 | \$1,387 |
| 2017 | 2,427 | \$5,920,080 | \$601,769 | \$3,176,103 | \$3,777,872 | \$1,557 |
| 2018 | 2,567 | \$6,370,030 | \$647,417 | \$3,528,561 | \$4,175,978 | \$1,627 |
| 2019 | 2,660 | \$7,266,634 | \$738,592 | \$3,937,860 | \$4,676,452 | \$1,758 |
| 2020 | 2,824 | \$7,944,119 | \$807,196 | \$4,315,708 | \$5,122,904 | \$1,814 |
| 2021 | 2,960 | \$9,361,039 | \$950,985 | \$4,778,511 | \$5,729,496 | \$1,936 |
| 2022 | 3,028 | \$9,573,247 | \$972,630 | \$4,970,760 | \$5,943,390 | \$1,963 |
| 2023 | 3,243 | \$14,177,406 | \$1,440,173 | \$6,137,639 | \$7,577,813 | \$2,337 |
| 2024 | 3,455 | \$15,139,389 | \$1,538,225 | \$6,529,965 | \$8,068,190 | \$2,335 |
| 2025 | 3,612 | \$11,907,559 | \$1,209,452 | \$5,701,706 | \$6,911,158 | \$1,913 |

VETERANS' CLUBHOUSE, BUILDING, LAND EXEMPT FROM TAXATION

Under [15-6-203](#), a society of honorably discharged military personal organized for educational, fraternal, benevolent, or purely public charitable purposes may receive an exemption for a clubhouse, building, or land owned, rented, or leased by the organization.

The exemption includes personal property used within the building. If there is a business operated on the property, it must be open to the public.

In 2024, there were 98 approved exemptions for veterans' clubhouses, buildings, or land. The exemption resulted in a loss of state revenue of about \$64,000 and tax shifts of \$315,650 for a total benefit to the organizations of about \$380,000.

⁷ Department of Revenue data. 2025 data is preliminary. Dylan Cole, email message to Megan Moore, October 30, 2025.

ESTIMATED VALUE OF VETERANS' CLUBHOUSE EXEMPTION, 2024⁸

| Properties | Exempted Market Value | Reduction in Taxable Value | Loss in State Revenue | Tax Shifts | Total Benefit |
|------------|-----------------------|----------------------------|-----------------------|------------|---------------|
| 98 | \$34,637,666 | \$631,193 | \$64,010 | \$315,650 | \$379,659 |

EXEMPTION FOR PROPERTY OF INCOMPETENT VETERAN NOT USED

Section [15-6-203](#) also includes an exemption for certain real or personal property of an incompetent veteran of U.S. military service held by a legal guardian or minor dependent of the incompetent veteran. The property must be funds or derived from funds received from the government as a pension, compensation, or insurance.

If the property passes from the legal guardian to the veteran or the minor dependent after removal of legal disability, the property is no longer exempt.

This exemption dates to 1891 and does not appear to be used.⁹

⁸ Montana Department of Revenue, *Biennial Report: July 1, 2022 – June 30, 2024*, 388, <https://revenue.mt.gov/files/DOR-Publications/Biennial-Reports/July-1-2022-June-30-2024-Biennial-Report/Biennial-Report-7-1-2022-6-30-2024-Tax-Expenditures.pdf>.

⁹ Montana Department of Revenue, *Biennial Report: July 1, 2022 – June 30, 2024*, 386, <https://revenue.mt.gov/files/DOR-Publications/Biennial-Reports/July-1-2022-June-30-2024-Biennial-Report/Biennial-Report-7-1-2022-6-30-2024-Tax-Expenditures.pdf>.