

**Worksheet IX – Tax Benefit Rule for Recoveries of Itemized Deductions**

If you recovered amounts from more than one year, such as a federal income tax refund from 2003 and a casualty loss reimbursement from 2002, complete a separate worksheet for each year. Use the information from Form 2A, Itemized Deductions, for the year the expense was deducted.

For example: You claimed a casualty loss as an itemized deduction on your 2002 Montana income tax return. In 2005 your insurance company reimbursed you for the casualty loss. In order for you to determine if any of this reimbursement is taxable in 2005, you will need to use your 2002 Montana income tax return and Table 3 "Standard Deduction" on the reverse side of this worksheet.

A recovery is included in income only to the extent the deduction reduced your Montana tax liability in the year deducted.

		Column A (for single, joint, separate, or head of household)	Column B (for spouse when filing separately using filing status 3a)	
<b>1</b>	Enter the total of your federal income tax refunds received in 2005 for which a deduction was taken in a prior year. Do not include refundable federal credits or more than the amount of federal income tax deducted on Form 2A.			<b>1</b>
<b>2</b>	Enter the total of all other itemized deductions refunded or reimbursed to you in 2005 that are not included above and for which a deduction was taken in a prior year. Example: In 2004 you deducted medical expenses not covered by insurance. In 2005 your insurance company determined that they should have paid a portion of the denied expenses. They sent you a check. This amount may be taxable because you claimed it as an expense paid by you in 2004.			<b>2</b>
<b>3</b>	Add lines 1 and 2 above and enter result here.....			<b>3</b>
<b>4</b>	Enter the total Montana allowable itemized deductions for the year that you claimed this deduction. If you took the standard deduction, stop here; your refund(s) is not taxable.....			<b>4</b>
<b>5</b>	Enter any amount previously refunded to you. Do not enter any amount from line 1 or 2.....			<b>5</b>
<b>6</b>	Subtract line 5 from line 4 and enter the result here.....			<b>6</b>
<b>7</b>	Montana adjusted gross income for the year you claimed the deduction.....			<b>7</b>
<b>8</b>	Enter the standard deduction for the year that this deduction was claimed. (The standard deduction amounts for 2004, 2003, 2002, 2001 and 2000 are shown in Tables 1 through 5 found on the reverse side of this worksheet)....			<b>8</b>
<b>9</b>	Subtract line 8 from line 6 and enter the result here. If the result is zero or less, stop here, the amount on line 3 is not taxable.....			<b>9</b>
<b>10</b>	Enter the smaller of line 3 or line 9.....			<b>10</b>
<b>11</b>	Enter your Montana taxable income for the year the deduction was claimed...			<b>11</b>
<b>12</b>	<b>This is your recovery amount to be included in income for 2005.....</b> <ul style="list-style-type: none"> <li>If line 11 is zero or more, enter the amount from line 10.</li> <li>If line 11 is a negative amount, add lines 10 and 11 and enter the result, but not less than zero.</li> </ul> <b>If line 12 equals line 3:</b> <ul style="list-style-type: none"> <li>Enter the amount from line 1 on Form 2A, Schedule I, line 3.</li> <li>Enter the amount from line 2 on Form 2A, Schedule I, line 4.</li> </ul> <b>If line 12 is less than line 3, and either line 1 or line 2 is zero:</b> <ul style="list-style-type: none"> <li>If there is an amount on line 1, enter the amount from line 12 on Form 2A, Schedule I, line 3.</li> <li>If there is an amount on line 2, enter the amount from line 12 on Form 2A, Schedule I, line 4.</li> </ul> <b>If line 12 is less than line 3 and there are amounts on both lines 1 and 2, complete lines A, B and C below.</b> <ul style="list-style-type: none"> <li><b>A</b> Divide the amount on line 1 by the amount on line 3. Enter the percentage here.....</li> <li><b>B</b> Multiply the amount on line 12 by the percentage on line A. Enter the result here and on Form 2A, Schedule I, line 3.....</li> <li><b>C</b> Subtract the amount on line B from the amount on line 12. Enter the result here and on Form 2A, Schedule I, line 4.....</li> </ul>			<b>12</b>
	<b>A</b>			<b>A</b>
	<b>B</b>			<b>B</b>
	<b>C</b>			<b>C</b>

**Tax Benefit Rule for Recoveries of Itemized Deductions**  
**Standard Deduction Rates**

Multiply the amount on Worksheet IX, line 7 by .20 (20%) and enter this amount on Worksheet IX, line 8, but not more than the maximum amount reported below, or at least the minimum amount reported below that corresponds with the tax year that you are calculating your tax benefit rule recovery amount.

<b>Table 1: 2004 Standard Deduction</b>			
<b>Filing Status</b>	<b>Montana Adjusted Gross Income</b>	<b>Minimum</b>	<b>Maximum</b>
Single, married filing separately.	20%	\$1,530	\$3,440
Married filing a joint return, head of household	20%	\$3,080	\$6,880

<b>Table 2: 2003 Standard Deduction</b>			
<b>Filing Status</b>	<b>Montana Adjusted Gross Income</b>	<b>Minimum</b>	<b>Maximum</b>
Single, married filing separately.	20%	\$1,480	\$3,330
Married filing a joint return, head of household	20%	\$2,960	\$6,660

<b>Table 3: 2002 Standard Deduction</b>			
<b>Filing Status</b>	<b>Montana Adjusted Gross Income</b>	<b>Minimum</b>	<b>Maximum</b>
Single, married filing separately.	20%	\$1,450	\$3,260
Married filing a joint return, head of household	20%	\$2,900	\$6,520

<b>Table 4: 2001 Standard Deduction</b>			
<b>Filing Status</b>	<b>Montana Adjusted Gross Income</b>	<b>Minimum</b>	<b>Maximum</b>
Single, married filing separately.	20%	\$1,430	\$3,230
Married filing a joint return, head of household	20%	\$2,860	\$6,460

<b>Table 5: 2000 Standard Deduction</b>			
<b>Filing Status</b>	<b>Montana Adjusted Gross Income</b>	<b>Minimum</b>	<b>Maximum</b>
Single, married filing separately.	20%	\$1,390	\$2,780
Married filing a joint return, head of household	20%	\$3,130	\$6,260