

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; AMENDING SECTION 15-30-2103, 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 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 or any part of that income, 5.9% 5.65%;

(b) for every head of household:

(i) on the first \$30,750 \$105,000 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 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:

1 (i) on the first ~~\$20,500~~ \$70,000 of Montana taxable income or any part of that income, 4.7%;

2 (ii) on any Montana taxable income in excess of ~~\$20,500~~ \$70,000 or any part of that income, 5.9%

3 5.65%;

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

6 (i) on the first ~~\$20,500~~ \$70,000 of Montana taxable income or any part of that income, 4.7%;

7 (ii) on any Montana taxable income in excess of ~~\$20,500~~ \$70,000 or any part of that income, 5.9%

8 5.65%.

9 (2) Except as provided in 15-30-3704 and ~~subsection (3) of this section~~, that portion of a taxpayer's
10 Montana taxable income that consists of net long-term capital gains after accounting for amounts included in
11 taxable income that is not net long-term capital gains is subject to a tax on the brackets of net long-term capital
12 gains as follows:

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

14 (i) on the first ~~\$41,000~~ \$140,000 less nonqualified taxable income of net long-term capital gains,
15 3.0%;

16 (ii) on net long-term capital gains that exceed ~~\$41,000~~ \$140,000 less nonqualified taxable income
17 or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$41,000~~ \$140,000 or
18 greater, all of the net long-term capital gains are taxed at 4.1%;

19 (b) for every head of household:

20 (i) on the first ~~\$30,750~~ \$105,000 less nonqualified taxable income of net long-term capital gains,
21 3.0%;

22 (ii) on any net long-term capital gains that exceed ~~\$30,750~~ \$105,000 less nonqualified taxable
23 income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$30,750~~
24 \$105,000 or greater, all of the net long-term capital gains are taxed at 4.1%;

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

27 (i) on the first ~~\$20,500~~ \$70,000 less nonqualified taxable income of net long-term capital gains,
28 3.0%;

1 (ii) on any net long-term capital gains that exceed ~~\$20,500~~ \$70,000 less nonqualified taxable
 2 income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~ \$70,000
 3 or greater, all of the net long-term capital gains are taxed at 4.1%;

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

6 (i) on the first ~~\$20,500~~ \$70,000 less nonqualified taxable income of net long-term capital gains,
 7 3.0%;

8 (ii) on any net long-term capital gains that exceed ~~\$20,500~~ \$70,000 less nonqualified taxable
 9 income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~ \$70,000
 10 or greater, all of the net long-term capital gains are taxed at 4.1%.

11 ~~(3) — By November 1 of each year, the department shall multiply the bracket amounts contained in~~
 12 ~~subsections (1) and (2) by the inflation factor for the following tax year and round the cumulative brackets to the~~
 13 ~~nearest \$100. The resulting adjusted brackets are effective for that following tax year and must be used as the~~
 14 ~~basis for imposition of the tax in subsections (1) and (2).~~

15 ~~(4)(3)~~ For the purposes of this section, the following definitions apply:

16 (a) "Net long-term capital gains" means net long-term capital gains as that term is defined in
 17 section 1222 of the Internal Revenue Code, 26 U.S.C. 1222.

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

20

21 **Section 2.** Section 15-30-2103, MCA, is amended to read:

22 **"15-30-2103. Rate of tax -- net long-term capital gains -- definitions.** (1) Except as provided in
 23 subsections (2) and (3), there must be levied, collected, and paid for each tax year on the Montana taxable
 24 income of each taxpayer subject to this chapter a tax on the brackets of taxable income as follows:

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

26 (i) on the first ~~\$41,000~~ \$200,000 of Montana taxable income or any part of that income, 4.7%;

27 (ii) on any Montana taxable income in excess of ~~\$41,000~~ \$200,000 or any part of that income,
 28 ~~5.9%~~ 5.4%;

1 (b) for every head of household:

2 (i) on the first ~~\$30,750~~ \$150,000 of Montana taxable income or any part of that income, 4.7%;

3 (ii) on any Montana taxable income in excess of ~~\$30,750~~ \$150,000 or any part of that income,

4 ~~5.9%~~ 5.4%;

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

7 (i) on the first ~~\$20,500~~ \$100,000 of Montana taxable income or any part of that income, 4.7%;

8 (ii) on any Montana taxable income in excess of ~~\$20,500~~ \$100,000 or any part of that income,

9 ~~5.9%~~ 5.4%;

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

12 (i) on the first ~~\$20,500~~ \$100,000 of Montana taxable income or any part of that income, 4.7%;

13 (ii) on any Montana taxable income in excess of ~~\$20,500~~ \$100,000 or any part of that income,

14 ~~5.9%~~ 5.4%.

15 (2) Except as provided in 15-30-3704 and ~~subsection (3) of this section~~, that portion of a taxpayer's
16 Montana taxable income that consists of net long-term capital gains after accounting for amounts included in
17 taxable income that is not net long-term capital gains is subject to a tax on the brackets of net long-term capital
18 gains as follows:

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

20 (i) on the first ~~\$41,000~~ \$200,000 less nonqualified taxable income of net long-term capital gains,

21 3.0%;

22 (ii) on net long-term capital gains that exceed ~~\$41,000~~ \$200,000 less nonqualified taxable income

23 or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$41,000~~ \$200,000 or

24 greater, all of the net long-term capital gains are taxed at 4.1%;

25 (b) for every head of household:

26 (i) on the first ~~\$30,750~~ \$150,000 less nonqualified taxable income of net long-term capital gains,

27 3.0%;

28 (ii) on any net long-term capital gains that exceed ~~\$30,750~~ \$150,000 less nonqualified taxable

1 income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$30,750~~
 2 \$150,000 or greater, all of the net long-term capital gains are taxed at 4.1%;

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

5 (i) on the first ~~\$20,500~~ \$100,000 less nonqualified taxable income of net long-term capital gains,
 6 3.0%;

7 (ii) on any net long-term capital gains that exceed ~~\$20,500~~ \$100,000 less nonqualified taxable
 8 income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~
 9 \$100,000 or greater, all of the net long-term capital gains are taxed at 4.1%;

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

12 (i) on the first ~~\$20,500~~ \$100,000 less nonqualified taxable income of net long-term capital gains,
 13 3.0%;

14 (ii) on any net long-term capital gains that exceed ~~\$20,500~~ \$100,000 less nonqualified taxable
 15 income or any part of that income, 4.1%, except that if the total nonqualified taxable income is ~~\$20,500~~
 16 \$100,000 or greater, all of the net long-term capital gains are taxed at 4.1%.

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

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

22 (a) "Modified inflation factor" has the same meaning as "inflation factor" as defined in 15-30-2101,
 23 except that the consumer price index for June 2027 is substituted for the consumer price index for June 2023.

24 ~~(a)~~(b) "Net long-term capital gains" means net long-term capital gains as that term is defined in
 25 section 1222 of the Internal Revenue Code, 26 U.S.C. 1222.

26 ~~(b)~~(c) "Nonqualified taxable income" means Montana taxable income that is not considered net long-
 27 term capital gains."

28

1 NEW SECTION. Section 3. Transition. The modified inflation factor provided for in 15-30-2103(3)
2 does not apply until tax year 2028.

3

4 NEW SECTION. Section 4. Effective dates. (1) Except as provided in subsections (2) and (3), [this
5 act] is effective on October 1, 2025.

6 (2) [Section 1] is effective January 1, 2026.

7 (3) [Section 2] is effective January 1, 2027.

8

9 NEW SECTION. Section 5. Applicability. (1) [Section 1] applies to the income tax year beginning
10 January 1, 2026.

11 (2) [Section 2] applies to income tax years beginning after December 31, 2026.

12

13 NEW SECTION. Section 6. Termination. [Section 1] terminates December 31, 2026.

14

- END -