



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

**Director**  
AMY CARLSON

DATE: February 25, 2026  
TO: Modernization and Risk Assessment Committee  
FROM: Sam Schaefer  
RE: A History of Recent Individual Income Tax Changes in Montana

In recent legislative sessions, Montana’s individual income tax structure has undergone many changes. While this document is not an exhaustive list of every change that has been made to Montana’s individual income tax code, it contains those with material fiscal impacts to the state’s general fund from the last five legislative sessions.

On January 1, 2027, [HB 337](#) from the 2025 Session will be fully implemented. Under the full implementation of HB 337, there will be two tax rates, 4.7% and 5.4%, and the brackets change depending on filing status. Tables 1 and 2 below illustrate the rate tables for single and joint tax filers. Income thresholds are based upon Montana Taxable Income (MTI).

More Than	Less Than	Tax Rate
\$0	\$65,000	4.7%
\$65,000		5.4%

*Table 1: TY 2027 rate table for single filer.*

More Than	Less Than	Tax Rate
\$0	\$130,000	4.7%
\$130,000		5.4%

*Table 2: TY 2027 rate table for joint filer.*

These tables are noticeably different than the tables from a decade prior, when there were seven tax rates as opposed to two. Furthermore, the brackets did not change from one filing status to another. The TY 2017 individual income tax rate tables are shown below in Table 3.

More Than	Less Than	Tax Rate
\$0	\$2,900	1.0%
\$2,900	\$5,200	2.0%
\$5,200	\$7,900	3.0%
\$1,900	\$10,600	4.0%
\$10,600	\$13,600	5.0%
\$13,600	\$17,600	6.0%
\$17,600		6.9%

*Table 3: TY 2017 rate table. The brackets were the same for single and married filers.*

**Legislative History to Arrive at Current Structure**

The following pieces of legislation passed over the last five legislative sessions have changed individual taxes and impacted general fund revenues. The estimated fiscal impact for each piece of legislation below is based on TY 2024 individual income tax return data. As a result, estimated impacts may differ from the fiscal note estimates, which were created on forecasted tax return data, and in some cases many years ago.

[HB 391](#) (2017 Session): HB 391 created a state Earned Income Tax Credit (EITC) equal to 3% of the federal credit. Based on TY 2024 return data, this reduced individual income tax collections by \$4.2 million annually.

[SB 159](#) (2021 Session): SB 159 reduced the top individual income tax rate from 6.9% to 6.75%. Based on TY 2024 return data, this reduced individual income tax collections by \$44.0 million annually.

More Than	Less Than	Tax Rate
\$0	\$3,300	1.0%
\$3,300	\$5,800	2.0%
\$5,800	\$8,900	3.0%
\$8,900	\$12,000	4.0%
\$12,000	\$15,400	5.0%
\$15,400	\$19,800	6.0%
\$19,800		<del>6.9%</del> → 6.75%

[SB 399](#) (2021 Session): SB 399 changed Montana’s income tax so MTI is based on Federal Taxable Income (FTI). It also reduced the number of tax rates from seven to two, creating a bottom rate of 4.7% and a top rate of 6.5%, scheduled to begin in TY 2024. It was estimated that SB 399 would reduce individual income tax collections by approximately \$30 million per year.

More Than	Less Than	Tax Rate		More Than	Less Than	Tax Rate	
<del>\$0</del>	<del>\$3,600</del>	<del>1.0%</del>	→				
<del>\$3,600</del>	<del>\$6,300</del>	<del>2.0%</del>					
<del>\$6,300</del>	<del>\$9,700</del>	<del>3.0%</del>					
<del>\$9,700</del>	<del>\$13,000</del>	<del>4.0%</del>					
<del>\$13,000</del>	<del>\$16,800</del>	<del>5.0%</del>			\$0	\$41,000	4.7%
<del>\$16,800</del>	<del>\$21,600</del>	<del>6.0%</del>			\$41,000		6.5%
<del>\$21,600</del>		<del>6.75%</del>					

[SB 121](#) (2023 Session): SB 121 reduced the top rate from a scheduled 6.5% to 5.9% at the beginning of TY 2024. It also increased the EITC to 10% of the federal credit. Based on TY 2024 return data, it is estimated that SB 121 reduced income taxes by approximately \$170 million annually based on TY 2024 return data.

Joint Filer		
More Than	Less Than	Tax Rate
\$0	\$41,000	4.7%
\$41,000		<del>6.5%</del> → 5.9%

[HB 337](#) (2025 Session): HB 337 increases the brackets for MTI that falls in the 4.7% tax rate, and by TY 2027 lowers the top rate to 5.4%. It also doubles the EITC, raising it to 20% of the federal credit (~\$30 million annually). The fiscal note estimated that this would reduce individual income taxes by approximately \$265 million in the first full fiscal year of implementation.

<del>Joint Filer</del>			Joint Filer		
<del>More Than</del>	<del>Less Than</del>	<del>Tax Rate</del>	More Than	Less Than	Tax Rate
<del>\$0</del>	<del>\$41,000</del>	<del>4.7%</del>	\$0	\$130,000	4.7%
<del>\$41,000</del>		<del>5.9%</del>	\$130,000		5.4%

[HR 1](#) (Federal Legislation, became law July 4, 2025): HR 1 included multiple changes to FTI and, in turn, impacted Montana’s individual income taxes. Each change and its associated reduction in Montana’s individual income tax collections can be found in this [memo](#). In total, these provisions are anticipated to reduce Montana’s individual income tax collections by approximately \$115 million annually. Most of these provisions are scheduled to sunset at the end of TY 2028.

Table 4 below shows the estimated annual impact for each piece of legislation as well as the cumulative impact. Due to a delayed implementation date in HB 337, its impacts won’t be fully realized until FY 2028.

Legislation	Impact (\$ Millions)	Cumulative Impact (\$Millions)
HB 391	(\$4)	(\$4)
SB 159	(\$44)	(\$48)
SB 399	(\$30)	(\$78)
SB 121	(\$170)	(\$248)
HB 337	(\$265)	(\$513)
HR 1	(\$115)	(\$628)

*Table 4: Estimated annual and cumulative impact of individual income tax legislation.*