

TAX BILLS 2023 LEGISLATIVE SESSION

The 2023 Legislative Session concluded after making several significant changes to Montana's tax systems. Major changes made affect individual income tax, corporate income tax, and property taxes.

Changes to individual income tax:

1. SB 121—Reduced the top income tax rate to 5.9%. This rate change will go into effect in tax year 2024. SB 121 also increases the earned income tax credit from 3% of the Federal credit to 10% of the Federal credit. That also begins in 2024.
2. SB 14—Expands and extends the MEDIA film tax credit. Increases the total credit from \$12 million to \$20 million and sets aside 25% of the credit for rental or lease of facilities.
3. SB 64—Amends the tolling of the statute of limitations. Allows a written agreement to extend the time to assess income tax. Effective Oct 1st, 2023
4. SB 65—Amends income tax refund and credit statute to conform with IRS code. Effective Oct. 1st, 2023
5. SB 104—Exempts the lower of Montana source wage income or 50% of military retirement from Montana income taxes. This applies to retirees who become a Montana resident or remain a Montana resident. Effective Jan. 1, 2024, sunsets in 2033.
6. SB 303—Changes penalties and interest and allows waivers for failure to furnish a wage and tax statement. \$50 fine with a minimum of \$250. 30-day waiver if the Department has not previously imposed a penalty. Effective on passage and approval.
7. SB 506—Increases the Endowed Philanthropy tax credit to \$15,000 for individuals and removes the sunset from the credit. Effective Jan. 1, 2024.
8. SB 550—Reauthorized Montana medical savings accounts, providing that direct primary care fees and health sharing ministry expenses are eligible expenses. Eliminating first-time homebuyers account after TY 2023.
9. SB 554—Creates a workaround for SALT cap on Federal income taxes. Allows for an optional pass-through entity tax in Montana. Applies retroactivity to Jan. 1, 2023.
10. HB 118—Revises warrant of distraint laws. Allows for state-wide warrant of distraint and clarifies types of property warrant applies to. Effective on passage and approval.

- 11.HB 221—Changes capital gains credit to a specific tax rate. Tax rates are 3% and 4.1%. Defines net long-term capital gains and nonqualified taxable income. Effective Jan. 1, 2024.
- 12.HB 225—Establishes adoption tax credits. Credit is \$7500 for adoptions from foster care and \$5000 otherwise. Applies to adoptions after July 1, 2022, and can be claimed on tax returns Jan. 1, 2023.
- 13.HB 245—Expands what trades qualify for the education and training tax credit. Retroactive to Jan 1, 2023.
- 14.HB 408 –Increases the total credits available for donations to student scholarship programs and Innovative Educational programs to \$5 million for 2024. Uses of the donations to school districts are expanded. The amount of money any school district can receive is limited. Effective for tax years beginning Jan. 1, 2024. Terminates Dec. 31, 2029.
- 15.HB 447—Provides a 30 day per year timeframe that certain nonresidents working in Montana are exempt from income taxes. Exempts employers from withholding income taxes from those employees. Effective Jan. 1, 2024.

Corporate Income Tax:

1. SB 24—Requiring most corporations to file taxes electronically. Corporations with gross receipts less than \$750,000 are exempt from electronic filing. Applies to tax years beginning Jan. 1, 2023.
2. SB 124—Moves Montana to a single sales factor apportionment for corporate income taxes. Effective Jan. 1, 2025.
3. SB 246—Repeals Montana’s tax haven list. Retroactive to Jan. 1, 2023.

Property Tax:

1. SB 54—Places Centrally Assessed properties on a two-year appraisal cycle with some types of property assessed in the even years and the remainder in the odd years. Effective Jan. 1, 2024.
2. SB 62—Provides that income information supplied to the Department by the property owner for use in valuation is confidential information. Effective on passage and approval.
3. SB 81—Clarifies definition of pipelines. Removes reference to Federal code. Retroactive effective date Jan. 1, 2023.

4. SB 510—Provides property tax abatement for renewable diesel production facilities. Moves these facilities from class 8 to class 14. Prohibits stacking of abatements. Applies to facilities that began construction after Dec. 31, 2020. Abatement applies to tax years beginning Jan. 1, 2024.
5. SB 530—Requires 80% abatement of property taxes on new, expanded, or improved manufacturing facilities. Allows for local additional 20% abatement. Effective Jan. 1, 2024.
6. HB 189—Expands eligibility for Property Tax Assistance Programs. Increases value of home eligible and income restrictions. Effective Jan. 1, 2024.
7. HB 212—Increases exemption for class 8 business equipment to \$1 million. Effective for tax years beginning Jan. 1, 2024.
8. HB 325—Revise eligibility for disabled veterans tax assistance program. Allows for consideration of unusual circumstances that affect income in a given year which impact eligibility. Effective Jan. 1, 2024.
9. HB 459—Changes the filing deadline for application of the intangible land property tax exemption. Moves the deadline back to after appraisal notices are received. Effective Jan. 1, 2024.
10. HB 587—Changes school funding formulas to provide property tax relief when state property tax collections exceed certain amounts. Effective for fiscal years 2025. This would affect tax bills in Nov. 2024 and May 2025.
11. HB 830—allows for property taxes on primary residences to be paid in 7 payments from Nov. through May. Applies to taxes due on or after Nov. 30, 2024.

Rebate Bills:

1. HB 192—Provides rebates for income taxes paid. Rebates are for income taxes paid up to \$1250 per individual and \$2500 per couple. Rebates to be issued by Dec. 31, 2023. Rebates are not taxable income for Montana income tax purposes.
2. HB 222—Provides rebates for property taxes paid in 2022 and 2023. Rebates for taxes paid on a primary residence up to \$500 for each year. Taxpayers will be required to apply for the rebate. Claims must be submitted between August 15 and Oct. 1 of each year. Rebates are not taxable Montana income.
3. HB 251—Sets aside money to pay off State debt. Diverts interest from State Investment Pool to Debt payment account.
4. HB 267—Appropriates \$100 million to Dept. of Transportation to match unclaimed federal highway funds.

5. SB 253—Increases the amount of a public contract to \$80,000 before contractor’s gross receipts tax applies. Effective on passage and approval.
6. HB 816—Provides additional money for income tax and property tax rebates. It contains \$35 million for income tax rebates and \$100 million for property tax rebates.

To find the text of the bills go to: [http://laws.leg.mt.gov/legprd/law0203w\\$.startup?P_SESS=20231](http://laws.leg.mt.gov/legprd/law0203w$.startup?P_SESS=20231)