



Montana Department of  
**REVENUE**

# 2007 Montana Form 2M Individual Income Tax Forms and Instructions

## Inside this booklet...

- Form 2M
- Form 2EC
- Form 2M Worksheets

## If you need help...



[mt.gov/revenue](http://mt.gov/revenue)



(866) 859-2254 (toll free), or



(406) 444-6900 (Helena area)



(406) 444-2830 TDD

- ★ *Tax Filing Deadline is April 15, 2008*
- ★ *Need to check the status of your refund?  
Refer to Where's My Refund? information on the  
back cover.*

*This year, make it  
easy on yourself.*

- ▶ **File early.**  
The earlier you file, the better service we can provide in getting your tax return processed.
- ▶ **File electronically.**  
It's simple, secure and convenient. This year, free online filing is available for Montana Forms 2M and 2EC. See details inside.
- ▶ **If you expect a refund, choose direct deposit.**  
This simple option will reduce the time it takes for you to receive your refund.
- ▶ **If you owe taxes, choose direct debit.**  
When you file your tax return electronically, you can authorize us to withdraw the tax due from your bank account on a date you choose, up to the due date for the return.
- ▶ **Find the answers you need.**  
Please take some time to visit our website at [mt.gov/revenue](http://mt.gov/revenue), where you'll find tax season updates, frequently asked questions and other helpful filing information.

Dear Montana Taxpayers:

Thank you, Montanans, for filing your individual income tax returns—you do a great job! By working together, you help make Montana a great place to live, work and raise a family.

Your Montana Department of Revenue is committed to providing the best possible tax services to the citizens of our great state. We've worked hard to make filing and paying your individual income taxes even more convenient than in past years.

- We've created three separate income tax booklets for Forms 2, 2M, and 2EZ. We think you'll benefit from using only the form and instructions that meet your personal needs.
- Last year, we offered free electronic filing of Form 2EZ. We're expanding our free electronic filing program this year to include two more forms, Form 2M and Form 2EC (elderly homeowner/renter tax credit). Free electronic filing of these forms will be available on our website at [mt.gov/revenue](http://mt.gov/revenue) in mid-January 2008. In the future, we hope to expand our online filing options to all Montanans.
- When you use our free electronic filing program, you'll have the option to request direct deposit if you have a refund due or make an electronic payment if you have a tax obligation. Now, that's a convenient way to file your individual income taxes!
- We've compiled a list of "What's New" on page 1 of this booklet, so you'll be aware of tax law changes, filing updates and new tax credits, including the refundable \$140 Montana homeowner income tax credit for property taxes. Please review this information before you file your tax return.

We strongly encourage you to file and pay electronically, if possible. Visit our website at [mt.gov/revenue](http://mt.gov/revenue) to learn more about the convenient options available to you. If you are expecting a refund, please consider having your refund directly deposited into your bank account. It's the no-hassle way to receive your tax refund.

As always, we promise to do the best we can to provide you with the most accurate and timely assistance to help you file your tax returns, and to ensure that all citizens and businesses pay their fair share of Montana taxes—no more and no less. Together, we're making our tax system work for all Montanans!

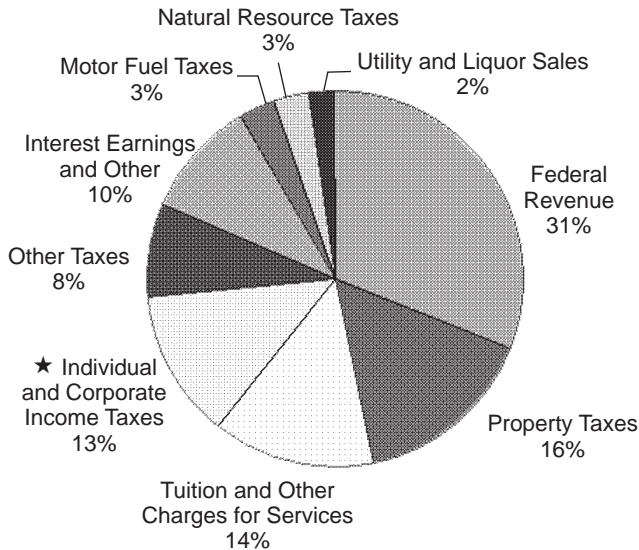
Best regards,

Dan Bucks  
Director, Montana Department of Revenue

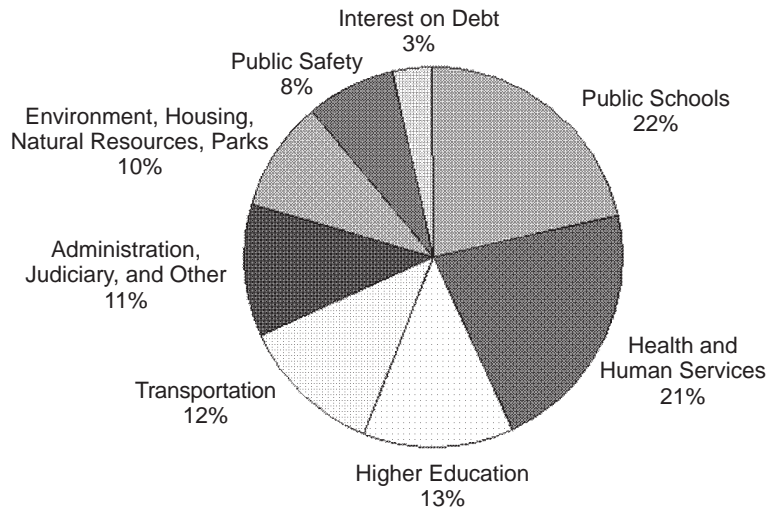
## Your Tax Dollars at Work

The first chart shows the sources of revenue for both state and local governments in Montana for 2005, the most recent year for which totals are compiled. The second chart shows state and local spending.

### What are Montana's Public Revenues?



### Where Do Your Public Dollars Go?



#### ★ Where Your Income Tax Dollar Goes

Education .....	49%
Health and Human Services .....	21%
Public Safety and Corrections.....	11%
Transfers to Local Governments.....	7%
General Government Operations.....	7%
Other .....	5%
Total Spending .....	100%

The table above shows where your individual and corporate income tax dollars—about 13% of total state and local revenues—were spent in 2006.

#### Important Numbers

These are not toll free numbers

Help Line .....(406) 444-6900  
 Forms Request.....(406) 444-6900  
 For the Hearing Impaired .....(406) 444-2830

**We encourage you to file your Montana income tax return electronically....**



#### The benefits to you are:

- **Faster Refunds.** The typical wait for e-filed refunds is 5-10 days. Taxpayers who file paper returns wait as long as 6-10 weeks for their refunds.
- **Fewer Errors.** Computer calculations are automatic and virtually error-proof.
- **Direct Deposits.** Refunds can be deposited directly into your bank account.
- **Avoid Post Office Lines.** No more last-minute postal runs or doubt about correct postage.
- **Immediate Verification of Receipt.** Returns can't be lost in the mail.
- **File Now, Pay Later.** E-file accepts both refund and tax due returns. Payments on balance due returns are to be made by April 15, 2008. Check out your electronic payment options on our web site at [mt.gov/revenue/](http://mt.gov/revenue/) and click on *Income Tax Express*.

#### Ways to file your return electronically:

- **E-file from your own computer.** Use our web site at [mt.gov/revenue/](http://mt.gov/revenue/) and click on *For Individuals*, and then *Electronic Filing*, for services available at no cost to eligible taxpayers and the commercial preparation software that is available for a fee.

### Individual Income Tax Forms Available Upon Request

These forms may be available at local banks, courthouses, libraries and post offices.  
Or, order your forms by calling us at (406) 444-6900, or by visiting our website at [mt.gov/revenue/](http://mt.gov/revenue/).

Form Name	Description
2EZ Booklet.....	2007 Individual Income Tax Form 2EZ with Instructions
2M Booklet.....	2007 Individual Income Tax Form 2M with Instructions
2 Booklet.....	2007 Individual Income Tax Form 2 with Instructions
2EC.....	Montana Elderly Homeowner/Renter Credit
2101.....	W-2 Withholding Declaration
2441-M .....	Child and Dependent Care Expense Deduction
AEPC.....	Alternative Energy Production Credit
AFCR.....	Alternative Fuel Credit
BBSC.....	Biodiesel Blending and Storage Credit
CC .....	College Contribution Credit
DCAC .....	Dependent Care Assistance Credit
DS-1 .....	Disability Income Exclusion Calculation
ECC.....	Elderly Care Credit
ENRG-A.....	Geothermal Systems Credit
ENRG-B.....	Alternative Energy Systems Credit
ENRG-C .....	Energy Conservation Installation Credit
ESA.....	Estimated Tax Annualization Worksheet
EST-I.....	Interest on Underpayment of Estimated Tax
ESW .....	Estimated Individual Income Tax Worksheet
EXT-07.....	Extension Payment Worksheet
FPC .....	Film Employment Production and Qualified Expenditures Credit
FTB.....	First-Time Home Buyer Savings Account
FTB-P .....	First-Time Home Buyer Savings Account Penalty
FRM.....	Farm and Ranch Risk Management Account
HI.....	Health Insurance for Uninsured Montanans Credit
IND .....	Indian Certification
IT-EST .....	Estimated Individual Income Tax Booklet
MINE-CRED .....	Mineral Exploration Incentive Credit
MSA.....	Medical Care Savings Account
MSA-P .....	Medical Care Savings Account Penalty
NOL .....	Montana Net Operating Loss Worksheet (1999 and subsequent years)
NOL-Pre 99 .....	Montana Net Operating Loss Worksheet (1998 and prior years)
NR1 .....	North Dakota Reciprocal Affidavit

Form Name	Description
NR2 .....	Employee Certificate of North Dakota Residence
OSC.....	Oilseed Crushing and Biodiesel/ Biolubricant Production Facility Credit
PTC .....	Montana Homeowner Income Tax Credit for Property Taxes <b>NEW</b>
QEC.....	Qualified Endowment Credit
RSCH .....	Increase Research and Development Activities Credit
RCYL.....	Recycle Credit
VT .....	Veteran's Contribution
Worksheet VIII ...	Taxable Social Security Benefits
Worksheet IX .....	Tax Benefit Rule for Recoveries of Itemized Deductions

We have two different addresses to mail your individual income tax return.

***If you have a refund or no payment due:***

Montana Department of Revenue  
PO Box 6577  
Helena, MT 59604-6577.

***If you are sending a payment and voucher:***

Montana Department of Revenue  
PO Box 6308  
Helena, MT 59604-6308.

## Table of Contents

<b>WHAT'S NEW FOR 2007</b> .....	1
<b>GETTING STARTED</b> .....	1
<b>GENERAL INFORMATION</b> .....	1
<b>FORM 2M INSTRUCTIONS</b> .....	5
Exemptions .....	6
Federal Adjusted Gross Income.....	6
Tax Computation .....	9
Nonrefundable Credits.....	9
Payments and Offsets.....	9
Montana Check-offs.....	10
Your Refund .....	11
<b>FORM 2M, SCHEDULE I - MONTANA ITEMIZED DEDUCTIONS</b> .....	11
<b>FORM 2M, SCHEDULE II - MONTANA TAX CREDITS</b> .....	14
<b>QUALIFIED MORTGAGE INSURANCE PREMIUMS DEDUCTION WORKSHEET FOR FORM 2M</b> .....	17
<b>WORKSHEET II - TAX BENEFIT RULE FOR FEDERAL INCOME TAX REFUND</b> .....	17
<b>WORKSHEET IV - PARTIAL PENSION AND ANNUITY INCOME EXEMPTION</b> .....	18
<b>WORKSHEET V - STANDARD DEDUCTION</b> .....	18
<b>WORKSHEET VI - ITEMIZED DEDUCTION WORKSHEET</b> .....	18
<b>WORKSHEET VII - CALCULATION OF INTEREST ON UNDERPAYMENT OF ESTIMATED TAXES - SHORT METHOD</b> .....	19
<b>WORKSHEET VIII - TAXABLE SOCIAL SECURITY BENEFITS FOR FORM 2M</b> .....	20



## What's New For 2007

### Homeowner Income Tax Credit for Property Taxes -

A refundable tax credit of \$140 is available for property taxes paid in 2007 for your principal residence, if you meet certain qualifications. Although there are similarities regarding who may qualify, this state income tax credit should not be confused with the \$400 property tax refund issued to eligible homeowners in 2007 for property taxes paid in 2006 or an earlier year. Please see the instructions for Schedule II, line 10, on page 16, for more information.

**Penalty for Late Payment of Taxes -** Effective for tax years beginning on or after January 1, 2007, the penalty for not paying a tax when due decreases from 1.5% to 1.2% per month, or a fraction of a month, with a maximum penalty of 12% (formerly 18%).

**Adoption Tax Credit -** If you finalized the adoption of a child in 2007 and qualify for the federal adoption credit, you are now eligible for a state income tax credit. The credit is equal to \$1,000 in the tax year that the adoption is final. See instructions for Schedule II, line 7, on page 15 for more information.

**Qualified Mortgage Insurance Premiums -** A federal change allows individuals who entered into a contract for qualified mortgage insurance in 2007 to claim the premiums paid during the year as an itemized deduction, if certain qualifications apply. If you are eligible, and your federal adjusted gross income exceeds \$100,000, the amount you can deduct is reduced. Please see the instructions for the new Montana Qualified Mortgage Insurance Premiums Worksheet on page 13 for additional information.

**Federally Taxable Refunds -** Based on your comments, we added two lines to the Form 2M to accommodate taxpayers who could not use this form last year because they had a refund that was taxable for federal purposes, but not for state purposes. Please see instructions for lines 14 and 36 on pages 6 and 9 respectively.

### Please Note As Well...

**New Direct Filing Service -** Direct electronic filing is available for Forms 2M and 2EC, at [mt.gov/revenue/](http://mt.gov/revenue/). This allows you to file your Montana form only; you may still have a filing obligation for federal purposes. You can direct deposit your refund, or pay electronically when using this free service.

### Interest on Unpaid Individual Income Tax Liabilities -

The 8% interest rate which became effective January 1, 2007 will continue to be in effect through December 31, 2008. The daily accrual interest rate for all unpaid individual income taxes depends on the rate set by the Internal Revenue Service and may fluctuate each year, but will never be less than 8%.

**Capital Gains Tax Credit -** Effective for tax years beginning on and after January 1, 2007, the tax credit for capital gains increases from 1% to 2% of the net capital gains included in your Montana taxable income.

### Taxability of Montana Homeowner Property Tax Refund

- If you received the Montana homeowner property tax refund of up to \$400, authorized by the 2007 Legislature,

you may have to include it in your taxable income. The refund should be included in your taxable income if you claimed an itemized deduction in a prior tax year for the refunded property taxes. The appropriate line for reporting the refund will depend on whether you also itemized your deductions on your federal tax return. Please refer to the instructions for lines 14 and 24 on pages 6 and 7 for further information.

**Amended Tax Return -** If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. In order to receive the waiver, simply check the "Amended Return" box on the top left-hand corner of the tax form and pay the tax and applicable interest in full. By checking this box, you are requesting a waiver of the late payment penalty.

## Getting Started

These simple steps will help you complete and file your Montana individual income tax return.

- Complete your federal income tax return.
- Determine if Montana Form 2M is right for you. See page 2.
- Decide if you will file electronically or use a paper tax return.
- File your Montana tax return or request an extension (include your payment, if taxes are due) by April 15, 2008.
- Remember to sign your tax return.
- When finished, please accept our thanks for a job well done!

## General Information

### Am I required to file a Montana individual income tax return?

If you are a resident, nonresident or a part-year resident, you have to file a Montana individual income tax return when you have Montana source income and your federal gross income, excluding unemployment compensation, is equal to or greater than the corresponding amounts that are identified in the chart below.

IF your filing status is...	AND at the end of 2007 you were...	THEN you should file a tax return if your federal gross income, excluding unemployment compensation was at least...
Single, or married filing separately	Under 65	\$3,730
	65 or older	\$5,770
Head of household	Under 65	\$5,420
	65 or older	\$7,460
Married filing jointly with your spouse	Both under 65	\$7,460
	One spouse 65 or older	\$9,500
	Both spouses 65 or older	\$11,540

If you or your spouse are blind, you are entitled to an additional exemption. Increase your federal gross income by \$2,040 to determine if you are required to file.

## I am required to file a Montana individual income tax return. Is the Form 2M appropriate for me and my situation?

**To use Montana Form 2M**, you should be able to answer yes to *all* of the following:

- I was a Montana resident for all of 2007.
- I am filing as a single person, head of household, or as a married person filing a joint tax return.
- My only income is from wages, interest, dividends, capital gains, IRA distributions, pensions, annuities, unemployment, social security benefits or refunds.
- The only tax credit that I may be claiming is one (or more) of the following:
  - Adoption Credit
  - Elderly Homeowner/Renter Credit (Form 2EC)
  - College Contribution Credit (Form CC)
  - Energy Conservation Credit (Form ENRG-C)
  - Elderly Care Credit (Form ECC)
  - Developmental Disability Account Contribution
  - Alternative Energy Systems Credit (Form ENRG-B)
  - Homeowner Income Tax Credit for Property Taxes

**You may be able to use the shorter Form 2EZ** if you answer yes to all of the following:

- I was a Montana resident for all of 2007.
- I am filing as a single person or as a married person filing a joint tax return.
- My spouse and I were under 65 and not blind at the end of 2007.
- I am claiming no dependents.
- My only income is from wages, interest, dividends, or unemployment.
- I am claiming the standard deduction rather than itemizing deductions.
- The only tax credit I may be claiming is the Homeowner Income Tax Credit for Property Taxes.

**You will have to use the Montana Long Form (Form 2)** if you answer yes to any of the following:

- I was a resident of Montana for only part of 2007.
- I am a nonresident of Montana with Montana source income.
- I am married, filing a separate Montana income tax return.
- My income includes income from a business or profession, farm or ranch, rents, royalties, partnerships, S corporation or trust.
- My tax year ended on a date other than December 31, 2007.

## How do I determine whether I am a full-year resident, nonresident or a part-year resident of Montana for individual income tax purposes?

You are a resident of Montana for individual income tax purposes if you live in Montana or if you maintain a permanent home in Montana. You will not lose your Montana residency if you left the state temporarily with the intention of returning. Your Montana residency is lost, or changed, when you establish a permanent residence outside of Montana with no intention of returning. Unless there is a specific statutory exception, if you establish Montana residency for any other purpose, you are considered a Montana resident for income tax purposes.

You are a nonresident of Montana if you did not consider Montana your home at any time during the tax year even though you may have lived and worked in Montana temporarily during the tax year.

You are a part-year resident of Montana if you moved to or from Montana during the tax year with the intention of establishing a permanent residence in your new state.

## How do I determine my legal residence for Montana income tax purposes?

Your legal residence is generally the place where you maintain your most important family, social, economic, political and religious ties. It is a place where you remain when you are not called elsewhere for work or for other temporary purposes. Your change in residency is not accomplished by being away from your home temporarily or for a prolonged period of time. Your change of residency is established when you leave your home and do not intend to return, but instead, intend to establish a new home elsewhere.

## When do I have to file my Montana income tax return?

Your 2007 Form 2M tax return has to be filed by April 15, 2008.

## How can I get an extension of time to file my Montana income tax return?

First of all, it should be clear that any extension of time to file your Montana income tax return is *not* an extension of time to pay your income tax liability. If you have a valid Montana extension but have not paid your complete income tax liability by April 15, 2008, you are relieved of late file penalties but you are not relieved of late payment penalties and interest on your outstanding Montana income tax liability.

You can be granted an extension of time for filing your Montana income tax return if you meet *both* of the following requirements:

1. By April 15, 2008, you have applied to the Internal Revenue Service by filing federal Form 4868 for an automatic six-month extension to file your federal income tax return.
2. You have paid 90% of your 2007 Montana income



tax liability or 100% of your 2006 Montana income tax liability through your estimated tax payments, your withholding tax, or a combination of both your estimated and withholding tax payments.

Even though you have applied for an automatic six-month federal extension, this does not guarantee that you have a Montana extension, unless you have met one of the requirements listed in number 2 above on or before April 15, 2008. You should examine and use the Montana EXT-07, the Extension Payment Calculation Worksheet, in order to determine whether you have a Montana extension payment requirement. You can get a copy of this form by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or calling (406) 444-6900. If you are required to make an extension payment, please use the tax payment coupon found on this worksheet.

In order to complete your Montana extension, you have to check the extension indicator box found on the bottom right hand corner of Montana Form 2M and attach a copy of your federal Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax return, to your Montana income tax return. Please do not send us a copy of your federal Form 4868 prior to filing your Montana income tax return.

It is important that you follow the requirements stated above, or your extension will be denied and a late file penalty will be applied.

**I am on active duty in the regular armed forces and currently serving in an area designated as a combat zone or contingency operation. I am unable to file my Montana individual income tax return by April 15, 2008. Can I (and my spouse) obtain an extension to file my 2007 Montana individual income tax return?**

Yes, you can—but you must use Form 2. Montana state law conforms to federal law and references the Servicemembers Civil Relief Act, which provides for the same extension of time for you to file your Montana individual income tax return that is provided on your federal income tax return. If you are serving in a combat zone or in a contingency operation, you (and/or your spouse) can extend the filing of your Montana income tax return for up to 180 days after the time you (and/or your spouse) are discharged from service.

If you are filing a tax return that is allowed to be extended by the Servicemembers Civil Relief Act, clearly write on the top of Montana Form 2, using red ink, “combat zone or contingency operations extension,” and file your tax return within 180 days after being discharged from service. In addition, if you file within 180 days of being discharged you are not assessed any penalties or interest.

**What happens if I’m late in filing my Montana individual income tax return?**

If you file your tax return late, you will be assessed a late file penalty of \$50 or the amount of tax due, whichever is

less. If you file a late tax return for which you are receiving a refund, you will not be charged a late fee.

**What happens if my payment is late?**

If you do not pay the full amount of your tax liability on or before April 15, 2008, you will be charged a late payment penalty. This penalty is 1.2% per month or fraction of a calendar month on the unpaid tax. This penalty cannot exceed 12% of the tax due.

If you do not pay your tax liability by April 15, 2008, you will also be charged interest at a rate of 8% per year accrued daily. If you can’t pay your tax in full, you should file your tax return by the due date and pay as much as possible with your tax return. If you wish to set up a payment plan, please call us at (406) 444-6900 as soon as possible to discuss payment options and make arrangements.

Penalties and interest are set at a higher rate than noted above if you purposely and knowingly do not file a tax return timely or pay your Montana income tax liability timely.

If you pay your tax late or have established a payment plan with us, be sure to report clearly on your payment your name, social security number and the tax year for which the payment is to be applied. If you intend to have one payment applied to more than one social security number or tax year, please include a statement with your payment that indicates how you want your payment to be allocated.

**Where do I file my Montana individual income tax return?**

If you choose not to file electronically, we have two different addresses for individual income tax returns. We do this so that if you are asking for a refund, we can get your refund processed and to you more quickly and efficiently.

If you are filing a return that includes no payment or if you are due a refund, mail your return to: Montana Department of Revenue, PO Box 6577, Helena, MT 59604-6577.

If you are filing a return that includes a payment, mail your return and check to: Montana Department of Revenue, PO Box 6308, Helena, MT 59604-6308.

**Can I file my Montana individual income tax return electronically?**

Yes, you can—and we encourage you to do so. If Form 2M is appropriate for your situation, you can file it free at our website at [mt.gov/revenue/](http://mt.gov/revenue/).

Additionally, Montana participates in the joint Federal/State Electronic Filing Program and also in the Free Filing Alliance Program. This provides all taxpayers the opportunity to participate in electronic filing. If you file your tax return electronically, you will receive confirmation that the department has received your tax return. If you are expecting an income tax refund and have requested that this refund be electronically deposited into your checking or savings account at your financial institution, you will generally receive this refund within five to ten business days.

**If I file electronically, do I have to send a copy of my income tax return, supporting schedules, copies of my federal Forms W-2 and 1099 or signature verification to the department?**

No, you do not. If you file electronically, you don't have to mail in a paper copy of your tax return, or any accompanying federal Forms W-2 or 1099, or any Montana supplemental forms. When you file your tax return electronically, you represent that you have kept all of the documents required as your tax record and that you will provide copies of these to the department if we ask for them.

You also don't have to sign a copy of your tax return and submit it to the department. The act of completing and filing your income tax return electronically is considered an authorized signature.

**How can I check on my refund?**

If you are expecting a refund, you can check the status of this refund by calling our 24-hour service at (406) 444-9840. We will be glad to tell you the status of your refund once it has been entered into the department's computer system. Remember, if you file your tax return electronically, usually, we will send you confirmation that your tax return was accepted within 48 hours after we receive your electronically filed income tax return. Also, when you file electronically, your refund is usually issued within five to ten business days.

You can also check the status of your refund online. Visit our website at [mt.gov/revenue](http://mt.gov/revenue) and go to the *Where's My Refund?* section.

To check the status of your refund either by phone or online, you will need to provide the following information:

- The social security number of the first name on your income tax return
- The amount of the refund requested as shown on your tax return

**What do I do if I made an error on my income tax return and I now want to correct it?**

If you discover that your income tax return was incorrect, you have five years from the due date of the original tax return to file an amended Montana income tax return and to correct any mistake on your previous tax return. When you file this amended tax return, you will need to complete a new Montana form that reflects the corrections that you are making to your previously filed tax return. For tax years 2004 and earlier, you will also need to clearly write the words "Amended Return" on the face of your tax return. For tax years 2005 and later you should check the "Amended Return" box found in the upper left hand corner of your Montana forms. Include copies of any schedules submitted with the original filing, even if none of the amounts previously reported have changed.

Montana Form AMD is available to assist you in reconciling the amendments to the original tax return. This form is for your information and records. You do not need to send this

to the department. The Form AMD can be found on our website at [mt.gov/revenue](http://mt.gov/revenue) under Downloadable Forms. Please note that forms 2M and 2EZ cannot be used to amend years prior to tax year 2006.

If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. In order to receive the waiver, simply check the "Amended Return" box on the top left-hand corner of the tax form and pay the tax and applicable interest in full. By checking this box, you are requesting a waiver of the late payment penalty.

**I have filed an amended federal income tax return with the Internal Revenue Service, or the Internal Revenue Service has adjusted my federal income tax return. What do I need to do to report this change on my Montana income tax return?**

If the Internal Revenue Service changes your federal taxable income or if you voluntarily change your federal taxable income, you will need to file an amended Montana income tax return within 90 days of receiving notification of the change from the Internal Revenue Service or when you have filed your amended federal income tax return. If you do not notify us within 90 days of the change to your federal taxable income, we have five years from the date that the changes become final on your federal tax return to adjust your Montana income tax return to reflect the changes made on your federal income tax return.

**My tax return is prepared by a tax professional. If the department has any questions concerning my tax return, can I give you authorization to talk to my tax professional about my tax return?**

Yes you can. We have included a place on your tax return for you to authorize this. Place an "X" in the box marked yes next to, "May the DOR discuss this return with your tax preparer?" It appears at the bottom of all forms near the signature block on the tax return. If you check this box, we may contact your tax preparer or you for additional information for this year only. You, not the tax preparer, will be informed of any formal tax adjustments that we make.

**How do I file if I've earned wages in North Dakota and I am a Montana resident?**

Montana has a reciprocity agreement with North Dakota that exempts a Montana resident who earns wages in North Dakota from paying North Dakota income tax on these wages. However, this agreement does not extend to other types of income earned in North Dakota and you may have to file an income tax return and pay an income tax to North Dakota on this other income. If you are earning wages in North Dakota and you are a Montana resident, you can be exempt from North Dakota withholding tax on these wages. Complete North Dakota Form NDW-R and submit it to your North Dakota employer to be exempt from North Dakota withholding. You can get this form from your employer, from the Office of State Tax Commissioner, State Capitol, Bismarck, ND 58505, or visit their website at [nd.gov/tax/](http://nd.gov/tax/).

## I am a North Dakota resident earning wages in Montana. How do I file a Montana income tax return?

Montana has a reciprocity agreement with North Dakota that exempts a North Dakota resident who earns wages in Montana from paying Montana income tax on these wages. However, this agreement does not extend to other types of income earned in Montana, and you may have to file an income tax return and pay an income tax to the State of Montana on this other income. If you are earning wages in Montana and you are a North Dakota resident, you can be exempt from Montana withholding on these wages. To be exempt from Montana withholding, complete Montana Form NR-2 annually, submit it to your employer and provide a copy to the Montana Department of Revenue. You can get this form from your employer, from the Montana Department of Revenue, PO Box 5805, Helena, MT 59604-5805, or you can download our form at [mt.gov/revenue/](http://mt.gov/revenue/).

If your Montana employer has withheld Montana income tax from your wages and you wish to get a refund for it, you should file a Montana income tax return Form 2, attaching Montana Form NR-1, North Dakota Reciprocal Affidavit, along with a copy of your North Dakota income tax return and mail these to the Montana Department of Revenue by April 15, 2008.

## My spouse has a past child support obligation and I don't want my refund to be applied to this obligation. What can I do?

You are considered an "injured spouse" if you are a taxpayer who does not owe a child support obligation but who has reported income on a joint tax return with a taxpayer who does owe a past due child support obligation. If you do not want your refund to be applied against your spouse's child support obligation, you will have to file your Montana income tax return using filing status 3b, married filing separate tax returns on separate forms. When filing under this filing status, each spouse claims his or her own income/loss, deductions, expenses and exemptions.

If you have filed a joint return with your spouse and you are considered an injured spouse, as defined above, you need to contact us within 30 days after you and/or your spouse have received notice of the offset. We will then work with you to have the correct tax return(s) filed.

## A mental or physical disability prevents me from completing and submitting a tax return. What can I do?

If you have a filing obligation but are unable to complete and submit a tax return because of a mental or physical disability, the tax return can be prepared by your authorized agent, guardian or person responsible for your care and property.

## How do I file for a deceased person?

If you are responsible for the financial affairs of a deceased person, you'll have to file a tax return for that person if his or her income exceeds the minimum filing requirements

found on page 1 of these instructions. You can file a joint tax return if the deceased person was married. This tax return has to include the income of that deceased spouse from the beginning of the year to the date of death in addition to the income of the surviving spouse for the entire year.

## How long do I need to maintain my tax records after I have filed my state income tax return?

You should keep all your records for at least five years from the date that you filed your Montana income tax return. This is called the *statute of limitations*. The statute of limitations for Montana income tax purposes is five years, whereas the statute of limitations for federal income tax purposes is three years. You should keep your records of property and carryovers even longer.

## Form 2M Instructions

**Heading** - Print your name, address and social security number in the spaces provided. If you are married, enter your spouse's name and social security number.

If either the primary taxpayer or the spouse passed away during the tax year, check the appropriate box in the heading of the tax return.

### Filing Status - (Check only one box).

**Box 1 - Single.** You can claim this filing status, if on December 31, 2007, you:

- were single,
- were legally separated according to your state law under a decree of divorce or separate maintenance, or
- were widowed before January 1, 2007 and you did not remarry in 2007.

If you are married, you cannot file separate 2M forms. You will have to file a joint tax return with your spouse on Form 2M or file separately using Form 2.

**Box 2 - Married Filing Jointly.** You can claim this filing status if:

- you were married as of December 31, 2007, even if you did not live with your spouse at the end of 2007, or
- your spouse died in 2007 and you did not remarry in 2007, or
- you were married as of December 31, 2007 and your spouse died in 2008 before filing a 2007 tax return.

You and your spouse can file a joint tax return even though one of you has no income or deductions, but please note that both spouses have to sign the tax return.

**Box 3 - Head of Household.** You can qualify to file as head of household on your Montana income tax return if you qualify for filing head of household for federal income tax purposes. When you use this filing status, attach your federal Form 1040 or 1040A, pages 1 and 2, to your Montana income tax return.

**Box 4 - Full Year Resident.** You can file this form if you (and your spouse, if you are married) were a resident of Montana for the entire year. To determine your residency

status, refer to the residency determination questions found on page 2 of the instructions.

### Exemptions

**Line 5a - Yourself.** Since you are allowed one exemption for yourself, we have placed an X in the first box on line 5a for you. Even if you are claimed as a dependent on another person's income tax return, you are still entitled to your one personal exemption. You are also entitled to an additional exemption if you are age 65 or older at the end of the tax year and an additional exemption if you are blind.

**Line 5b - Spouse.** If you are married and are filing jointly with your spouse, your spouse is entitled to one exemption. Your spouse is also entitled to an additional exemption if he or she is age 65 or older at the end of the tax year and an additional exemption, if he or she is blind.

**Line 5c - Dependents.** You can claim a dependent exemption for each person who qualifies as your dependent. Please complete the schedule on line 5c, listing each dependent's first name, last name, social security number and his or her relationship to you. If you have more than four dependents, you will need to attach a separate schedule that lists these additional dependents and then include these additional dependents in the total on line 5c.

A person who meets the following requirements is considered your dependent for Montana income tax purposes. Since Montana's dependency requirements are different from the federal requirements, you will need to meet *all* the following requirements in order to claim dependents on your Montana income tax return.

Your dependent is a person:

- for whom you have provided more than half his or her support during the tax year, and
- who does not have gross income of more than \$800,
  - unless: the dependent who is your child,
    - has not reached the age of 19 at the close of your tax year, or
    - is a full-time student during five calendar months during your tax year at an educational institution or is pursuing a supervised on-farm training institutional program, and
- who is not filing a joint tax return with his or her spouse during the same tax year.

In addition to the requirements above, your dependent should be:

- A relative to you (or your spouse, if you are filing a joint tax return) in one of the following ways:

Child	Mother	Aunt
Stepchild	Grandparent	Son-in-law
Grandchild	Stepfather	Daughter-in-law
Brother	Stepmother	Father-in-law
Sister	Nephew	Mother-in-law
Stepbrother	Niece	Brother-in-law
Stepsister	Uncle	Sister-in-law
Father		

- An individual who for the tax year has shared your home as his or her principal home, and has been considered a member of your household.
- An individual who is a descendant of your uncle or aunt, or
- An individual who is receiving institutional care as a result of a physical or mental disability.

**Disabled Dependent Child Exemption** - In addition to the dependent exemption above, you are entitled to an additional exemption for a child who is disabled. If your child is disabled and you qualify for this additional exemption, place an "X" in the "disabled" column in the row that you list your disabled child and add an additional exemption to your total on line 5c.

You are allowed this disabled child exemption if you meet *all* of the following requirements:

- you provide more than half the disabled child's support
- your home is the disabled child's primary home
- the disabled child has a permanent disability constituting 50% or more of the body as a whole
- a licensed physician has certified the child's disability.

If you meet *all* the requirements above and this is the first year that you are claiming the additional exemption for this child, you will need to file a physician's certification of this qualifying disability with your individual income tax return.

This physician's certification filed with us during the first year of eligibility remains in effect in subsequent years and we do not require you to file it annually unless the circumstances of your disabled child change.

**Line 5d** - Add lines 5a through 5c and enter the total number on line 5d. These are your total exemptions.

### Federal Adjusted Gross Income

**Lines 6 through 21** - Your income on your Montana individual income tax return begins with your federal adjusted gross income. On lines 6 through 21, enter the amount corresponding to your federal individual income tax return Form 1040, 1040A or 1040EZ.

**NEW Line 14 - Taxable Refunds, Credits or Offsets of State and Local Income Taxes.** If you were required to report a refund, credit or offset of state or local income taxes on your federal tax return, enter that amount here. Montana does not tax state income tax refunds, so they will be subtracted in order to calculate Montana adjusted gross income. Even though the amount reported here may not be taxable in Montana, it is important to enter it. Some calculations on your Montana tax return require you to use your federal adjusted gross income.

If you received the Montana homeowner property tax refund in 2007 but did not claim an itemized deduction for these property taxes on your federal tax return, do not report the amount on this line. Your refund will be taxable for state purposes if you itemized on your Montana tax return but that will be reported on line 24.

**Line 21 - Federal Adjusted Gross Income.** Subtract line 20 from line 15 and enter the result on line 21. This amount should correspond to the amount of the federal adjusted gross income that you reported on your federal income tax return Form 1040, 1040A or 1040EZ.

Detailed instructions for the remainder of lines 6 through 21 are not provided. You will need to refer to your federal income tax instructions for information on lines 6 through 21. In completing lines 6 through 21, you should include the applicable federal schedules that are identified on Form 2M.

**Additions - Lines 22 through 26.** You may need to add additional items of income to your federal adjusted gross income in order to calculate your Montana adjusted gross income. Enter the following items of income on the appropriate line.

**Line 22 - Interest and Mutual Fund Dividends from Other States' State, County or Municipal Bonds.** Enter the interest and dividend income that you received from bonds and obligations of another state or territory or county, municipality, district or other political subdivision of another state.

**Line 23 - Taxable Federal Refund.** If you received a 2006 federal income tax refund in 2007 and you claimed federal income taxes paid as an itemized deduction, you may need to report a portion or all of your federal refund as income on your 2007 Montana income tax return. This is called the *Tax Benefit Rule*. To the extent that the federal tax deduction that you claimed on your 2006 Montana income tax return reduced the amount of your 2006 Montana income tax liability, any subsequent refunds from this deduction are considered income in the year that you received it. In order to determine whether any of your refund is taxable in 2007, complete Worksheet II, Tax Benefit Rule Worksheet, on page 17.

**NEW Line 24 - Taxable Montana Homeowner Property Tax Refund.** If during 2007 you received the Montana homeowner property tax refund of up to \$400 and included the refund amount on line 14, do not include your refund amount again on line 24. If you received the refund, did not include it on line 14, and in a prior year claimed a Montana itemized deduction for your residential property taxes, then enter the amount of refund you received on line 24.

**Line 25 - Addition to Federal Taxable Social Security/ Railroad Retirement.** Your social security benefits taxable to Montana may be different from the amount of taxable benefits that you reported on Form 2M, line 13b. You should determine your Montana taxable social security benefits by completing Worksheet VIII found on page 20 of the instruction booklet. Before you can complete your social security worksheet, you will need to complete your pension and annuity income worksheet, Worksheet IV, found on page 18 of the instruction booklet.

If after you have completed your social security worksheet, you find that your social security benefits taxable to Montana are greater than those that you reported on Form 2M, line 13b, enter that difference on your Form 2M, line 25. If your social security benefits taxable to Montana are

less than those that you reported on Form 2M, line 13b, you should report that difference as a subtraction from federal adjusted gross income on your Form 2M, line 34.

**Line 26 - Medical Care Savings Account Nonqualified Withdrawals.** Your nonqualified withdrawal from a Montana medical care savings account is a withdrawal that you made during the tax year for any purpose other than to pay for eligible medical expenses or long-term care. You can refer to Montana Form MSA for further detailed instructions. You should report any nonqualified withdrawals from your Montana medical care savings account as an addition to federal adjusted gross income on Form 2M, line 26.

Please note that you may also be charged a penalty for making any nonqualified withdrawal. See the instructions for line 59, page 10, and on Form MSA-P for the Montana medical care savings account 10% penalty.

### Subtractions - Lines 28 through 36

**Line 28 - Exempt Interest and Mutual Fund Dividends from Federal Bonds, Notes and Obligations.** If you have received interest on United States government obligations and mutual fund dividends attributable to that interest, you can subtract these amounts from your federal adjusted gross income as long as they are included in your federal adjusted gross income on Form 2M, line 21. In addition, if you received interest on obligations from U.S. territory or government agency obligations that are specifically exempt by federal law or any mutual fund dividends attributable to this interest, you can subtract these amounts from your federal adjusted gross income as long as they are included in your federal adjusted gross income on Form 2M, line 21.

Obligations that are guaranteed by the United States government are not tax exempt. If you have received interest or mutual fund dividends attributable to Government National Mortgage Association (Ginnie Mae) bonds, Federal National Mortgage Association (Fannie Mae) bonds, or Federal Home Loan Mortgage Corporation (FHLMAC) securities, you cannot subtract this interest or mutual fund dividends since they are not exempt under federal law.

United States obligations that are exempt include:

- Series E, F, G and H savings bonds;
- U.S. treasury bills;
- U.S. government notes; and
- U.S. government certificates.

Please refer to your federal Form 1099-DIV to determine what percentage of your dividends qualifies for this exemption.

**Line 29 - Exempt Unemployment Compensation.** If you have received unemployment benefits from Montana or from another state, these benefits are not taxable to Montana. If you reported taxable unemployment benefits on your Form 2M, line 12, enter the amount of these benefits on line 29.

**Line 30 - Partial Pension and Annuity Income Exemption.** If you have reported taxable retirement income on your Form 2M, lines 10b and/or 11b, you may be entitled to a partial exemption of this income. Before we

determine if any of this retirement income is excluded, we need to verify if any of this income is from Tier II Railroad Retirement benefits. If so, your Tier II benefits are 100% exempt from Montana taxation. You should exclude your entire taxable Tier II Railroad Retirement benefits on Form 2M, line 30.

Premature distributions and early withdrawals of your retirement income do not qualify for the retirement income exclusion. Also, if you have received a disability pension, which is identified as a distribution code 3 on your federal Form 1099-R, you should use Montana Form DS-1, 2007 Disability Income Exemption, to determine your deduction instead of the retirement income exclusion.

If you have received retirement income other than Tier II Railroad Retirement benefits, you should complete Worksheet IV on page 18 to determine the amount of your exclusion. Your retirement exclusion is limited to the lesser of your taxable retirement income that you have received or \$3,600, as long as your federal adjusted gross income is \$30,000 or less and you are filing as a single taxpayer, filing jointly with your spouse and only one of you has taxable retirement income, or you are filing as head of household. If you are filing jointly with your spouse, and you both have retirement income, and your federal adjusted gross income is \$30,000 or less, you both can exclude the lesser of your taxable retirement income that you receive personally or \$3,600 each for a maximum of \$7,200.

When your federal adjusted gross income exceeds \$30,000, your retirement exclusion is reduced \$2 for every \$1 that your federal adjusted gross income is over \$30,000. For example, if your federal adjusted gross income is \$31,000, your retirement exclusion is \$1,600 ( $\$3,600 - (\$1,000 \times \$2) = \$1,600$ ). You are not entitled to this retirement income exclusion if your federal adjusted gross income is greater than \$31,800 ( $\$3,600 - (\$1,800 \times \$2) = \$0$ ) if you are filing single, married filing separately or head of household. If you are married and filing jointly and both spouses have retirement income, then your retirement exclusion is phased out when your federal adjusted gross income is greater than \$33,600, because your maximum retirement exclusion is \$7,200 ( $(\$3,600 - (\$1,800 \times \$2)) + (\$3,600 - (\$1,800 \times \$2)) = \$0$ ). You should complete Worksheet IV, on page 18 to determine your partial pension and annuity income exemption.

**Line 31 - Partial Interest Exemption for Taxpayers 65 and Older.** If you are single and are age 65 or older at the end of 2007, you can exempt up to \$800 of the interest income that you reported in your federal adjusted gross income.

If you are married and are filing a joint tax return with your spouse and at least one of you is age 65 or older at the end of 2007, you can exempt up to \$1,600 of the interest income that you reported in your federal adjusted gross income.

For the purpose of this exclusion, when you determine the amount of your interest income, you should consider distributions commonly called dividends on deposits or share accounts as interest. Under no circumstances can

you exclude more interest income than what you have reported in your federal adjusted gross income. Interest income reported on line 22 is not eligible for this exclusion.

**Line 32 - Exemption for Certain Taxed Tips and Gratuities.** You can subtract from your federal adjusted gross income any tips and gratuities that you have received from patrons while you worked in the food, beverage or lodging industry. These should be reported as part of your federal adjusted gross income. All other tips and gratuities that you received for providing services in other business industries such as guiding are not excluded from your federal adjusted gross income in computing your Montana adjusted gross income.

**Line 33 - Exempt Medical Care Savings Account (MSA) Deposits and Earnings.** To determine your Montana adjusted gross income, you can subtract from your federal adjusted gross income the amounts that you deposited into a Montana medical care savings account. Please don't confuse this Montana MSA with the federal health savings account (HSA) that is deductible on Form 2, line 25 since you are allowed to participate in both programs. See your federal income tax instructions for information on your federal HSA.

Your Montana medical care savings account provides you with the opportunity to exclude from your Montana adjusted gross income up to \$3,000 plus accumulated interest or other earnings on these funds annually. If you are married filing jointly with your spouse or married filing separately with your spouse, both of you can qualify for your own Montana MSA and you each can exclude up to \$3,000 plus accumulated interest or other earnings on this account annually. To qualify for this exclusion, you will need to establish a separate account that is owned by you alone and is not jointly held with your spouse or any other individuals. In addition, you cannot commingle other funds with this account. Once these funds are excluded from Montana adjusted gross income, they can be withdrawn only for the payment of qualified medical expenses for yourself, your spouse, or your dependent. Any of these funds withdrawn for other purposes are subject to tax in the year that they are withdrawn and they also may be subject to a 10% penalty if they are withdrawn on any day other than the last business day of the year.

For further instructions on the Montana medical care savings account, see Montana Forms MSA and MSA-P. When you claim this exclusion, you will need to attach a copy of Montana Form MSA to your income tax return.

**Line 34 - Subtraction to Federal Taxable Social Security/Tier I Railroad Retirement.** Your social security benefits taxable to Montana may be different from the amount of taxable benefits that you reported on Form 2M, line 13b. You should determine your Montana taxable social security benefits by completing Worksheet VIII, found on page 20 of the instruction booklet.

If after you have completed your social security worksheet, you find that your social security benefits taxable to Montana are less than those that you reported on Form 2M, line 13b, enter that difference as a subtraction to

2007

Montana Individual Income Tax Return

MONTANA

Calendar year income tax return for a Montana resident filing as single, jointly, or head of household.

Form 2M

Amended Return checkbox, Spouse's information, Mailing address, City, State, Zip+4, Deceased checkboxes.

Filing Status (check only one box) 1. Single 2. Married filing jointly 3. Head of Household

4. Resident full year (Only to be used by full-year Montana residents. Nonresidents and part-year residents must use Form 2.)

Exemptions section: 5a. Yourself, 5b. Spouse, table for dependents (first name, last name, SSN, relationship, disabled), 5c. Total dependents, 5d. Add lines 5a thru 5c.

Federal Adjusted Gross Income section: Enter amounts corresponding to your federal tax return. Round to nearest dollar. If no entry, leave blank. Lines 6-21.

Montana Adjusted Gross Income section: Lines 22-38. Includes Montana additions to federal adjusted gross income and Montana subtractions from federal adjusted gross income.

<b>Taxable Income</b>	39. Montana adjusted gross income from line 38.....39.								
	<b>Deductions</b> (Check only one box)								
	40. (A) Standard Deduction (see Worksheet V on page 18):				(A) <input type="checkbox"/>				
	(B) Itemized Deductions (from Form 2M, Schedule I, line 31):				(B) <input type="checkbox"/> .....40.				
	41. Subtract line 40 from line 39 and enter amount here .....				41.				
<b>Tax</b>	<b>Exemptions</b> (All individuals are entitled to at least one exemption.)								
	42. Multiply \$2,040 by the number of exemptions on line 5d and enter result here .....				42.				
	43. Subtract line 42 from line 41 and enter the result here. If zero or less, enter zero. <b>This is your taxable income.</b> .....				43.				
<b>Credits</b>	44. Tax from the tax table on page 4 of this form. If line 43 is zero, enter zero .....				44.				
	45. 2% capital gains tax credit.....				45.				
	46. Subtract line 45 from 44 and enter the result here. If zero or less, enter zero. <b>This is your resident tax after capital gains tax credit.</b> .....				46.				
<b>Payments and Offsets</b>	47. Nonrefundable single-year credits from Form 2M, Schedule II, line 5.....				47.				
	48. Nonrefundable carryover credits from Form 2M, Schedule II, line 8 .....				48.				
	49. Add lines 47 and 48 and enter the result here. <b>This is your total nonrefundable credits.</b> .....				49.				
	50. Subtract line 49 from line 46 and enter the result here. If zero or less, enter zero. <b>This is your total tax after nonrefundable credits.</b> .....				50.				
<b>Penalty, Interest, Contributions</b>	51. Montana income tax withheld. Attach federal Form(s) W-2 and 1099.....				51.				
	52. 2007 estimated tax payments and amounts applied from your 2006 return .....				52.				
	53. 2007 extension payment from Form EXT-07.....				53.				
	54. Refundable credits from Form 2M, Schedule II, line 11.....				54.				
	55. Add lines 51 through 54 and enter the result here. <b>This is your total payments/offsets.</b> .....				55.				
	56. Subtract line 55 from line 50. <b>This is your net tax due or &lt;overpayment&gt;.</b> .....				56.				
<b>Amount You Owe or Your Refund</b>	57. Interest on underpayment of estimated taxes. (See instructions on page 10.) .....				57.				
	58. Late file, late payment penalties and interest. (See instructions on page 10.) .....				58.				
	59. Medical Care Savings Account 10% penalty .....				59.				
	60. Enter in boxes 60a through 60d your voluntary check-off contributions.								
	Nongame wildlife program	Child abuse prevention	Agriculture in schools	End-stage renal disease program	Sum of 60a through 60d.....	60.			
	60a.	60b.	60c.	60d.					
	61. Add lines 57 through 60 and enter the result here. <b>This is your total penalties, interest and contributions.</b> .....				61.				
62. If the amount on line 56 is a net tax due, add lines 56 and 61 and enter the result here. <b>This is the amount you owe.</b> .....				62.					
Visit our website at mt.gov/revenue to pay by credit card or E-check or make a check payable to MONTANA DEPARTMENT OF REVENUE.									
63. If the amount on line 56 is an overpayment of tax, reduce the overpayment by the amount (if any) reported on line 61 and enter the result here as a positive number.....				63.					
64. Enter the amount of line 63 you want applied to your 2008 estimated taxes .....				64.					
65. Subtract line 64 from line 63 and enter the result here. <b>This is your refund.</b> .....				65.					
If you wish to use direct deposit, enter your RTN# and ACCT# below. See instructions.									
RTN#		ACCT#						<input type="checkbox"/> Checking <input type="checkbox"/> Savings	

May the DOR discuss this return with your tax preparer?  Yes  No Questions? Call (406) 444-6900 or TDD (406) 444-2830 for hearing impaired.

<input type="checkbox"/> Annualized estimated payments. <input type="checkbox"/> Do not mail 2008 forms and instructions.	Name, address and telephone number of paid preparer.  SSN, FEIN or PTIN:	<input type="checkbox"/> Check this box and attach a copy of your federal Form 4868 to receive your Montana extension.
<b>X</b> Your signature is required	Date	Daytime telephone number
<b>X</b> Spouse's signature		Date
I declare under penalty of false swearing that the information in this tax return and attachments is true, correct and complete.		



**Schedule I - Montana Form 2M Itemized Deductions**

Enter your itemized deductions on the corresponding line.  
This schedule should be filed with your Montana Form 2M.

<b>Medical and Dental Expenses</b>	1. Medical and dental expenses .....1.		
	2. Enter amount from Form 2M, line 39.....2.		
	3. Multiply line 2 by 0.075 (7.5%) .....3.		
	4. Subtract line 3 from line 1 and enter result here but not less than zero. <b>This is your deductible medical and dental expense subject to 7.5% of Montana AGI.</b> .....4.		
	5. Medical insurance premiums not deducted elsewhere on your tax return .....5.		
	6. Long term care insurance premiums not deducted elsewhere on your tax return .....6.		
<b>Taxes You Paid</b>	Complete lines 7a through 7d reporting your total federal income tax paid in 2007 before completing line 7e.		
	7a. Federal income tax withheld in 2007 .....7a.		
	7b. Federal estimated tax payments paid in 2007.....7b.		
	7c. 2006 federal income taxes paid in 2007.....7c.		
	7d. Other back year federal income taxes paid in 2007 .....7d.		
	7e. Add lines 7a through 7d and enter result here, but not more than \$5,000 if you are filing single, or head of household, or \$10,000 if filing a joint return with your spouse. <b>This is your federal income tax deduction.</b> ...7e.		
	8. Real estate taxes paid in 2007. ....8.		
	9. Personal property taxes paid in 2007.....9.		
	10. Other deductible taxes. List type and amount: _____ 10.		
	<b>Interest You Paid</b>	11. Home mortgage interest and points reported to you on federal Form 1098..... 11.	
12. Home mortgage interest not reported to you on federal Form 1098. If paid to the person from whom you bought the house, provide name, SSN, and address: _____ 12.			
13. Points not reported to you on federal Form 1098 ..... 13.			
14. Qualified mortgage insurance premiums..... 14.			
15. Investment interest. Attach federal Form 4952..... 15.			
<b>Gifts</b>	16. Contributions made by cash or check during 2007 ..... 16.		
	17. Contributions made other than by cash or check ..... 17.		
	18. Contribution carryover from the prior year..... 18.		
<b>Job Expenses and Certain Miscellaneous Deductions</b>	19. Child and dependent care expenses. Attach Montana Form 2441M ..... 19.		
	20. Casualty and theft loss(es). Attach federal Form 4684..... 20.		
	21. Unreimbursed employee business expenses. Attach federal Form 2106 or 2106EZ .21.		
	22. Other expenses. List type and amount: _____ 22.		
<b>Total Itemized Deductions</b>	23. Add lines 21 and 22 and enter the result here.....23.		
	24. Enter the amount on Form 2M, line 39 here.....24.		
	25. Multiply line 24 by 0.02 (2%) and enter the result here .....25.		
	26. Subtract line 25 from line 23 and enter the result here, but not less than zero .....26.		
	27. Political contributions (limited to \$100 per taxpayer) ..... 27.		
	28. Other miscellaneous deductions not subject to 2% of Montana AGI. List type and amount: _____ 28.		
	29. Add lines 4 through 6; 7e through 20; and 26 through 28 and enter the result here ..... 29.		
	30. Enter the amount from the itemized deduction Worksheet VI, line 11. <b>This is the amount of your non-allowed itemized deductions.</b> .....30.		
31. Subtract line 30 from line 29 and enter the result here and on Form 2M, line 40. <b>These are your allowable itemized deductions.</b> .....31.			

**Schedule II - Montana Form 2M Tax Credits**

Enter your Montana tax credits on the corresponding line.  
File Schedule II with your Montana Form 2M.

**Nonrefundable credits that are single-year credits and HAVE NO carryover provision.**

1. College contribution credit. Attach Form CC. ....	1.	
2. Energy conservation installation credit. Attach Form ENRG-C. ....	2.	
3. Elderly care credit. Attach Form ECC. ....	3.	
4. Developmental disability account contribution credit. ....	4.	
5. Add lines 1 through 4 and enter the result here and on Form 2M, line 47. These are your total nonrefundable single-year credits. ....	5.	

**Nonrefundable credits that HAVE a carryover provision that allow you to carry forward the unused portion of your credit to future tax years.**

6. Alternative energy systems credit. Attach Form ENRG-B. ....	6.	
7. Adoption credit. Attach federal Form 8839. ....	7.	
8. Add lines 6 and 7 and enter the result here and on Form 2M, line 48. These are your total nonrefundable carryover credits. ....	8.	

**Refundable credits are applied against your income tax liability with any remaining balance refunded to you.**

9. Elderly homeowner/renter credit. Attach Form 2EC. ....	9.	
10. \$140 Homeowner income tax credit for property taxes. See instructions on page 16. ....	10.	
11. Add lines 9 and 10 and enter the result here and on Form 2M, line 54. These are your total refundable credits. ....	11.	

**Montana Tax Credits**

We have listed eight credits that can be used when filing Montana Form 2M. However, the Montana legislature has authorized 30 different income tax credits. See Montana Form 2, Schedule V for a list and description of these 30 tax credits that are available. If you are eligible for any of the other credits not listed above, you will have to file Montana Form 2 instead of Form 2M.

There are three categories of credits available to you on your Montana individual income tax return. With the exception of the capital gains tax credit, which is required to be applied before any other credit, (refer to the instructions for Form 2M, line 45) you are not required to apply any of these eight tax credits against your income tax liability in any particular order.

- **Nonrefundable single-year credits.** Your nonrefundable single-year credits can only be used to offset your 2007 resident tax after capital gains credit and cannot reduce

your tax liability below zero. The unused portion of your nonrefundable single-year credits that exceeded your 2007 income tax liability are lost and are unable to be used in future years.

- **Nonrefundable carryover credits.** Your nonrefundable carryover credit can be used to offset your 2007 resident tax after capital gains credit and cannot reduce your tax liability below zero. Your excess nonrefundable credit that is not applied against your 2007 income tax liability can be carried over and used to offset future year tax liabilities.
- **Refundable credits.** Your refundable credits are applied against your income tax liability with any unused credit refunded to you.

**2007 Montana Individual Income Tax Table**

If your taxable income is over	but not over	Multiply your taxable Income by	and subtract	equals your tax	If your taxable income is over	but not over	Multiply your taxable Income by	and subtract	equals your tax
\$0	\$2,500	0.010	\$0		\$9,000	\$11,600	0.050	\$225	
\$2,500	\$4,400	0.020	\$25		\$11,600	\$14,900	0.060	\$341	
\$4,400	\$6,600	0.030	\$69		\$14,900 or more		0.069	\$475	
\$6,600	\$9,000	0.040	\$135						

For example: Taxable income \$4,500 X 0.030 (3%) = \$135. \$135 minus \$69 = \$66 tax.

2007

Montana Individual Income Tax Return

MONTANA

Calendar year income tax return for a Montana resident filing as single, jointly, or head of household.

Form 2M

Amended Return checkbox, Spouse's information, Mailing address, City, State, Zip+4, Deceased checkboxes.

Filing Status (check only one box) 1. Single 2. Married filing jointly 3. Head of Household

4. Resident full year (Only to be used by full-year Montana residents. Nonresidents and part-year residents must use Form 2.)

Exemptions section: 5a. Yourself, 5b. Spouse, table for dependents (5c), and total exemptions (5d).

Federal Adjusted Gross Income section: 6. Wages, salaries, tips, etc. 7a. Taxable interest. 8a. Ordinary dividends. 9. Capital gain or (loss). 10a. IRA distributions. 11a. Pensions and annuities. 12. Unemployment compensation. 13a. Social security benefits. 14. Taxable refunds, credits or offsets of state and local income and property taxes. 15. Add lines 6 through 14 (far right column.) This is your total income. 16. Educator expenses. 17. IRA deduction. 18. Student loan interest deduction. 19. Tuition and fees deduction. 20. Add lines 16 through 19 and enter the result here. This is your total adjustments to income. 21. Subtract line 20 from line 15 and enter the result here. This is your federal adjusted gross income.

Montana Adjusted Gross Income section: 22. Interest and municipal fund dividends state, county, or municipal bonds from other states. 23. Taxable federal refund. 24. Taxable Montana homeowner property tax refund. 25. Addition to federal taxable social security/railroad retirement. 26. Medical care savings account nonqualified withdrawal. 27. Add lines 22 through 26 and enter the result here. This is your Montana additions to federal adjusted gross income. 28. Exempt interest and dividends from federal bonds, notes, and obligations. 29. Exempt unemployment compensation. 30. Partial pension and annuity income exemption. 31. Partial interest exemption for taxpayers 65 and older. 32. Exemption for certain taxed tips and gratuities. 33. Exempt medical care savings account deposits and earnings. 34. Subtraction to federal taxable social security/Tier I Railroad Retirement. 35. Subtraction for federal taxable Tier II Railroad Retirement. 36. Federally taxable refunds, credits or offsets of state income taxes. 37. Add lines 28 through 36 and enter the result here. This is your Montana subtractions from federal adjusted gross income. 38. Add lines 21 and 27, then subtract line 37. This is your Montana adjusted gross income.

<b>Taxable Income</b>	39. Montana adjusted gross income from line 38.....39. <input style="width:100px;" type="text"/>				
	<b>Deductions</b> (Check only one box)				
	40. (A) Standard Deduction (see Worksheet V on page 18): (A) <input type="checkbox"/>		40. (B) Itemized Deductions (from Form 2M, Schedule I, line 31): (B) <input type="checkbox"/> .....40. <input style="width:100px;" type="text"/>		
	41. Subtract line 40 from line 39 and enter amount here .....41. <input style="width:100px;" type="text"/>				
<b>Tax</b>	<b>Exemptions</b> (All individuals are entitled to at least one exemption.)				
	42. Multiply \$2,040 by the number of exemptions on line 5d and enter result here .....42. <input style="width:100px;" type="text"/>				
	43. Subtract line 42 from line 41 and enter the result here. If zero or less, enter zero. <b>This is your taxable income</b> .....43. <input style="width:100px;" type="text"/>				
<b>Credits</b>	44. Tax from the tax table on page 4 of this form. If line 43 is zero, enter zero.....44. <input style="width:100px;" type="text"/>				
	45. 2% capital gains tax credit.....45. <input style="width:100px;" type="text"/>				
	46. Subtract line 45 from 44 and enter the result here. If zero or less, enter zero. <b>This is your resident tax after capital gains tax credit</b> .....46. <input style="width:100px;" type="text"/>				
<b>Payments and Offsets</b>	47. Nonrefundable single-year credits from Form 2M, Schedule II, line 5.....47. <input style="width:100px;" type="text"/>				
	48. Nonrefundable carryover credits from Form 2M, Schedule II, line 8 .....48. <input style="width:100px;" type="text"/>				
	49. Add lines 47 and 48 and enter the result here. <b>This is your total nonrefundable credits</b> .....49. <input style="width:100px;" type="text"/>				
	50. Subtract line 49 from line 46 and enter the result here. If zero or less, enter zero. <b>This is your total tax after nonrefundable credits</b> .....50. <input style="width:100px;" type="text"/>				
<b>Penalty, Interest, Contributions</b>	51. Montana income tax withheld. Attach federal Form(s) W-2 and 1099.....51. <input style="width:100px;" type="text"/>				
	52. 2007 estimated tax payments and amounts applied from your 2006 return .....52. <input style="width:100px;" type="text"/>				
	53. 2007 extension payment from Form EXT-07.....53. <input style="width:100px;" type="text"/>				
	54. Refundable credits from Form 2M, Schedule II, line 11.....54. <input style="width:100px;" type="text"/>				
	55. Add lines 51 through 54 and enter the result here. <b>This is your total payments/offsets</b> .....55. <input style="width:100px;" type="text"/>				
	56. Subtract line 55 from line 50. <b>This is your net tax due or &lt;overpayment&gt;</b> .....56. <input style="width:100px;" type="text"/>				
<b>Penalty, Interest, Contributions</b>	57. Interest on underpayment of estimated taxes. (See instructions on page 10.) .....57. <input style="width:100px;" type="text"/>				
	58. Late file, late payment penalties and interest. (See instructions on page 10.) .....58. <input style="width:100px;" type="text"/>				
	59. Medical Care Savings Account 10% penalty .....59. <input style="width:100px;" type="text"/>				
	60. Enter in boxes 60a through 60d your voluntary check-off contributions.				
	Nongame wildlife program	Child abuse prevention	Agriculture in schools	End-stage renal disease program	Sum of 60a through 60d.....60. <input style="width:100px;" type="text"/>
	60a.	60b.	60c.	60d.	
	61. Add lines 57 through 60 and enter the result here. <b>This is your total penalties, interest and contributions</b> .....61. <input style="width:100px;" type="text"/>				
<b>Amount You Owe or Your Refund</b>	62. If the amount on line 56 is a net tax due, add lines 56 and 61 and enter the result here. <b>This is the amount you owe</b> .....62. <input style="width:100px;" type="text"/> Visit our website at <a href="http://mt.gov/revenue">mt.gov/revenue</a> to pay by credit card or E-check or make a check payable to MONTANA DEPARTMENT OF REVENUE.				
	63. If the amount on line 56 is an overpayment of tax, reduce the overpayment by the amount (if any) reported on line 61 and enter the result here as a positive number.....63. <input style="width:100px;" type="text"/>				
	64. Enter the amount of line 63 you want applied to your 2008 estimated taxes .....64. <input style="width:100px;" type="text"/>				
	65. Subtract line 64 from line 63 and enter the result here. <b>This is your refund</b> .....65. <input style="width:100px;" type="text"/>				
	If you wish to use direct deposit, enter your RTN# and ACCT# below. See instructions. <input type="checkbox"/> Checking <input type="checkbox"/> Savings RTN# <input style="width:100px;" type="text"/> ACCT# <input style="width:100px;" type="text"/>				

If applicable, check appropriate box. <input type="checkbox"/> Annualized estimated payments. <input type="checkbox"/> Do not mail 2008 forms and instructions.	Name, address and telephone number of paid preparer.  SSN, FEIN or PTIN:	<input type="checkbox"/> Check this box and attach a copy of your federal Form 4868 to receive your Montana extension.
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May the DOR discuss this return with your tax preparer?  Yes  No Questions? Call (406) 444-6900 or TDD (406) 444-2830 for hearing impaired.

<b>X</b>		<b>X</b>	
Your signature is required	Date	Daytime telephone number	Spouse's signature

I declare under penalty of false swearing that the information in this tax return and attachments is true, correct and complete.

**Schedule I - Montana Form 2M Itemized Deductions**

Enter your itemized deductions on the corresponding line.  
This schedule should be filed with your Montana Form 2M.

<b>Medical and Dental Expenses</b>	1. Medical and dental expenses.....1.		
	2. Enter amount from Form 2M, line 39.....2.		
	3. Multiply line 2 by 0.075 (7.5%) .....3.		
	4. Subtract line 3 from line 1 and enter result here but not less than zero. <b>This is your deductible medical and dental expense subject to 7.5% of Montana AGI.</b> .....4.		
	5. Medical insurance premiums not deducted elsewhere on your tax return .....5.		
	6. Long term care insurance premiums not deducted elsewhere on your tax return .....6.		
<b>Taxes You Paid</b>	Complete lines 7a through 7d reporting your total federal income tax paid in 2007 before completing line 7e.		
	7a. Federal income tax withheld in 2007 .....7a.		
	7b. Federal estimated tax payments paid in 2007.....7b.		
	7c. 2006 federal income taxes paid in 2007.....7c.		
	7d. Other back year federal income taxes paid in 2007 .....7d.		
	7e. Add lines 7a through 7d and enter result here, but not more than \$5,000 if you are filing single, or head of household, or \$10,000 if filing a joint return with your spouse. <b>This is your federal income tax deduction.</b> ...7e.		
	8. Real estate taxes paid in 2007. ....8.		
	9. Personal property taxes paid in 2007.....9.		
	10. Other deductible taxes. List type and amount: _____ 10.		
	<b>Interest You Paid</b>	11. Home mortgage interest and points reported to you on federal Form 1098..... 11.	
12. Home mortgage interest not reported to you on federal Form 1098. If paid to the person from whom you bought the house, provide name, SSN, and address: _____ 12.			
13. Points not reported to you on federal Form 1098 ..... 13.			
14. Qualified mortgage insurance premiums..... 14.			
15. Investment interest. Attach federal Form 4952..... 15.			
<b>Gifts</b>	16. Contributions made by cash or check during 2007 ..... 16.		
	17. Contributions made other than by cash or check ..... 17.		
	18. Contribution carryover from the prior year..... 18.		
<b>Job Expenses and Certain Miscellaneous Deductions</b>	19. Child and dependent care expenses. Attach Montana Form 2441M ..... 19.		
	20. Casualty and theft loss(es). Attach federal Form 4684..... 20.		
	21. Unreimbursed employee business expenses. Attach federal Form 2106 or 2106EZ .21.		
	22. Other expenses. List type and amount: _____ 22.		
<b>Total Itemized Deductions</b>	23. Add lines 21 and 22 and enter the result here.....23.		
	24. Enter the amount on Form 2M, line 39 here.....24.		
	25. Multiply line 24 by 0.02 (2%) and enter the result here .....25.		
	26. Subtract line 25 from line 23 and enter the result here, but not less than zero .....26.		
	27. Political contributions (limited to \$100 per taxpayer) ..... 27.		
	28. Other miscellaneous deductions not subject to 2% of Montana AGI. List type and amount: _____ 28.		
	29. Add lines 4 through 6; 7e through 20; and 26 through 28 and enter the result here ..... 29.		
	30. Enter the amount from the itemized deduction Worksheet VI, line 11. <b>This is the amount of your non-allowed itemized deductions.</b> .....30.		
31. Subtract line 30 from line 29 and enter the result here and on Form 2M, line 40. <b>These are your allowable itemized deductions.</b> .....31.			

**Schedule II - Montana Form 2M Tax Credits**

Enter your Montana tax credits on the corresponding line.  
File Schedule II with your Montana Form 2M.

**Nonrefundable credits that are single-year credits and HAVE NO carryover provision.**

1. College contribution credit. Attach Form CC. ....	1.	
2. Energy conservation installation credit. Attach Form ENRG-C. ....	2.	
3. Elderly care credit. Attach Form ECC. ....	3.	
4. Developmental disability account contribution credit. ....	4.	
5. Add lines 1 through 4 and enter the result here and on Form 2M, line 47. These are your total nonrefundable single-year credits. ....	5.	

**Nonrefundable credits that HAVE a carryover provision that allow you to carry forward the unused portion of your credit to future tax years.**

6. Alternative energy systems credit. Attach Form ENRG-B. ....	6.	
7. Adoption credit. Attach federal Form 8839. ....	7.	
8. Add lines 6 and 7 and enter the result here and on Form 2M, line 48. These are your total nonrefundable carryover credits. ....	8.	

**Refundable credits are applied against your income tax liability with any remaining balance refunded to you.**

9. Elderly homeowner/renter credit. Attach Form 2EC. ....	9.	
10. \$140 Homeowner income tax credit for property taxes. See instructions on page 16. ....	10.	
11. Add lines 9 and 10 and enter the result here and on Form 2M, line 54. These are your total refundable credits. ....	11.	

**Montana Tax Credits**

We have listed eight credits that can be used when filing Montana Form 2M. However, the Montana legislature has authorized 30 different income tax credits. See Montana Form 2, Schedule V for a list and description of these 30 tax credits that are available. If you are eligible for any of the other credits not listed above, you will have to file Montana Form 2 instead of Form 2M.

There are three categories of credits available to you on your Montana individual income tax return. With the exception of the capital gains tax credit, which is required to be applied before any other credit, (refer to the instructions for Form 2M, line 45) you are not required to apply any of these eight tax credits against your income tax liability in any particular order.

- **Nonrefundable single-year credits.** Your nonrefundable single-year credits can only be used to offset your 2007 resident tax after capital gains credit and cannot reduce

your tax liability below zero. The unused portion of your nonrefundable single-year credits that exceeded your 2007 income tax liability are lost and are unable to be used in future years.

- **Nonrefundable carryover credits.** Your nonrefundable carryover credit can be used to offset your 2007 resident tax after capital gains credit and cannot reduce your tax liability below zero. Your excess nonrefundable credit that is not applied against your 2007 income tax liability can be carried over and used to offset future year tax liabilities.
- **Refundable credits.** Your refundable credits are applied against your income tax liability with any unused credit refunded to you.

**2007 Montana Individual Income Tax Table**

If your taxable income is over	but not over	Multiply your taxable Income by	and subtract	equals your tax
\$0	\$2,500	0.010	\$0	
\$2,500	\$4,400	0.020	\$25	
\$4,400	\$6,600	0.030	\$69	
\$6,600	\$9,000	0.040	\$135	

If your taxable income is over	but not over	Multiply your taxable Income by	and subtract	equals your tax
\$9,000	\$11,600	0.050	\$225	
\$11,600	\$14,900	0.060	\$341	
\$14,900 or more		0.069	\$475	

For example: Taxable income \$4,500 X 0.030 (3%) = \$135. \$135 minus \$69 = \$66 tax.

2007

Montana Elderly Homeowner/Renter Credit

MONTANA

File alone or with your Form 2 or Form 2M. Free electronic filing is available at mt.gov/revenue.

Form 2EC

Amended Return checkbox and instructions.

Form fields for personal information: first name, last name, social security number, date of death, spouse's information, mailing address, city, state, zip+4.

Part I - Qualifications

- Yes/No checkboxes for qualifications: age 62+, Montana residence, gross household income < \$45,000.

If you answered "No" to any of the four statements above, you are not eligible for this credit.

Part II - Household Income

Table for household income calculation with 8 rows and columns for description and amount.

Part III - Credit Computation

Table for credit computation with 17 rows and columns for description and amount.

If your gross household income reported on line 6 is less than \$35,000, skip line 18 and enter the amount from line 17 on line 19 below.

Line 18: multiplier based on gross household income.

Table with 2 columns: 'If the amount on line 6 is' and 'enter this percentage amount on line 18'. Rows show brackets from \$35,000 to \$45,000+ with percentages from 40% to 0%.

Line 19: Enter the amount from line 17, or where applicable, multiply line 17 by the percentage reported on line 18 and enter result here. Includes instructions for Form 2 and 2M.

If you wish to use direct deposit, enter your financial institution's RTN# and ACCT# below. See instructions.

RTN# and ACCT# input fields.

- Checking
Savings

Name, address and telephone number of paid preparer

Preparer SSN or FEIN

May the DOR discuss this return with your tax preparer? Yes No Questions? Call (406) 444-6900 or TDD (406) 444-2830 for hearing impaired.

Signatures and dates: Your signature is required, Date, Daytime telephone number, Spouse's signature, Date.

I declare under penalty of false swearing that the information in this tax return and attachments is true, correct and complete.

**What is the Montana elderly homeowner/renter credit and how can I determine if the credit is available to me?**

The Montana elderly homeowner/renter credit is a property tax relief program that provides you with a refundable credit if you are age 62 or older, have resided in Montana for at least nine months during the year, occupied a Montana residence for at least six months during the year, and your gross household income is less than \$45,000.

**How can I find out more about this credit?**

If you need additional information on this credit or other tax issues, you can call us at (406) 444-6900 or TDD (406) 444-2830, or visit our website at [mt.gov/revenue](http://mt.gov/revenue).

**If I am filing my income tax return electronically, do I have to send a copy of my property tax bill or rent receipts?**

You do not need to send us your property tax bill or rent receipts. When you file electronically, you represent that you have completed Form 2EC and have all required documentation.

**Instructions**

Please write your name, address, and social security number in the space provided near the top of the form. If you are married, also enter your spouse's name and social security number. If either spouse is deceased during the claim year, enter the date of death in the appropriate box. If you are filing this credit with your Montana income tax return, Form 2 or Form 2M, enter the name, address and social security number as it appears on your Form 2 or Form 2M.

**Part I - Qualifications**

You will need to answer all four statements before you apply for your elderly homeowner/renter credit. If you answer *yes* to *all* of these statements, you are eligible for this credit and you should continue to complete this form. Any *no* answer means that you are not eligible for the credit.

- Age 62 test – If you are married and both spouses own or rent your residence, only one of you have to meet the age requirement.
- Nine month test – If you are the personal representative of the estate of an eligible individual who died during the year, you cannot claim this credit if that individual died before October 1, 2007. If you are married filing this return with your spouse, and if your spouse, who would have been the only eligible individual, dies before October 1, 2007, you cannot claim this credit. You can claim this credit only if, as a surviving spouse, you are age 62 or older and you can continue to answer *yes* to the remaining three questions.
- Six month test – You can answer *yes* to this question as long as you have occupied one or more residences as an owner and/or renter during the year.
- Gross household income – Your gross household income includes all income received by individuals in the household.

**Part II - Household Income**

Enter your total household income on lines 1 through 5. Your total household income is all the income received, taxable and nontaxable, by all individuals who live in your household. In addition to federal adjusted gross income, the following are examples of items which are included in household income:

- Inheritances
- Pension and annuity income (this includes railroad retirement and veteran's disability benefits)
- Any capital gains that you excluded from your Montana adjusted gross income
- Alimony and support payments

- Nontaxable strike benefits
- Cash public assistance and relief
- Interest on federal, state, county, and municipal bonds
- All social security payments except those paid directly to a nursing home
- Federal income tax refunds
- State income tax refunds and elderly homeowner/renter credits allowed

Some items above may involve a basis. If applicable, you may reduce your income by the basis. Do not reduce your household income by any losses that you included in your federal adjusted gross income.

**Part III - Credit Computation**

You will need to attach a copy of your 2007 property tax bill and/or your signed rent receipts.

**Line 9 – Property Tax Billed.** Your property tax billed is your November, 2007 property tax statement of taxes assessed against your home and it includes your special assessments and fees. Do not include any amounts assessed for prior years but paid during 2007.

You are allowed only the property tax billed on your primary residence and up to one-acre of land that is associated with this residence. If the one-acre farmstead or primary acre is not separately identified on your tax bill and if your ownership is less than 20 acres, you can calculate your credit by dividing the total amount of property tax billed on the land by the total acres in order to arrive at your property tax billed.

If your property tax bill is on property that you held in a revocable trust and if you are the grantor(s) and trustee(s) of that property, you can qualify for this credit. If your property taxes are billed to your living trust or life estate, you can qualify for this credit. Property tax that is billed to an irrevocable or family trust qualifies as rent only.

**Line 10 – Rent Equivalent Paid.** Your rent is only the amount of money that you paid to occupy your home. It does not include amenities such as meals, housekeeping, nursing care, etc. If you live in a health care, long-term care, personal care or residential care facility, the rent allowed is the actual out of pocket rent that you paid. If the facility does not provide you with an adequate breakdown between your *rent* and *amenities*, your rent is limited to \$20 a day and it cannot exceed \$7,300 a year.

Household Income Reduction Table					
If your household income on line 8 is:					
At least	But not more than	Your multiplier is	At least	But not more than	Your multiplier is
\$0	\$1,999	0.000	\$7,000	\$7,999	0.035
\$2,000	\$2,999	0.006	\$8,000	\$8,999	0.039
\$3,000	\$3,999	0.016	\$9,000	\$9,999	0.042
\$4,000	\$4,999	0.024	\$10,000	\$10,999	0.045
\$5,000	\$5,999	0.028	\$11,000	\$11,999	0.048
\$6,000	\$6,999	0.032	\$12,000	and over	0.050

**Direct Deposit**

If you want your refund to be deposited directly, enter your financial institution's routing and account numbers. If either the routing number or account number is incorrect, we cannot credit your account. If your direct deposit is returned to us, we will mail you a check.

**NEW** **File your Form 2EC electronically!** If you are not required to file Montana Form 2 or Form 2M, you can now file your Form 2EC at our website, [mt.gov/revenue](http://mt.gov/revenue).

**If you choose not to file electronically and you are not required to file Montana Form 2 or Form 2M, please mail your Form 2EC to Department of Revenue, PO Box 6577, Helena, MT 59604-6577**



2007

Montana Elderly Homeowner/Renter Credit

MONTANA

File alone or with your Form 2 or Form 2M. Free electronic filing is available at mt.gov/revenue.

Form 2EC

Amended Return checkbox and instructions.

Form fields for personal information: first name, last name, social security number, date of death, spouse's information, mailing address, city, state, zip+4.

Part I - Qualifications

- Qualification questions: 'I was age 62 or older as of December 31, 2007.', 'I resided in Montana for nine months or more during 2007.', 'I occupied a Montana residence as an owner or renter for a total of six months or more during 2007.', 'My gross household income was less than \$45,000 in 2007.'

If you answered "No" to any of the four statements above, you are not eligible for this credit.

Part II - Household Income

Household income calculation table with 8 rows for different income sources and a final total of \$6,300.

Part III - Credit Computation

Credit computation table with 17 rows for tax calculations, resulting in a net household income.

If your gross household income reported on line 6 is less than \$35,000, skip line 18 and enter the amount from line 17 on line 19 below.

Line 18: Multiplier selection based on gross household income.

Table with 2 columns: 'If the amount on line 6 is' and 'enter this percentage amount on line 18'. Rows range from \$35,000-\$37,500 (40%) to \$45,000 and over (0%).

Line 19: Calculation of elderly homeowner/renter credit with instructions and a 'Do not mail 2008 forms' checkbox.

If you wish to use direct deposit, enter your financial institution's RTN# and ACCT# below. See instructions.

RTN# and ACCT# input fields.

- Checking
Savings

Name, address and telephone number of paid preparer

Preparer SSN or FEIN

May the DOR discuss this return with your tax preparer? Yes No Questions? Call (406) 444-6900 or TDD (406) 444-2830 for hearing impaired.

Signatures and dates: Your signature is required, Date, Daytime telephone number, Spouse's signature, Date.

I declare under penalty of false swearing that the information in this tax return and attachments is true, correct and complete.

**What is the Montana elderly homeowner/renter credit and how can I determine if the credit is available to me?**

The Montana elderly homeowner/renter credit is a property tax relief program that provides you with a refundable credit if you are age 62 or older, have resided in Montana for at least nine months during the year, occupied a Montana residence for at least six months during the year, and your gross household income is less than \$45,000.

**How can I find out more about this credit?**

If you need additional information on this credit or other tax issues, you can call us at (406) 444-6900 or TDD (406) 444-2830, or visit our website at [mt.gov/revenue](http://mt.gov/revenue).

**If I am filing my income tax return electronically, do I have to send a copy of my property tax bill or rent receipts?**

You do not need to send us your property tax bill or rent receipts. When you file electronically, you represent that you have completed Form 2EC and have all required documentation.

**Instructions**

Please write your name, address, and social security number in the space provided near the top of the form. If you are married, also enter your spouse's name and social security number. If either spouse is deceased during the claim year, enter the date of death in the appropriate box. If you are filing this credit with your Montana income tax return, Form 2 or Form 2M, enter the name, address and social security number as it appears on your Form 2 or Form 2M.

**Part I - Qualifications**

You will need to answer all four statements before you apply for your elderly homeowner/renter credit. If you answer *yes* to *all* of these statements, you are eligible for this credit and you should continue to complete this form. Any *no* answer means that you are not eligible for the credit.

- Age 62 test – If you are married and both spouses own or rent your residence, only one of you have to meet the age requirement.
- Nine month test – If you are the personal representative of the estate of an eligible individual who died during the year, you cannot claim this credit if that individual died before October 1, 2007. If you are married filing this return with your spouse, and if your spouse, who would have been the only eligible individual, dies before October 1, 2007, you cannot claim this credit. You can claim this credit only if, as a surviving spouse, you are age 62 or older and you can continue to answer *yes* to the remaining three questions.
- Six month test – You can answer *yes* to this question as long as you have occupied one or more residences as an owner and/or renter during the year.
- Gross household income – Your gross household income includes all income received by individuals in the household.

**Part II - Household Income**

Enter your total household income on lines 1 through 5. Your total household income is all the income received, taxable and nontaxable, by all individuals who live in your household. In addition to federal adjusted gross income, the following are examples of items which are included in household income:

- Inheritances
- Pension and annuity income (this includes railroad retirement and veteran's disability benefits)
- Any capital gains that you excluded from your Montana adjusted gross income
- Alimony and support payments

- Nontaxable strike benefits
- Cash public assistance and relief
- Interest on federal, state, county, and municipal bonds
- All social security payments except those paid directly to a nursing home
- Federal income tax refunds
- State income tax refunds and elderly homeowner/renter credits allowed

Some items above may involve a basis. If applicable, you may reduce your income by the basis. Do not reduce your household income by any losses that you included in your federal adjusted gross income.

**Part III - Credit Computation**

You will need to attach a copy of your 2007 property tax bill and/or your signed rent receipts.

**Line 9 – Property Tax Billed.** Your property tax billed is your November, 2007 property tax statement of taxes assessed against your home and it includes your special assessments and fees. Do not include any amounts assessed for prior years but paid during 2007.

You are allowed only the property tax billed on your primary residence and up to one-acre of land that is associated with this residence. If the one-acre farmstead or primary acre is not separately identified on your tax bill and if your ownership is less than 20 acres, you can calculate your credit by dividing the total amount of property tax billed on the land by the total acres in order to arrive at your property tax billed.

If your property tax bill is on property that you held in a revocable trust and if you are the grantor(s) and trustee(s) of that property, you can qualify for this credit. If your property taxes are billed to your living trust or life estate, you can qualify for this credit. Property tax that is billed to an irrevocable or family trust qualifies as rent only.

**Line 10 – Rent Equivalent Paid.** Your rent is only the amount of money that you paid to occupy your home. It does not include amenities such as meals, housekeeping, nursing care, etc. If you live in a health care, long-term care, personal care or residential care facility, the rent allowed is the actual out of pocket rent that you paid. If the facility does not provide you with an adequate breakdown between your *rent* and *amenities*, your rent is limited to \$20 a day and it cannot exceed \$7,300 a year.

Household Income Reduction Table					
If your household income on line 8 is:					
At least	But not more than	Your multiplier is	At least	But not more than	Your multiplier is
\$0	\$1,999	0.000	\$7,000	\$7,999	0.035
\$2,000	\$2,999	0.006	\$8,000	\$8,999	0.039
\$3,000	\$3,999	0.016	\$9,000	\$9,999	0.042
\$4,000	\$4,999	0.024	\$10,000	\$10,999	0.045
\$5,000	\$5,999	0.028	\$11,000	\$11,999	0.048
\$6,000	\$6,999	0.032	\$12,000	and over	0.050

**Direct Deposit**

If you want your refund to be deposited directly, enter your financial institution's routing and account numbers. If either the routing number or account number is incorrect, we cannot credit your account. If your direct deposit is returned to us, we will mail you a check.

**NEW** **File your Form 2EC electronically!** If you are not required to file Montana Form 2 or Form 2M, you can now file your Form 2EC at our website, [mt.gov/revenue](http://mt.gov/revenue).

**If you choose not to file electronically and you are not required to file Montana Form 2 or Form 2M, please mail your Form 2EC to Department of Revenue, PO Box 6577, Helena, MT 59604-6577**

federal adjusted gross income on your Form 2M, line 34. If your social security benefits are greater than those that you reported on Form 2M, line 13b, you should report that difference as an addition to federal adjusted gross income on your Form 2M, line 25.

**Line 35 - Tier II Railroad Retirement.** If any of your retirement income is from Tier II Railroad Retirement, these benefits are 100% exempt from Montana taxation. You should exclude your entire taxable Tier II Railroad Retirement benefits on Form 2M, line 35.

**NEW Line 36 - Federally taxable refunds, credits or offsets of state income taxes.** If you received a state income tax refund that you were required to include in your federal adjusted gross income, enter that amount on line 36. Refunds of state income tax are not included in your Montana taxable income.

**Line 38 -** Add lines 21 and 27 then subtract line 37. This is your Montana adjusted gross income.

**Line 40 - Standard or Itemized Deductions.** In most cases, your state income tax will be less if you take the larger of either your itemized deductions or the standard deduction.

When you claim your standard deduction or itemized deductions, remember to check the box on line 40 that identifies which method you are using. If you do not check the appropriate box, this will delay the processing of your tax return.

- **Standard Deduction.** To calculate your standard deduction, complete Worksheet V, on page 18.
- **Itemized Deductions.** To figure your itemized deductions, complete Form 2M, Schedule I. You can find the instructions for Form 2M, Schedule I on page 11 of this instruction booklet.

**Line 42 - Exemption.** You are entitled to at least one exemption (your own). Multiply \$2,040 times the number of exemptions that you have claimed on Form 2M, line 5d and enter the result on line 42.

**Line 43 - Taxable Income.** To compute your taxable income, subtract line 42 from line 41 and enter the result on line 43.

### Tax Computation

**Line 44 -** Compute your tax using the tax table below.

2007 Tax Brackets and Table			
If your taxable income on Form 2M, line 43 is:			
At least	But less than	Then your tax is	Less:
\$0	\$2,500	1% of your taxable income	
\$2,500	\$4,400	2% of your taxable income	(\$25)
\$4,400	\$6,600	3% of your taxable income	(\$69)
\$6,600	\$9,000	4% of your taxable income	(\$135)
\$9,000	\$11,600	5% of your taxable income	(\$225)
\$11,600	\$14,900	6% of your taxable income	(\$341)
\$14,900 or more		6.9% of your taxable income	(\$475)

For example: Taxable income \$4,500 X 0.03(3%) = \$135. \$135 minus \$69 = \$66 tax

**Line 45 - Capital Gains Tax Credit.** You can claim a capital gains credit against your Montana income tax of up to 2% of the net capital gains that you reported on Form 2M, line 9. This credit is nonrefundable since it is applied directly against your income tax liability and it cannot reduce this liability below zero. This credit cannot be carried back or carried forward and it is applied before any other credits.

### Nonrefundable Credits

**Line 47 - Nonrefundable Single-year Credits.** You may be eligible for one or more of the 12 nonrefundable single-year credits that are available on Montana tax forms. However, only four are available when you elect to file Form 2M. Complete Schedule II, lines 1 through 5 to determine the amount of your nonrefundable single-year credits that you need to enter on Form 2M, line 47. Refer to the instructions on Montana tax credits for Form 2 for a detailed explanation of all 12 nonrefundable single-year credits. If you are eligible for any of the eight other nonrefundable credits, you should file Form 2.

**Line 48 - Nonrefundable Carryover Credits.** You may be eligible for one or more of the 13 nonrefundable carryover credits that are available on Montana tax forms. However, only the Alternative Energy Systems credit and Adoption credit are available when you elect to file Form 2M. Complete Schedule II, lines 6 through 8, to determine the amount of your nonrefundable carryover credit that you need to enter on Form 2M, line 48. Refer to the section of instructions on Montana tax credits for Form 2 for a detailed explanation of all 13 nonrefundable carryover credits. If you are eligible for any of the 11 other nonrefundable carryover credits, you should file Form 2.

### Payments and Offsets

**Line 51 - Montana Income Tax Withheld.** Enter on Form 2M, line 51, the amount of the Montana income tax withheld from your income and reported in Box 17 of your federal Form W-2, or in Box 10 of your federal Form 1099-R. When you claim Montana income tax withheld, you are required to attach to your tax return a copy of your withholding statement(s) (federal Forms W-2 or 1099-R).

**Line 52 - Estimated Tax Payments.** If you have made estimated income tax payments for tax year 2007, enter on line 52 the amount of these estimated tax payments. Include the 2006 refund that you requested us to apply to your 2007 estimated income tax payments. Do not include in this total any income taxes paid for a previous year since these are not estimated taxes paid for tax year 2007.

**Line 53 - Extension Payment.** If you made an extension payment on or before April 15, 2008 in order to qualify for an automatic six-month extension to file your income tax return, enter that amount on Form 2M, line 53. To determine whether you need to make an extension payment, complete the Six-Month Extension Payment Calculation Worksheet, Montana Form EXT-07.

**Line 54 - Refundable Credits.** You may be eligible for one or more of the five refundable credits that are available on Montana tax forms. However, only the Elderly Homeowner/

Renter and the \$140 Homeowner Income Tax Credit for Property Taxes are available when you file Form 2M. Complete Schedule II, lines 9 through 11 to determine the amount of your refundable credits that you need to enter on Form 2M, line 54. Refer to the instructions for Montana tax credits on Form 2M, Schedule II, for a detailed explanation of these refundable credits. If you are eligible for any of the three other refundable credits, you should file Form 2.

**The Amount You Owe**

**Line 57 - Interest on Underpayment of Estimated Taxes.**

You are required to pay your income tax liability throughout the year. You can make your payments through employer withholding, installment payments of estimated taxes, or a combination of both.

If you did not pay in advance at least 90% of your 2007 income tax liability (after applying your credits) or 100% of your 2006 income tax liability (after applying your credits), you may have to pay interest on the underpayment of your estimated tax.

To calculate your interest, please complete either Worksheet VII that is on page 19 of these instructions or Form EST-I, Interest on Underpayment of Estimated Tax Payments. You can access this form by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or by calling us at (406) 444-6900.

**Line 58 - Late File, Late Payment Penalties and Interest.**

- **Late File Penalty.** If you file your tax return after April 15, 2008, or October 15, 2008 with a valid extension, you will be assessed a late file penalty if the amount on line 56 is a tax due. The penalty is equal to the lesser of \$50 or the amount of tax you owe. If you are filing your tax return late and you have a refund, you are not assessed a late file penalty.

To calculate your late file penalty, compare the amount on line 56 to \$50. Your late file penalty is the lesser of these amounts.

- **Late Payment Penalty.** If you have not paid 100% of your income tax liability by April 15, 2008, you are liable for a late payment penalty. Your late payment penalty is equal to 1.2% per month or fraction of a calendar month on the unpaid balance from April 15, 2008 until it is paid. For example, if you do not pay your tax due until May 10, 2008, your late payment penalty will be 2.4% (two months or fractions of a month x 1.2%) of the unpaid tax. Please remember that an extension to file your tax return does not give you an extension to pay your tax.

To calculate your late payment penalty, multiply the amount on line 56 by 1.2% per month or fraction of a calendar month that your payment is late. In no instance will your late payment penalty exceed 12% (10 months X 1.2%) of the unpaid tax.

- **Interest.** If you have not paid 100% of your income tax liability by April 15, 2008 you will have to pay 8% annual interest, computed daily on your unpaid balance.

To calculate your interest, multiply the amount on line 56 by 0.0002192 (0.02192%) times the number of days after April 15, 2008 your payment is received.

Please remember that a valid extension of time to file your tax return by October 15, 2008 does not extend your time for paying your income tax by April 15, 2008.

If you owe more than one of the items listed above, enter each applicable amount in the worksheet below.

Type	Amount
Late file penalty	_____
Late payment penalty	_____
Interest	_____
Total	_____

Enter the total on Form 2M, line 58. (You may wish to keep this information as part of your records for future reference.)

**Line 59 - Medical Care Savings Account 10% Penalty.**

If you withdrew funds from your medical care savings account for purposes other than to pay for eligible medical costs, you are required to pay a 10% penalty on this withdrawal unless you made this withdrawal on the last business day of your business year, which is the last weekday in December. Complete Form MSA-P and enter the amount of the penalty on line 59 and attach a copy of Form MSA-P to your income tax return.

**Montana Check-offs**

**Line 60 - Montana Check-off Programs.** Montana's tax statutes provide you with the opportunity to contribute, via your income tax return, to the following programs. You can contribute any amount to any one of these four programs. Your contribution will increase the amount you owe or reduce the amount of your refund.



- **Line 60a - Nongame Wildlife Program.** Your contributions to this program are used to ensure the well-being of Montana's watchable wildlife species, such as eagles, herons, bluebirds, great horned owls, loons, chipmunks, pikas, flying squirrels and painted turtles.



- **Line 60b - Child Abuse Prevention Program.** Your contributions to this program fund services and activities related to the prevention of child abuse and neglect. In addition, if you enclose a separate check with your timely filed tax return, you are allowed to take an itemized deduction for the amount of the contribution on the tax return you are filing with this contribution.



- **Line 60c - Agriculture in Montana Schools Program.** Your contributions to this program fund the development and presentation of educational programs. This program ensures Montana's young people have a better understanding of agriculture in our state and how it relates to the rest of the world.



- Line 60d - End-stage Renal Disease Program.** Your contributions fund a program for persons suffering from end-stage renal disease. This program assists persons suffering from chronic renal disease in obtaining the medical, nursing, pharmaceutical and technical services necessary to care for the disease.

### Line 61 - Total penalties, interest and contributions.

Add lines 57 through 60 and enter the result on line 61. This is your total tax, penalties, interest and check-off program contributions.

**Line 62 - Amount That You Owe.** If the amount on line 56 is a net tax due, add lines 56 and 61 and enter the result. This is the amount you owe.

You can pay the amount you owe by personal check, money order, cashier's check, credit card or e-check. When you send your payment, please make it payable to the Montana Department of Revenue and use the coupon that we have provided with this income tax booklet. When you pay by personal check, money order or cashier's check, please write your social security number and the tax year 2007 on the memo line of your check.

If you wish to pay the amount that you owe by credit card or e-check, visit our website at [mt.gov/revenue](http://mt.gov/revenue) and access Income Tax Express. We accept only Visa or Mastercard when you use a credit card.

If you cannot pay the entire amount that you owe with your tax return, we encourage you to file your tax return timely and pay as much as possible. By filing and paying as much as you can by April 15, 2008, you will not be assessed a late file penalty and you can reduce the amount of your late payment penalties and interest that is assessed against your outstanding balance. If you need to establish a payment plan, please call us at (406) 444-6900 as soon as possible to discuss your options and make payment arrangements.

### Your Refund

**Line 63 -** If the amount on line 56 is an overpayment of tax, reduce the overpayment by the amount (if any) reported on line 61. Enter the result as a positive number.

**Line 64 -** Enter the amount of your overpayment from line 63 that you want to be applied to your 2008 estimated taxes.

**Line 65 - Your Refund.** Subtract line 64 from line 63 and enter the result on line 65. This is the amount of your refund. Only refunds greater than \$1.00 will be issued.

If you wish to use direct deposit, in the space provided enter your financial institution's routing number (RTN#), your account number (ACCT#) and whether this account is your checking or savings account. Your routing number will be nine digits and your account can be up to 17 characters (both numeric and alpha). A sample of a personal check is provided for your convenience. Your direct deposit will be rejected if the routing number or account number is

incorrectly listed. If your direct deposit is rejected, we will mail you a refund check.

## Form 2M, Schedule I - Montana Itemized Deductions

You should use Form 2M, Schedule I, to calculate your itemized deductions, but remember that your Montana itemized deductions may be different from your federal itemized deductions. There are federal deductions that are not allowed on your Montana income tax return and state deductions that are allowed only on the Montana income tax return.

**Line 1 - Medical Expenses.** Enter your medical expenses paid in 2007 after you have deducted from these expenses any payments that you received from your insurance company or other sources. These expenses are the same medical and dental expenses that are allowed under the Internal Revenue Code with the exception of the following expenses that are not deductible on line 1:

- medical insurance and long-term care insurance premiums paid in 2007 claimed as a deduction on your Form 2M, Schedule I, lines 5 and 6.
- medical expenses paid with funds withdrawn from your Montana medical care savings account.

**Lines 2 and 3 -** Your medical expenses reported on Schedule I, line 1, should be reduced by 0.075 (7.5%) of your Montana adjusted gross income. Enter on line 2, the amount that you reported on Form 2M, line 39. Multiply the amount on line 2 by 0.075 (7.5%) and enter the result on Schedule I, line 3.

### Line 4 - Deductible Medical and Dental Expenses.

Subtract line 3 from line 1 and enter the result on line 4, but do not enter an amount less than zero. This is your allowable deduction for medical and dental expenses.

**Line 5 - Medical Insurance Premiums.** If you pay your own medical insurance premiums for coverage for yourself and your family, you may be eligible to deduct 100% of these medical insurance premiums. To determine whether you can deduct 100% of your medical insurance premiums, you have to meet the following criteria:

- Your premiums have to be paid for health and medical insurance coverage. Your life insurance premiums are not deductible.
- Your premiums cannot have been paid through a federal or state medical care savings account, such as the federal Health Savings Account or the Montana Medical Care Savings Account.

- Your premiums cannot have been paid through an employer health benefit cafeteria plan in which your premium payments are considered *pre-taxed* payment and therefore not subject to federal or state income tax withholding, federal social security or federal Medicare payments. If you are unsure whether your employer has a health benefit cafeteria plan, you may want to check with your employer's payroll office to discover whether your medical insurance premiums are covered by a health benefit cafeteria plan.
- Your premiums cannot be deducted as Medicare A premiums from your social security benefits. However, Medicare B premiums that are deducted from your social security benefits are 100% deductible on line 5.
- Medicare taxes that are withheld from your wages or paid as part of your self-employment tax, are not deductible on line 5.

**Line 6 - Long-term Care Insurance Premiums.** If you pay for long-term care insurance premiums, you may be eligible to deduct 100% of the long-term care insurance premiums that you paid. To determine whether you can deduct 100% of your long-term care insurance premiums, you have to meet the following criteria:

- Your premiums have to be for long-term care coverage primarily for any qualified long-term care service that provides for the necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative service and personal care that is required for a chronically ill individual who is under the prescribed care of a licensed health care practitioner.
- Your premiums that you paid were for long-term care for yourself, your dependents, your parents or your grandparents.
- Your premiums have not been deducted elsewhere on your tax return when you determined your Montana adjusted gross income.
- Your premiums were not considered as qualified elderly care expenses when you claimed the elderly care credit that you reported on Schedule II, line 3.

**Lines 7a through 7e - Federal Income Tax Deduction.**

Montana allows federal income taxes paid during the year as an itemized deduction. The deduction is limited to \$5,000 if you are filing as single or head of household. If your filing status is married filing jointly, the deduction is limited to \$10,000.

Complete lines 7a through 7d to report your 2007 federal income tax paid.

- **Line 7a - Federal Income Tax Withheld.** Enter the total amount of the federal income tax withheld that was reported to you on your federal Forms W-2 and/or 1099.
- **Line 7b - Federal Estimated Tax Payment Paid in 2007.** Enter the total amount of the federal estimated income tax payments that you made in 2007. When you claim federal estimated tax payments, you should attach a copy of your federal Form 1040 or 1040A, pages 1 and 2.

- **Line 7c - 2006 Federal Income Taxes Paid in 2007.** Enter the balance of the total amount of the 2006 federal income tax that you paid in 2007.
- **Line 7d - Additional Back Year Federal Income Taxes Paid in 2007.** Enter the total amount of additional back year federal income taxes that you paid in 2007. For example, you may have paid additional 2004 federal income taxes in 2007.
- **Line 7e - Federal Income Tax Deduction.** Beginning with tax year 2005 your federal tax deduction is limited as follows:
  - If your filing status is single or head of household, you should deduct the lesser of \$5,000 or the sum of lines 7a through 7d.
  - If you file your Montana income tax return jointly with your spouse, your federal income tax deduction is limited to the lesser of \$10,000 or the sum of lines 7a through 7d.

**Line 8 - Real Estate Taxes Paid in 2007.** Enter any real estate taxes that you paid in 2007 on real estate that you own and that was not used for business. If you qualify and then apply for the elderly homeowner/renter credit, do not confuse this amount with the amount of your property tax billed that is used to determine the amount of your elderly homeowner/renter credit. See Montana Form 2EC for information on the Montana elderly homeowner/renter credit.

**Line 9 - Personal Property Taxes Paid in 2007.** Enter any personal property taxes that you paid in 2007. In order to claim this deduction, these personal property taxes have to be based on value and charged on a yearly basis.

Your motor vehicle taxes that are based on the vehicle's value are considered a personal property tax and are deductible on line 9. Your motor vehicle fees that are not based on the vehicle's value are not deductible with the exception of the Montana light vehicle registration fee that is deductible—even though it is based not on the vehicle's value, but on the age of the vehicle. However, any light vehicle registration fee that you pay to another state is not deductible on your Montana tax return. The taxes and fees listed on your Montana vehicle registration receipt that are deductible on line 9 include codes 14-COOPT and 61-LVREG.

**Line 10 - Other Deductible Taxes.** Enter any other deductible taxes that you paid in 2007 and that you did not report on lines 7a through 9. When you claim these other deductible taxes, list on line 10 the type and amount of tax that you paid. Please refer to federal regulations to determine which taxes may be deductible.

Taxes you may be able to deduct include generation skipping transfer taxes imposed on income distributions, environmental taxes imposed under section 59A of the Internal Revenue Code and taxes paid to a foreign country. Please note that you can only deduct foreign taxes on your Montana tax return if you elected to claim them as a deduction on your federal tax return.

You cannot take a deduction on your Montana individual income tax return for the following taxes that you paid in

2007: state income tax, federal excise tax, social security tax, Medicare tax, gasoline tax, lodging tax, alcoholic beverage tax, cigarette and tobacco taxes or selective sales taxes. Also, you cannot take a deduction for certain license fees paid in 2007—such as a hunting, fishing or driver's license fee.

**Line 11 - Home Mortgage Interest.** Enter your home mortgage interest and points allowed by federal law that was reported to you on your federal Form 1098.

**Line 12 - Home Mortgage Interest Not Reported on Federal Form 1098.** Enter any home mortgage interest that you paid that was not reported on your federal Form 1098. If you bought your home from another person, write that person's name, social security number and address in the space provided on line 12.

**Line 13 - Points Not Reported to You on Federal Form 1098.** Enter any points that you paid that were not reported to you on federal Form 1098.

**NEW Line 14 - Qualified Mortgage Insurance Premiums.**

A federal change allows individuals who entered into a contract for qualified mortgage insurance in 2007 to claim the premiums paid during the year as an itemized deduction. "Qualified mortgage insurance" means insurance provided by the Veterans Administration, the Federal Housing Administration, the Rural Housing Administration or private mortgage insurance. In order to be eligible, the loan must have been issued during 2007 for you to buy or build your primary residence and the loan must be secured by that residence. Insurance on a loan not used to build or buy a residence such as an equity loan used to consolidate debt is not eligible even if the loan is secured by your residence. Mortgage insurance premiums you paid or accrued on any mortgage insurance contract issued before January 1, 2007, are not deductible as home mortgage interest. Mortgage insurance premiums you paid or accrued after December 31, 2007, or that are properly allocable to any period after December 31, 2007, are not deductible as home mortgage interest.

The deduction amount you can claim on your Montana tax return is the same amount you can claim on your federal tax return. If you did not itemize your deductions on your federal return, complete the Qualified Mortgage Insurance Premium Worksheet on page 17 to determine the amount you can deduct.

**Line 15 - Investment Interest.** Enter the investment interest deduction that you computed on your federal Form 4952. You cannot use your interest expense that is related to exempt income when you compute your investment interest deduction.

**Line 16 - Contributions Made by Cash or Check.** The contributions allowed as a deduction in computing your net income for Montana income tax purposes are those same contributions allowed as a deduction for federal income tax purposes—with the following exceptions:

- Your contributions made in 2007 to the Montana veterans' service special revenue account, the Montana state veterans' cemetery program, or the surcharge for the purchasing of the Montana patriotic specialty

license plate, are included as an itemized deduction on your Montana income tax return as long as you did not already include these contributions as part of your federal contribution deduction. For further instructions about this contribution, see Montana Form VT.

- When you apply the federal 50%, 30% and 20% contribution limitations, you should use your Montana adjusted gross income instead of your federal adjusted gross income when you determine your contributions that are allowed.
- Any portion of a contribution that you used to calculate your qualified endowment tax credit cannot also be claimed as a contribution deduction.
- Any portion of a contribution that you used to calculate your developmental disability account contribution cannot also be claimed as a contribution deduction.

Enter your contributions made by cash or check on Schedule I, line 16.

**Line 17 - Contributions Made Other Than by Cash or Check.** Your non-cash contributions allowed as a deduction for Montana income tax purposes are those same non-cash contributions that are allowed as a deduction for federal income tax purposes—with the following exceptions:

- When you apply the federal 50%, 30% and 20% contribution limitations, you should use your Montana adjusted gross income instead of your federal adjusted gross income when you determine your contribution that is allowed.
- Any portion of a contribution that you used to calculate your qualified endowment tax credit cannot also be claimed as a contribution deduction.

Enter the contributions that you made with other than cash on Schedule I, line 17.

**Line 18 - Contribution Carryover from the Prior Year.**

Enter any contribution carryover amounts that you were not allowed to deduct in an earlier year because they exceeded your Montana adjusted gross income limitation.

**Line 19 - Child and Dependent Care Expense.** If you pay for household or dependent care services for a child under the age of 15 or for a disabled dependent while you are searching for gainful employment, or while you and your spouse both were at work, you can qualify for a child and dependent care expense deduction.

To qualify for this deduction, you have to maintain a household for a child under the age of 15 or for a dependent or spouse who is unable to care for himself or herself. You also have to meet the following income level requirements.

You qualify if you and/or your spouse's total Montana adjusted gross income is:	
Under	And You Have
\$22,800	1 child
\$25,200	2 children
\$27,600	3 or more children

If you are a licensed and registered daycare operator who operates a family daycare home or a group daycare home

and if you care for your own child in addition to at least one other unrelated child, you can deduct the employment related expenses considered to have been paid by you for the care of your own child.

For further information on the child and dependent care expense deduction, see the instructions on Montana Form 2441M. When you claim this deduction, please complete Montana Form 2441M and attach a copy of it to your Montana income tax return.

**Line 20 - Casualty and Theft Loss.** If you have a casualty and theft loss, you should complete federal Form 4684 to figure the amount of the Montana loss that you can enter on line 20. To determine your casualty and theft loss, you should use your Montana adjusted gross income in place of the federal adjusted gross income.

**Line 21 - Unreimbursed Employee Business Expenses.** When you deduct the unreimbursed employee business expenses on your Montana income tax return, you should use the same expenses that are allowed on your federal income tax return. To claim these expenses, you will need to complete federal Form 2106 or 2106EZ.

**Line 22 - Other Expenses.** Enter other expenses that are allowed on your federal income tax return. Examples of these expenses include, but are not limited to, your tax preparation fee, certain legal and accounting fees, clerical help, and office rent and custodial fees.

**Line 23** - Add lines 21 and 22 and enter the result on line 23.

**Lines 24 and 25** - Your unreimbursed employee business expenses and other expenses reported on lines 21 and 22 are only deductible to the extent these expenses exceed 2% of your Montana adjusted gross income. Enter on line 24 the amount that you reported on Form 2M, line 39. Multiply the amount on line 24 by 0.02 (2%) and enter the result on line 25.

**Line 26** - Subtract line 25 from line 23 and enter the result on line 26. This is the amount of your unreimbursed employee business expenses and other expenses that are deductible in computing your net income.

**Line 27 - Political Contributions.** When you compute your net income, you can take a deduction for political contributions that you made during the year. These contributions are limited to a total of \$100 for yourself and, if married, a total of \$100 for your spouse. To qualify for this deduction, your contribution of money has to be made to:

- An individual who is a candidate for nomination or election to any federal, state, or local public office in a primary, general or special election;
- Any committee, association or organization set up to campaign for the nomination or election to any federal, state or local public office in a primary, general or special election;
- A national committee or a national political party;
- A state committee of a national political party; or
- A local committee of a national political party.

**Line 28 - Other Miscellaneous Deductions Not Subject to 2% of Montana Adjusted Gross Income.** When you compute your net income, you can take a deduction for other miscellaneous expenses that are not subject to 2% of your Montana adjusted gross income. These deductions are the same deductions that are allowed on your federal income tax return. They include a deduction for expenses paid in purchasing organic fertilizer and inorganic fertilizer that is produced as a by-product of mining or industrial operations in Montana. Other deductions you may be allowed are per capita livestock fees imposed for enforcement of the livestock laws of the state and for the payment of bounties on wild animals.

**Line 30 - Itemized Deduction Worksheet.** If the Montana adjusted gross income that you reported on Form 2M, line 39, is more than \$156,400, your total itemized deductions reported on Schedule I, line 29, may be limited. Complete Worksheet VI on page 18, to determine the portion of the itemized deductions that you reported on Schedule I, line 29, that are not deductible because you exceeded the Montana adjusted gross income limitations above.

**Line 31 - Allowable Itemized Deductions.** The amount of your allowable itemized deductions is the result of subtracting line 30, which is the total of your disallowed itemized deduction, from line 29, which is your total itemized deductions. Enter this result on Form 2M, line 40.

## Form 2M, Schedule II - Montana Tax Credits

We have listed eight credits that can be used when filing Montana Form 2M, however the Montana Legislature has authorized 30 different income tax credits. See Montana Form 2, Schedule V for a list and description of these 30 tax credits that are available. If you are eligible for any of the other credits not listed below, you will have to file Montana Form 2 instead of Form 2M.

There are three categories of credits available on your Montana individual income tax return.

- **Nonrefundable single-year credits.** Your nonrefundable single-year credits can only be used to offset your 2007 resident tax after capital gains credit and cannot reduce your tax liability below zero. The unused portion of your nonrefundable single-year credits that exceeded your 2007 income tax liability are lost and are unable to be used in future years.
- **Nonrefundable carryover credit.** Your nonrefundable carryover credits can be used to offset your 2007 resident tax after capital gains credit. They cannot reduce your tax liability below zero. Your excess nonrefundable carryover credits that were not applied against your 2007 income tax liability can be carried over and used to offset future year tax liabilities.
- **Refundable credits.** Your refundable credits are applied against your income tax liability with any unused credit refunded to you.

**Line 1 - College Contribution Credit.** You can claim a credit against your income tax liability for contributions that you made in 2007 to a general endowment fund of



the Montana University System foundations or a private Montana college or its foundation. Your credit is equal to 10% of the contribution that you made with a maximum credit allowed of \$500.

In order for you to qualify for this credit, your contribution has to be made to a Montana college or university that offers a baccalaureate degree level education program. In addition to this credit, your contribution may also be claimed as an itemized deduction on Form 2M, Schedule I, line 16.

For further instructions on the college contribution credit, and to calculate this credit, see Montana Form CC. When you claim this credit, you will have to attach a copy of Montana Form CC to your income tax return.

**Line 2 - Energy Conservation Installation Credit.** If you are a resident of Montana you can claim a credit against your income tax liability for energy conservation investments that you made to your home or other buildings. Your credit is equal to 25% of your expenses for a maximum credit of up to \$500 for the capital investments you made to your home or another building for energy conservation purposes or for the installation or replacement of a hot water heater or household heating or cooling system. If you are married, your spouse may also qualify for this credit as long as the building in which the investment is made is owned by both spouses.

In order to qualify for this credit, you will have to show, and provide to us upon request, verification of your expenditures and that your investment will reduce the waste or dissipation of energy or reduce the amount of energy that is required to accomplish a given amount of work. If you are unable to provide this documentation and verification you will not be allowed to take this credit.

For further instructions on the energy conservation credit and to calculate this credit, see Montana Form ENRG-C. In addition, please refer to our website at [mt.gov/revenue](http://mt.gov/revenue) for information such as specific examples of what investments may or may not qualify. When you claim this credit, you will have to attach a copy of Montana Form ENRG-C to your income tax return.

**Line 3 - Elderly Care Credit.** You can claim a credit against your income tax liability for paying certain expenses in order to provide care to an elderly family member. Your credit cannot exceed \$10,000 in one tax year for the care of two or more family members.

In order to qualify for this credit, you need to care for an elderly family member who is at least 65 years of age, who has been determined to be disabled by the Social Security Administration, and who has a family income of \$15,000 or less if not married, or \$30,000 or less if married.

For further instructions on the elderly care credit and to calculate this credit, see Montana Form ECC. When you claim this credit, you will have to attach a copy of Montana Form ECC to your income tax return.

**Line 4 - Developmental Disability Account Contribution Credit.** You can claim a credit against your income tax liability for contributions that you made to the Montana

Developmental Disability Service Account administered by the Montana Department of Public Health and Human Services. Your credit is equal to 30% of the contributions that you made during the year, but your credited contribution cannot exceed \$10,000 in any one tax year.

In order to qualify for this credit, your contribution should be made to the Montana Department of Public Health and Human Services Developmental Disability Service Account. Any other contribution to another program that provides services to the developmentally disabled does not qualify for this credit. When you claim this credit, you cannot take a charitable contribution deduction for this contribution elsewhere on your return.

For further information on the developmental disability account contribution, you can call the Montana Department of Public Health and Human Services at (406) 444-2995 or visit their website at [dphhs.mt.gov/dsd/](http://dphhs.mt.gov/dsd/).

**Line 6 - Alternative Energy Systems Credit.** If you are a resident of Montana, you can claim a credit against your income tax liability for the cost of purchasing and installing an energy system that uses a recognized nonfossil form of energy such as, but not limited to, solar energy, wind energy, solid waste, and organic waste in your principal home. Your credit cannot exceed \$500 per taxpayer and any balance of your credit that is not used in 2007 can be carried forward and applied to future income tax liabilities for a period of four succeeding tax years.

If you are a resident of Montana, you can claim a credit against your income tax liability for the cost of purchasing and installing an energy system using a low emission wood or biomass combustion device, such as a pellet or wood stove in your principal home. Your credit cannot exceed \$500 per taxpayer and any balance of your credit that is not used in 2007 can be carried forward and applied to future income tax liabilities for a period of four succeeding tax years.

For further instructions on the alternative energy system credit, and to calculate this credit, see Montana Form ENRG-B. When you claim this credit, you will have to attach a copy of Montana Form ENRG-B to your income tax return.

**NEW Line 7 - Adoption Credit.** You can claim a credit against your income tax liability if you finalized the adoption of an *eligible child* during 2007. An eligible child is:

- Any child under age 18, or
- Any disabled person physically or mentally unable to take care of himself or herself.

The amount of the credit is \$1,000 per child. If the amount of the credit exceeds your tax liability for 2007, you can carry forward the unused credit to the next five tax years. You are not eligible for this credit if you finalized an adoption before January 1, 2007, but have unused federal adoption credit that you are carrying forward. When you claim this credit, you will have to attach a copy of federal Form 8839.

**Line 9 - Elderly Homeowner/Renter Credit.** You can receive a refundable residential property tax credit if you can answer *yes* to the following four statements:

- I was age 62 or older as of December 31, 2007.
- I resided in Montana for nine months or more during 2007.
- I occupied a Montana residence as an owner or renter for a total of six months or more during 2007.
- My gross household income was less than \$45,000 in 2007.

If you answered *yes* to these four statements, see Montana Form 2EC for further instructions and information about computing your 2007 elderly homeowner/renter credit.

After you have completed Form 2EC and when you file a Montana income tax return, Form 2M, enter the amount of your elderly homeowner/renter credit from Form 2EC, line 19, on Form 2M, Schedule II, line 9.

**NEW** **Line 10 - Homeowner Income Tax Credit for**

**Property Taxes.** The Montana Legislature enacted a law providing for a refundable \$140 individual income tax credit for residential property taxes paid in 2007. In order to claim the credit, you must answer *yes* to all of the following:

- The property for which the credit is claimed is a single-family dwelling, unit of a multiple-unit dwelling, manufactured home, or mobile home.
- I occupied the property as the owner for at least seven months in 2007.
- I paid property taxes in 2007 on the listed property.

The \$140 Homeowner Income Tax Credit for Property Taxes (credit) is based on property taxes you paid in 2007 on a principal residence you occupied as the owner for at least seven months in 2007. If you moved during the year, you are still eligible for the credit as long as the total amount of time you owned and occupied a Montana residence was at least seven months.

**Please note:** You must have been the direct owner of the residence in order to be eligible for the credit. If your residence was owned by a partnership, corporation or other legal entity, the credit cannot be claimed even if you own interest in the entity. Also, only one claim can be made with respect to any property.

This tax *credit* is similar to the Homeowner Property Tax Refund of up to \$400 (*refund*) many Montanans received in 2007 but there are reasons an individual could qualify for the *refund* but not the *credit* and vice versa. For instance, an individual who owned 20% or more of the entity that owned the residence could claim the *refund* as long as they met all the other qualifications but they cannot claim the *credit*. Additionally, the ownership and residency tests apply to separate years. For example, if you purchased and moved into a home December 15, 2006 and owned and occupied it as your residence for all of 2007, you are eligible for the \$140 *credit* but you were not eligible for the *refund*. Conversely, if you owned your residence for 25 years until you sold it and moved into a rental unit in March

2007, you were eligible for the *refund* but you are not eligible for the \$140 *credit*.

When you sign your tax return, you are declaring that you can answer *yes* to the three statements above and are eligible for the credit.

Qualified individuals who are 62 or older may also be eligible to claim the Elderly Homeowner/Renter credit on Form 2EC in addition to this credit.

**Qualified Mortgage Insurance Premiums Deduction Worksheet for Form 2M**

1. Enter the total premiums you paid in 2007 for qualified mortgage insurance for a contract entered into in 2007. ....	1.	
2. Enter the amount from Form 2M, line 21. ....	2.	
3. Enter \$100,000. ....	3.	
4. Is the amount on line 2 more than the amount on line 3?		
<input type="checkbox"/> <b>No.</b> Your deduction is not limited. Enter the amount from line 1 above on Form 2M, Schedule I, line 14.		
<input type="checkbox"/> <b>Yes.</b> Subtract line 3 from line 2. If the result is not a multiple of \$1,000, increase it to the next multiple of \$1,000. For example, increase \$425 to \$1,000, increase \$2,025 to \$3,000, etc. ....		
5. Divide line 4 by \$10,000. Enter the result as a decimal. If the result is 1.0 or more, enter 1.0. ....	5.	
6. Multiply line 1 by line 5. ....	6.	
7. <b>Qualified mortgage insurance premiums deduction.</b> Subtract line 6 from line 1. Enter the result here and on Form 2M, Schedule I, line 14. ....	7.	

**Worksheet II - Tax Benefit Rule for Federal Income Tax Refund**

If you received a federal income tax refund in 2007 and you did not itemize deductions in 2006, stop here, none of your federal income tax refund is taxable to Montana.

You can only use Worksheet II to determine how much of your federal income tax refund is taxable to Montana if the only refund or reimbursement you received in 2007 is for federal income taxes that you claimed as an itemized deduction in 2006.

You cannot use Worksheet II if you received any of the following refunds or reimbursements in 2007. Instead you should use Worksheet IX, "Tax Benefit Rule Recovery of Itemized Deductions."

- A federal income tax refund in 2007 for a federal tax deduction claimed in a year prior to 2006;
- A refund or reimbursement other than a federal income tax refund, such as a real property tax refund; or
- Your itemized deductions were limited in 2006 because of the excess adjusted gross income test.

You can obtain Worksheet IX by visiting our web site at [mt.gov/revenue](http://mt.gov/revenue) or by calling us at (406) 444-6900.

1. Add lines 7a through 7d from your 2006 Form 2, Schedule III or lines 7a through 7d from your 2006 Form 2M, Schedule I and enter the result. ....	1.	
2. Enter the total of all the 2006 federal income tax refunds that you received in 2007. Do not include your refundable credits that you may have received. ....	2.	
3. Subtract line 2 from line 1 and enter the result here. ....	3.	
4. Enter the amount of Federal income tax deducted on your MT 2006 Form 2, Schedule III, line 7e or 2006 Form 2M, Schedule I, line 7e. ....	4.	
5. Is line 3 larger than line 4? If yes, stop, your federal refund is not taxable. If no, subtract line 3 from line 4. ....	5.	
6. Enter your total allowable MT itemized deductions from your 2006 Form 2, Schedule III, line 32 or 2006 Form 2M, Schedule I, line 30. If you took the standard deduction, stop, your Federal income tax refund is not taxable. ....	6.	
7. Enter your 2006 MT adjusted gross income from Form 2, line 41 or Form 2M, line 36. ....	7.	
8. 2006 Standard deduction. Enter the amount corresponding to your 2006 Montana individual income tax filing status.		
<ul style="list-style-type: none"> <li>• If your filing status was single enter 0.20 (20%) of line 7, but not less than \$1,650, or more than \$3,710.</li> <li>• If your filing status was married filing jointly, or head of household, enter 0.20 (20%) of line 7, but not less than \$3,300, or more than \$7,420. ....</li> </ul>		
9. Subtract line 8 from line 6. If the result is smaller than zero, stop, your federal refund is not taxable. ..	9.	
10. Enter the smaller of line 5 or line 9 here. ....	10.	
11. Enter here your 2006 Montana taxable income from Form 2, line 45 or Form 2M, line 40. If your amount is less than zero enter this amount as a negative amount. ....	11.	
12. If line 11 is zero or more enter the amount from line 10 here and on Form 2M, line 23. <b>This is your taxable federal income tax refund.</b>		
If line 11 is less than zero (a negative amount), add lines 10 and 11.		
<ul style="list-style-type: none"> <li>• If your result remains less than zero (a negative amount) enter zero and stop here; none of your federal refund is taxable to Montana.</li> <li>• If your result is greater than zero (a positive amount) enter that amount here and on Form 2M, line 23. <b>This is your taxable federal income tax refund.</b> ....</li> </ul>		
	12.	

**Worksheet IV - Partial Pension and Annuity Income Exemption**

If you have reported taxable pension and annuity income on your Form 2M, line 11a, or certain IRA distributions on Form 2M, line 10b, you may be entitled to a partial exemption of this income. Complete Worksheet IV to determine the amount of your pension and annuity income exemption.

Early distributions from an IRA do not qualify for the exemption. Subtract any non-qualifying distribution(s) from Form 2M, line 10b before reporting amounts on this worksheet.

If you receive Tier II Railroad Retirement benefits, see the instructions for Form 2M, line 35 on page 9.

1. Enter your federal adjusted gross income from Form 2M, line 21 here. ....	1.	
2. Federal adjusted gross income limitation amount. ....	2.	\$30,000
If line 1 is smaller than line 2, enter on Form 2M, line 30, the smaller of your pension and annuity income, or \$3,600 for each person who has pension and annuity income. Stop here; do not complete the remainder of this worksheet.		
3. If line 1 is larger than line 2, subtract line 2 from line 1 and enter the result here. ....	3.	
4. Fill out only one of the following. If your filing status is:		
a. Single, head of household. Enter the smaller of your pension and annuity income or \$3,600. ....	4a.	
b. Joint. Enter the smaller of each spouse's taxable pension and annuity income or \$3,600 in the following space: his _____ hers _____; then enter the total of his and her total pension and annuity income here. ....	4b.	
5. Double the amount on line 3 and enter the result here. ....	5.	
6. Pension and annuity exclusion. Subtract line 5 from line 4a or 4b, whichever applies. If the result is zero or negative, you are not eligible for the pension and annuity exclusion. If the number is positive, enter the result here and on Form 2M, line 30. <b>This is your partial pension and annuity exemption.</b> ....	6.	

**Worksheet V - Standard Deduction**

1. Enter your Montana adjusted gross income from Form 2M, line 39 here.....	1.	
2. Multiply the amount on line 1 by 0.20 (20%) and enter the result here .....	2.	
3. Enter here the amount below that corresponds to your filing status.....	3.	
If your filing status is single (Form 2M filing status 1) enter \$3,810. <b>This is your maximum standard deduction.</b>		
If your filing status is joint or head of household (Form 2M filing status 2 or 3) enter \$7,620. <b>This is your maximum standard deduction.</b>		
4. Enter here the amount from line 2 or 3, whichever is smaller .....	4.	
5. Enter here the amount below that corresponds to your filing status.....	5.	
If your filing status is single (Form 2M filing status 1) enter \$1,690. <b>This is your minimum standard deduction.</b>		
If your filing status is joint or head of household (Form 2M filing status 2 or 3) enter \$3,380. <b>This is your minimum standard deduction.</b>		
6. Enter here and on Form 2M, line 40 the amount from lines 4 or 5, whichever is larger. <b>This is your standard deduction</b> .....	6.	

**Worksheet VI - Itemized Deduction Worksheet**

1. Enter your total itemized deductions from Form 2M, Schedule I, line 29 here. ....	1.	
2. Add lines 4, 5, 6, 7e, 15, 19, 20 and 27 from Form 2M, Schedule I, and enter the result here. ....	2.	
3. Subtract line 2 from line 1 and enter the result here. If the result is zero, stop here, and enter the amount from line 1 above on Form 2M, line 40. You do not have to complete this worksheet. ....	3.	
4. Multiply the amount on line 3 above by 80% (0.80) and enter the result here. ....	4.	
5. Enter your Montana adjusted gross income from Form 2M, line 39 here. ....	5.	
6. Enter here \$156,400. ....	6.	
7. Subtract line 6 from line 5. If the result is zero or less, stop here, and enter the amount from line 1 above on Form 2M, line 40. You do not have to complete this worksheet. ....	7.	
8. Multiply line 7 by 0.03 (3%) and enter the result here. ....	8.	
9. Enter the smaller of the amounts on line 4 or line 8 here. ....	9.	
10. Multiply the amount on line 9 by 2 and enter the result here. ....	10.	
11. Divide the amount on line 10 by 3 and enter the result here and on Form 2M, Schedule I, line 30. <b>This is the amount of your itemized deductions not allowed.</b> .....	11.	

**Worksheet VII - Calculation of Interest on Underpayment of Estimated Taxes - Short Method**

You are required to pay your income tax liability throughout the year. You can make your payments through employer withholding, through installment payments of estimated taxes, or through a combination of employer withholding and estimated tax payments.

You are not required to make estimated tax payments if one of the following conditions relate to you:

- Your combined tax liability after you applied your withholding and estimated tax payments is less than \$500.
- You did not have a 2006 income tax liability and you were a citizen or resident of the United States the entire year.
- Your underpayment was due to a casualty, disaster, or another unusual circumstance.
- You retired in either 2006 or 2007 after reaching the age of 62.
- You become disabled in either 2006 or 2007.
- You are a farmer or rancher and 66 2/3% of your 2007 gross income is derived from your farming and ranching operation. Your 66 2/3% farming and ranching income is determined annually and is based on your 2007 gross income. Please note that Montana does not use the same "look back" period that the Internal Revenue Service uses to determine the percentage of your farming and ranching income for federal income tax purposes.

If you did not pay in advance at least 90% of your 2007 income tax liability (after applying your credits) or 100% of your 2006 income tax liability (after applying your credits) you may have to pay interest on the underpayment of your estimated taxes.

If you are required to pay interest on your underpayment, you can use this short method to determine your interest, but you can use this short method only if:

- You made non-estimated tax payments or your payments were only Montana withholding, or;
- You made four equal estimated payments by the required due date.

If you are not eligible to use this short method to calculate your interest on your underpayment, use Montana Form EST-I, "Interest on Underpayment of Estimated Tax Payments." You can access this form by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or by calling us at (406) 444-6900.

1. Enter your 2007 total tax liability reported on Form 2M, line 50 here. ....	1.	
2. Multiply line 1 by 0.90 (90%) and enter the result here. ....	2.	
3. Combine the amounts on Form 2M, lines 51, 52, and 54. Enter the result here. ....	3.	
4. Subtract line 3 from line 1 and enter the result here. If your result is \$500 or less, stop here, you do not owe interest on your underpayment. ....	4.	
5. Enter here the income tax liability that you reported on your 2006 Form 2, line 59, 2006 Form 2M, line 47 or 2006 Form 2EZ, line 16 here. ....	5.	
6. Enter the smaller of line 2 or line 5 here. ....	6.	
7. Combine the amount on line 3 above with the estimated tax payments that you reported on your 2007 Form 2M, line 52. Enter the result here. ....	7.	
8. Subtract line 7 from line 6. If the result is zero or less, stop here, you do not owe interest on your underpayment. <b>This is your total underpayment for 2007.</b> ....	8.	
9. Multiply line 8 by 0.05320 and enter the result here. ....	9.	
10. If you paid the amount on line 8 on or after April 15, 2008, enter zero. If you paid the amount on line 8 before April 15, multiply the amount on line 8 by the number of days you paid before April 15 by 0.0002192 and enter the amount here. ....	10.	
11. Subtract line 10 from line 9 and enter the result here and on Form 2M, line 57. <b>This is your interest on underpayment of estimated taxes.</b> ....	11.	

**Worksheet VIII - Taxable Social Security Benefits for Form 2M**

Your social security benefits taxable to Montana may be different from what is taxable federally. Complete this worksheet to determine your Montana taxable social security when filing Form 2M.

1. Enter the total amount from box 5 of all your federal Form SSA-1099. .... 1.	
2. Multiply line 1 by 0.50 (50%) and enter result here. .... 2.	
3. Add the amounts on Form 2M, lines 6, 7a, 8a, 9, 10b, 11b and 12 and enter the result here. .... 3.	
4. Add the amounts on Form 2M, lines 22, 23, 24, 26 and tax exempt interest on line 7b that is not included in line 22. .... 4.	
5. Add lines 2, 3 and 4 and enter the result here. .... 5.	
6. Add the amounts on Form 2M, lines 16, 17, 19, 28 through 33, 35 and 36 and enter the result here. . 6.	
7. Is the amount on line 6 less than the amount on line 5? <input type="checkbox"/> No None of your social security benefits are taxable. Enter zero on line 18 and go to line 19. <input type="checkbox"/> Yes Subtract line 6 from line 5 and enter the result here. .... 7.	
8. Enter the amount that corresponds to your filing status. \$32,000 if your filing status is "married filing jointly." \$25,000 if your filing status is "single" or "head of household." .... 8.	
9. Is the amount on line 8 less than the amount on line 7? <input type="checkbox"/> No None of your social security benefits are taxable. Enter zero on line 18 and go to line 19. <input type="checkbox"/> Yes Subtract line 8 from line 7 and enter the result here. .... 9.	
10. Enter the amount that corresponds to your filing status. \$12,000 if your filing status is "married filing jointly." \$9,000 if your filing status is "single" or "head of household." .... 10.	
11. Subtract line 10 from line 9 and enter the result here. If less than zero, enter zero. .... 11.	
12. Enter here the smaller of line 9 or line 10. .... 12.	
13. Multiply line 12 by 0.50 (50%) and enter the result here. .... 13.	
14. Enter the smaller of line 2 or line 13. .... 14.	
15. Multiply line 11 by 0.85 (85%) and enter result here. If line 11 is zero, enter zero. .... 15.	
16. Add lines 14 and 15 and enter the result here. .... 16.	
17. Multiply line 1 by 0.85 (85%) and enter result here. .... 17.	
18. Enter the smaller of line 16 or 17. <b>This is your Montana taxable social security benefits.</b> .... 18.	
19. Enter the federal taxable amount of social security benefits that you reported on Form 2M, line 13b. .... 19.	
20a. If line 19 equals line 18, the amount of the federal taxable social security benefits that you reported on Form 2M, line 13b is the same amount that is taxable to Montana. No adjustment is necessary.	
20b. If line 19 is less than line 18, enter the difference here and on Form 2M, line 25. <b>This is the portion of your social security benefits that are exempt from federal tax and not included on Form 2, line 13b that are taxable to Montana.</b> .... 20b.	
20c. If line 19 is greater than line 18, enter the difference here and on Form 2M, line 34. <b>This is the portion of your federal taxable social security benefits that are included on Form 2M, line 13b that are not taxable to Montana.</b> .... 20c.	

## Important Reminders

### If you file your return by mail, be sure to:

- ▶ Check the appropriate box or boxes indicating your exemption(s).
- ▶ Check the appropriate box indicating whether you are taking the standard deduction or have elected to itemize your deductions.
- ▶ Sign the return. If you are filing a joint return, your spouse must also sign the return.
- ▶ Sign your check or money order if you have included a payment. Do not send cash.
- ▶ Include all W-2s and 1099s you were issued for 2007.
- ▶ Attach all state and federal schedules that support figures on your return. You do not need to attach worksheets. You also do not need to include schedules that are blank.

- ▶ Keep a copy of your return with all schedules, worksheets, receipts and other supporting documents.

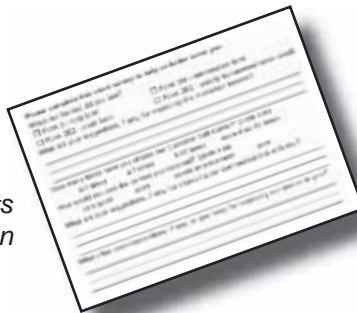
### If you file your return electronically, be sure to:

- ▶ Receive confirmation that your return was accepted by the Montana Department of Revenue.
- ▶ Make an electronic payment or remember to send a check or money order before April 15, 2008 if you owe.
- ▶ Keep a copy of your return with all schedules, worksheets, receipts and other supporting documents.

We value your comments and suggestions.

### **The Montana Department of Revenue works for you.**

*That's why we look forward to hearing what you have to say. Please let us know how we are doing by completing the improvement survey attached to this instruction booklet. Your comments and suggestions will help us do an even better job for you. And that makes our tax system work for all Montanans!*



Where's  
My Refund?



[mt.gov/revenue](http://mt.gov/revenue)  
- click on Where's My Refund icon



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