

# 2008 Montana Form 2M

## Individual Income Tax Forms and Instructions



Montana Department of  
**REVENUE**

### 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)  
(406) 444-6900 (Helena area)  
(406) 444-2830 TDD



For more information on filing electronically, please see page 3.

**Tax Filing Deadline  
is April 15, 2009**

Need to check the status of your refund?  
Please see the "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. Some options are available at no cost to you. See details inside on page 3.*
- **If you expect a refund, choose direct deposit.**  
*This simple option will reduce the time it takes for you to receive your refund.*
- **Pay electronically.**  
*Whether you file your tax return electronically or by paper, there are simple, secure and convenient electronic payment options available to you. See details inside on page 12.*
- **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 strongly encourage you to file and pay electronically, if possible. These options—available to you at no-cost or low-cost—are simple, secure and convenient.

You can electronically file Form 2M—at no cost to you—through our direct electronic filing service. Please visit our website at [mt.gov/revenue](http://mt.gov/revenue) (look under Online Services) for information on all the electronic filing options that are available to you.

If you qualify to use our direct electronic filing service, 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. Please review this information before you file your tax return.

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

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### Individual Income Tax Forms Available Upon Request

These forms may be available at your local bank, courthouse, library or post office. You may also order your forms by calling us toll free (866) 859-2254 (in Helena, 444-6900), or by visiting our website at [mt.gov/revenue](http://mt.gov/revenue).

Form Name	Description	Form Name	Description
2EZ Booklet.....	2008 Individual Income Tax Form 2EZ with Instructions	FTB-P .....	First-Time Home Buyer Savings Account Penalty
2M Booklet.....	2008 Individual Income Tax Form 2M with Instructions	FRM.....	Farm and Ranch Risk Management Account
2 Booklet.....	2008 Individual Income Tax Form 2 with Instructions	HI .....	Health Insurance for Uninsured Montanans Credit
2EC.....	Montana Elderly Homeowner/Renter Credit	IND .....	Indian Certification
2101.....	W-2 Withholding Declaration	IT-EST .....	Estimated Individual Income Tax Worksheet
2441-M .....	Child and Dependent Care Expense Deduction	MINE-CRED .....	Mineral Exploration Incentive Credit
AEPC.....	Alternative Energy Production Credit	MSA.....	Medical Care Savings Account
AFCR.....	Alternative Fuel Credit	MSA-P .....	Medical Care Savings Account Penalty
BBSC.....	Biodiesel Blending and Storage Credit	NOL .....	Montana Net Operating Loss Worksheet (1999 and subsequent years)
CC .....	College Contribution Credit	NOL-Pre 99 .....	Montana Net Operating Loss Worksheet (1998 and prior years)
DCAC .....	Dependent Care Assistance Credit	NR-1 .....	North Dakota Reciprocal Affidavit
DS-1 .....	Disability Income Exclusion Calculation	NR-2 .....	Employee Certificate of North Dakota Residence
ECC.....	Elderly Care Credit	OSC.....	Oilseed Crushing and Biodiesel/ Biolubricant Production Facility Credit
ENRG-A.....	Geothermal Systems Credit	QEC.....	Qualified Endowment Credit
ENRG-B.....	Alternative Energy Systems Credit	RSCH .....	Increase Research and Development Activities Credit
ENRG-C .....	Energy Conservation Installation Credit	RCYL .....	Recycle Credit
ESA.....	Estimated Tax Annualization Worksheet	TELC .....	Temporary Emergency Lodging Credit <b>NEW</b>
EST-I.....	Interest on Underpayment of Estimated Tax	VT .....	Veteran's Contribution
ESW .....	Estimated Individual Income Tax Worksheet	Worksheet IX.....	Tax Benefit Rule for Recoveries of Itemized Deductions
EXT-08.....	Extension Payment Worksheet		
FPC .....	Film Employment Production and Qualified Expenditures Credit		
FTB.....	First-Time Home Buyer Savings Account		

### Important Numbers

Tax Questions and Assistance ..... toll free (866) 859-2254 (in Helena, 444-6900)  
Forms Request..... toll free (866) 859-2254 (in Helena, 444-6900)  
For the Hearing Impaired ..... (406) 444-2830  
Fax ..... (406) 444-6642

## What's New For 2008

**Federal Economic Stimulus Package Rebate.** The economic stimulus payment you received from the Internal Revenue Service in tax year 2008 is not taxable for either federal or state income tax purposes. However, if you itemize deductions on your 2008 Montana income tax return, your "federal income taxes paid" deduction may be reduced because of this rebate. Please see the instructions for Schedule I, line 7e on page 13 for more information.

**Voluntary Check-Off Contribution for Montana Military Family Relief Fund.** Please consider helping Montana military families by making a voluntary contribution to this fund as you file your tax return. The relief fund provides grants that aid Montana families in defraying the costs of food, housing, utilities, medical services, and other expenses when a wage earner has been called to active military duty. As always, we encourage you to consider all the worthy programs included in the voluntary check-off contributions on page 2 of Form 2M.

**Redesigned Form and Instructions for the Elderly Homeowner/Renter Tax Credit.** The Form 2EC and instructions are now easier to understand and complete. We have reduced the number of lines on the form and included additional information to help you calculate the credit. Please see page 17 for more information.

### Before You Get Started...

*Please be aware that you will need to file Form 2—instead of Form 2M—if either of the following two items, which are new for 2008, applies to you.*

**Montana Mineral Royalty Tax Withholding.** Effective January 1, 2008, royalty payments made to owners of Montana mineral rights are subject to state income tax withholding if certain thresholds are met. You will need to file Form 2 if you intend to report any mineral royalty income and/or Montana mineral royalty tax withholding. Please refer to the instructions on Form 2.

**Temporary Emergency Lodging Credit.** For tax years beginning on or after January 1, 2008, there is a refundable credit available for licensed establishments that provide short-term emergency lodging under the Temporary Emergency Lodging Program. The program helps provide lodging for individuals or families who have been displaced from their residence and have been referred to the establishment by a charitable organization approved by the Montana Department of Public Health and Human Services. The credit is equal to \$30 for each day of lodging provided by the establishment and is limited to a maximum of five nights' lodging for each individual. You will need to file Form 2 if you intend to claim this credit. Instructions for this credit are available on Form 2.

### Please Note As Well...

**Direct Electronic Filing – At No Cost to You.** Using our direct electronic services at [mt.gov/revenue](http://mt.gov/revenue), you can file Form 2M and Form 2EC, as well as make an electronic payment or direct-deposit your tax refund. Please note that this service applies only to your Montana tax forms; you may still have a filing obligation for federal purposes.

## Interest on Unpaid Individual Income Tax Liabilities.

The current interest rate of 8% will continue to be in effect through December 31, 2009. Under Montana law, 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 not be less than 8%.

**Amended Tax Return.** Based on your feedback, we have added two new lines on Form 2M to assist you when filing an amended return. These lines have been added so that you can show any payment you made with your original return or any refunds previously issued to you. Please see the instructions for lines 52 and 53 on page 10.

## 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 of the instructions.
- 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, 2009. See page 2 for information on filing an extension.
- 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 2008 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	\$3,920
	65 or older	\$6,060
Head of household	Under 65	\$5,700
	65 or older	\$7,840
Married filing jointly with your spouse	Both under 65	\$7,840
	One spouse 65 or older	\$9,980
	Both spouses 65 or older	\$12,120

You are entitled to an additional exemption if you are blind or your spouse is blind. Increase your federal gross income by \$2,140 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 2008.
- 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)
  - Alternative Energy Systems Credit (Form ENRG-B)

**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 2008.
- 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 2008.
- 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.
- I am not claiming any tax credits.

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

- I was a resident of Montana for only part of 2008.
- 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, 2008.
- I am claiming the tax withheld from my Montana mineral royalty payments.

**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.

**Please note:** A nonresident or part-year resident required to file a Montana return must use Form 2.

**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 2008 Form 2M tax return has to be filed by April 15, 2009.

**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, 2009, 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 by April 15, 2009:

1. 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 2008 Montana income tax liability or 100% of your 2007 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, 2009. You should examine and use the Montana Form EXT-08, which is the Extension Payment Calculation worksheet, in order to determine whether you have a Montana extension payment requirement. You can get this form by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or by calling us toll free at (866) 859-2254 (in Helena, 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 Form 2M, page 2, 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. If you file electronically, you do not have to send the federal Form 4868 to us but you should keep a copy for your records. 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 not be accepted 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, 2009. Can I (and my spouse) obtain an extension to file my 2008 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 under 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, 2009, 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, 2009, 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 toll free at (866) 859-2254 (in Helena, 444-6900) as soon as possible to discuss payment options and make arrangements.

Penalties and interest are set at a higher rate than the rates 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 and/or Form 2EC is appropriate for your situation, you have several electronic filing options:

- File your tax Form 2M and Form 2EC through our website, at no cost to you. For further information on this direct electronic filing option, please visit [mt.gov/revenue](http://mt.gov/revenue). This option allows you to file your Montana forms only; you may still have a filing obligation for federal purposes.
- File online through the federal/state electronic filing program, a cooperative effort between the Internal Revenue Service (IRS) and state tax revenue agencies

at [www.irs.gov](http://www.irs.gov). You can also find information regarding this online filing option at [mt.gov/revenue](http://mt.gov/revenue). This option allows you to electronically file your federal and state tax return at the same time. Some of the services offered may be free or low-cost to use.

- Purchase software to prepare and e-file your federal and state tax return at the same time. Some of the services offered may be free or low-cost to use.

E-filing your return has many benefits:

- Quicker refund—for the fastest refund, use Direct Deposit.
- Increased accuracy—most software includes math edits and up-to-date tax law changes.
- Proof or acknowledgement and/or confirmation your e-filed return was received.
- Nothing to mail—e-file at your convenience, 24 hours a day, seven days a week.
- Ability to file now and pay later—if you are using the joint federal/state e-file program you can indicate your payment when e-filing and use an electronic funds withdrawal scheduled for a future date. To avoid penalties, please pay by April 15.
- Environmentally friendly—uses less paper.

**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.

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 taxpayer's 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." Forms 2M and 2EZ cannot be used to amend years prior to tax year 2006.

We have added two new lines to assist you when filing an amended tax return. These lines have been added so that you can show any payment you made with your original tax return or any refunds previously issued to you.

**Please note:** 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. It does not authorize the department to discuss any other tax return or tax issue with your preparer. 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, the Montana Department of Revenue, PO Box 5805, Helena, MT 59604-5805, or you visit our website at [mt.gov/revenue](http://mt.gov/revenue) to download it.

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, 2009.

**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 Form 2 and filing status 3b, which is "married filing separately 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. If you and the deceased person were married, you can file a joint tax return. If you are filing a joint return, or are married filing separately on the same form, and you are the surviving spouse that is all that is required. All other filers requesting the deceased taxpayer's refund must file the return and attach a Federal Form 1310 as well any court documents appointing a personal representative.

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. A deceased taxpayer's information should not be included on an individual tax return after the year of death.

**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, and the statute of limitations for federal income tax purposes is three years. You should keep your property records and carryover information 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 dies during the tax year, enter the date of death in the field next to his or her name. Please attach a copy of federal Form 1310.

**Filing Status.** (Check only one box.)

**Box 1 – Single.** You can claim this filing status, if on December 31, 2008, 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, 2008 and you did not remarry in 2008.

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, 2008, even if you did not live with your spouse at the end of 2008, or
- your spouse died in 2008 and you did not remarry in 2008, or
- you were married as of December 31, 2008 and your spouse died in 2009 before filing a 2008 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.

### 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 table 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 principal home
- The disabled child has a permanent disability constituting 50% or more of the body as a whole. Deafness and blindness do not meet this requirement.
- 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 this line. 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. Additional instructions for lines 14 and 19 are shown below. However, 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 more information. In completing these lines, you should include the applicable federal schedules that are identified on Form 2M.

*Last fall, new federal legislation extended several tax provisions that had previously expired. As of the printing of this tax booklet in early October, the Internal Revenue Service had not released its final tax forms incorporating the legislation. Due to our printing deadline, we made changes based on preliminary IRS information. The changes, on lines 16 and 19 of Form 2M, should closely reflect the final federal tax forms. Please visit our website at [mt.gov/revenue](http://mt.gov/revenue) during the tax season for updated information on this situation.*

**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.

**Line 19 – Tuition and Fees Deduction.** Enter here the same amount of tuition and fees deduction that you reported on your federal income tax return. If you claimed an education credit and did not take this deduction on your federal return, you cannot take this deduction on your state return.

**Line 21 – Federal Adjusted Gross Income.** Subtract line 20 from line 15 and enter the result on this line. 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.

**Additions – Lines 22 through 25.** You may need to add additional items of income to your federal adjusted gross income in order to arrive at 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, territory or county; municipality; district or other political subdivision of another state.

**Line 23 – Taxable Federal Refund.** If you received a 2007 federal income tax refund in 2008 and you claimed federal income taxes paid as an itemized deduction on your 2007 Montana income tax return, you may need to report a portion or all of your federal refund as income on your 2008 Montana tax return. This is called the *Tax Benefit Rule*.

To the extent that the federal tax deduction that you claimed on your 2007 Montana income tax return reduced the amount of your 2007 Montana income tax liability, any subsequent refunds from this deduction are considered income in the year that you received it.

**Please Note:** Do not include the federal economic stimulus package rebate you may have received in 2008 as part of your federal refund for the 2007 tax year.

You will need to complete Worksheet II, Tax Benefit Rule for Federal Income Tax Refund, to determine whether your federal income tax refund is taxable in 2008, unless one of the following scenarios applies to you:

- If you received a federal income tax refund in 2008 and did not itemize deductions in 2007, none of your federal income tax refund is taxable.
- Your deduction for federal taxes paid in 2007 may have been limited on your Montana tax return to \$5,000 (\$10,000 if filing a joint return). Because of this limitation, your refund may or may not be taxable. A simple way to check this is to subtract the refund that you received in 2008 from the total federal income taxes paid in 2007 (Form 2, Schedule III, lines 7a through 7d or Form 2M, Schedule I, lines 7a through 7d). If the result is more than \$5,000 (\$10,000 if you filed a joint return), none of the refund is taxable.

**Line 24 – 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 22 of this booklet. Before you can complete your social security worksheet, you will need to complete your partial pension and annuity income worksheet, Worksheet IV, 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 greater than those that you reported on Form 2M, line 13b, enter that difference on this line. If your social security benefits taxable to Montana are less than those that you reported on line 13b, you should report that difference as a subtraction from federal adjusted gross income on line 33.

**Line 25 – 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 detailed instructions. You should report any nonqualified withdrawals from your Montana medical care savings account as an addition to federal adjusted gross income on this line.

Please note that you may also be charged a penalty for making any nonqualified withdrawal. See the instructions for line 59, page 11, and on Form MSA-P for the Montana medical care savings account 10% penalty.

### Subtractions – Lines 27 through 35

**Line 27 – 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, EE, 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 28 – 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 line 12, enter the amount of these benefits on this line.

**Line 29 – Partial Pension and Annuity Retirement Income Exemption.** If you have reported taxable retirement income on 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 this line.

Premature distributions and early withdrawals of your retirement income do not qualify for the retirement income exclusion. Early distributions which required payment of the federal 10% additional tax do not qualify for this exemption. 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, 2008 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 20 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 20 to determine your partial pension and annuity income exemption.

**Line 30 – Partial Interest Exemption for Taxpayers 65 and Older.** If you are single and are age 65 or older at the end of 2008, you can exempt up to \$800 of the interest income that you reported in your Montana 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 2008, you can exempt up to \$1,600 of the interest income that you reported in your Montana 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 Montana adjusted gross income.

**Line 31 – 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 hair stylists, paper carriers and river guides—are not excluded from your federal adjusted gross income in arriving at your Montana adjusted gross income.

**Line 32 – 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—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 33 – 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 line 13b. You should determine your Montana taxable social security benefits by completing Worksheet VIII, found on page 22 of this 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 federal adjusted gross income on this line. If your social security benefits are greater than those that you reported on line 13b, you should report that difference as an addition to federal adjusted gross income on line 24.

**Line 34 – Tier II Railroad Retirement.** When you determine your Montana adjusted gross income, you can subtract your taxable Tier II Railroad Retirement benefits included on line 11b from your federal adjusted gross income. Your taxable pension and annuity income may include your taxable portion of Tier II Railroad Retirement benefits that are paid by the railroad retirement board. These benefits are 100% exempt from Montana income tax.

**Line 35 – 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 this line. Refunds of state income tax are not included in your Montana taxable income.

**Line 37 – Montana Adjusted Gross Income.** Add lines 21 and 26 then subtract line 36. This is your Montana adjusted gross income.

**Line 39 – 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 39 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 20.
- **Itemized Deductions.** To figure your itemized deductions, complete Form 2M, Schedule I. You can find the instructions for Form 2M, Schedule I on page 12 of this instruction booklet.

**Line 41 – Exemption.** You are entitled to at least one exemption (your own). Multiply \$2,140 times the number of exemptions that you have claimed on line 5d and enter the result on this line.

**Line 42 – Taxable Income.** To compute your taxable income, subtract line 41 from line 40 and enter the result on this line.

**Tax Computation**

**Line 43** – Compute your tax using the tax table below.

<b>2008 Montana Individual Income Tax Table</b>				
If your taxable income on Form 2M, line 42 is:				
More Than	But Not More Than	Multiply Your Taxable Income By	And Subtract	This Is Your Tax
\$0	\$2,600	1% (0.010)	\$0	
\$2,600	\$4,600	2% (0.020)	\$26	
\$4,600	\$7,000	3% (0.030)	\$72	
\$7,000	\$9,500	4% (0.040)	\$142	
\$9,500	\$12,200	5% (0.050)	\$237	
\$12,200	\$15,600	6% (0.060)	\$359	
More than \$15,600		6.9% (0.069)	\$499	

For Example: Taxable Income \$6,800 X 3% (0.030) = \$204; \$204 Minus \$72 = \$132 Tax

**Line 44 – 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 line 9. This credit is nonrefundable—it is applied directly against your income tax liability and it cannot reduce this liability below zero. This credit is applied before any other credits and cannot be carried back or carried forward.

**Line 46 – Nonrefundable Credits.** Enter the amount from Schedule II, line 6.

**Nonrefundable Single-Year Credits.** You may be eligible for one or more of the 11 nonrefundable single-year credits that are available on Montana tax forms. However, only three are available when you elect to file Form 2M. Refer to the instructions on Montana tax credits for Form 2 for a detailed explanation of all 11 nonrefundable single-year credits. If you are eligible for any of the other nonrefundable single-year credits, you should file Form 2.

**Nonrefundable Carryover Credits.** You may be eligible for one or more of the 12 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. Refer to the section of instructions on Montana tax credits for Form 2 for a detailed explanation of all 12 nonrefundable carryover credits. If you are eligible for any of the other nonrefundable carryover credits, you should file Form 2.

**Payments and Refundable Credits**

**Line 48 – Montana Income Tax Withheld.** Enter 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). Montana mineral royalty tax withheld or income tax withheld as a result of an ownership interest in a pass-through entity (Form PT-WH) cannot be reported on this line. If you had tax withheld for these reasons, you cannot file Form 2M and should instead file Form 2.

**Line 49 – Estimated Tax Payments.** If you have made estimated income tax payments for tax year 2008, enter on this line the amount of these estimated tax payments. Include in this amount the 2007 refund that you requested us to apply to your 2008 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 2008.

**Line 50 – Extension Payment.** If you made an extension payment on or before April 15, 2009 in order to qualify for an automatic six-month extension to file your income tax return, enter that amount on this line. To determine whether you need to make an extension payment, complete the Extension Payment Worksheet, Montana Form EXT-08.

**Line 51 – 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 tax credit is available when you file Form 2M. Complete Form 2EC to determine the amount of your elderly homeowner/renter tax credit that you need to enter on this line. Refer to the instructions for Montana tax credits on Schedule II, for a detailed explanation of this refundable credit. If you are eligible for any of the four other refundable credits, you should file Form 2.

**Amended Return.** Use lines 52 and 53 only when filing an amended return. If you are filing an original tax return, proceed to line 54.

**Line 52 – Payments with Original Return.** Enter on this line any payments made when you filed your original tax return and any subsequent payments that were applied to your 2008 tax liability.

**Line 53 – Previously Issued Refunds.** Enter on this line any refunds previously issued to you. This includes refunds that may have been applied to another debt such as a prior tax year or child support debt. Do not include the overpayment amount you requested to be applied to your 2009 estimated tax payments.

**Line 54 – Total Payments.** Add lines 48 through 52, and subtract the amount reported on line 53. Enter the result on this line. This is your total payments.

**Line 55 – Tax Due.** If line 47 is greater than line 54, subtract line 54 from line 47. This is your tax due.

**Line 56 – Tax Overpaid.** If line 54 is greater than line 47, subtract line 47 from line 54. This is your tax overpaid.

**Penalties, Interest and Contributions**

**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 2008 income tax liability (after applying your credits) or 100% of your 2007 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 21 of these instructions or Form EST-I, 2008 Underpayment of Estimated Tax by Individuals and Fiduciaries. You can access this form by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

**Line 58 – Late File Penalty, Late Payment Penalty and Interest.**

- **Late File Penalty.** If you file your tax return after April 15, 2009—or October 15, 2009 with a valid extension—you will be assessed a late file penalty if tax due is reported on line 55. 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 55 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, 2009, 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, 2009 until it is paid. For example, if you do not pay your tax due until May 10, 2009, 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 is not an extension to pay your tax.

To calculate your late payment penalty, multiply the amount on line 55 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, 2009, you will have to pay 8% annual interest, computed daily on your unpaid balance.

To calculate your interest, multiply the amount on line 55 by 0.02192% (0.0002192) times the number of days after April 15, 2009 your tax is paid.

As with the late payment penalty, an extension of time to file your return does not extend the due date for paying your income tax. Interest accrues from the original due date.

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 this line. (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 this line and attach a copy of Form MSA-P to your income tax return.

**Line 60 – Montana Voluntary Check-Off Contribution Programs.** Montana law provides 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 five 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.



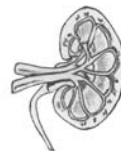
**Line 60b – Child Abuse Prevention Program.**

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 60e – Montana Military Family Relief Fund.**

Your contributions to this program help provide funding for grants that aid Montana families in defraying the costs of food, housing, utilities, medical services, and other expenses when a wage earner has been called to active military duty.

**Line 61 – Total Penalties, Interest and Contributions.**

Add lines 57 through 60 and enter the result on this line.

This is your total tax, penalties, interest and check-off program contributions.

**Amount You Owe or Your Refund**

**Line 62 – Amount You Owe.** If you have tax due (amount on line 55), add lines 55 and 61 OR, if you have a tax overpayment (amount on line 56) and it is less than line 61, subtract line 56 from line 61. Enter the result here.

You can pay the amount you owe by:

- Electronic funds withdrawal when e-filing your joint federal/state tax return.
- E-check or credit card—if you wish to pay the amount that you owe by e-check or credit card, please visit our website at [mt.gov/revenue](http://mt.gov/revenue) under Online Services for Individuals, File and Pay Taxes. There is no fee for an e-check payment; a small fee is applied for a credit card payment.
- Personal check, money order, or cashier's check—please use the voucher that we have provided with this income tax booklet. Make your check payable to the Montana Department of Revenue. Please sign your check, and write your social security number and "Tax Year 2008" on the memo line.

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, 2009, 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 toll free at (866) 859-2254 (in Helena, 444-6900) as soon as possible to discuss your options and make payment arrangements.

**Line 63 – Your Overpayment.** If you have a tax overpayment (amount on line 56) and it is greater than line 61, subtract line 61 from line 56 and enter the result on this line.

**Line 64 –** Enter the amount of your overpayment from line 63 that you want to be applied to your 2009 estimated taxes.

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

If you wish to use direct deposit, enter your financial institution's routing number (RTN#) and your account number (ACCT#) in the space provided, and indicate whether this 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). If your financial institution is unable to accept the direct deposit, we will mail you a refund check. A sample of a personal check is provided for your convenience.

John Taxpayer  
Jane Taxpayer  
23 Main Street  
Anyplace, MT 59000  
Pay to the  
Order of \_\_\_\_\_ \$ 1234 Dollars

Anyplace Bank  
Anyplace, MT 59000

Routing Number: 250000009  
Account Number: 20000000066  
Check Number: 1234

**Do not** include the check number in the account number

**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 and Dental Expenses.** Enter your medical expenses paid in 2008 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 this line:

- medical insurance and long-term care insurance premiums paid in 2008 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 and dental expenses reported on Schedule I, line 1, should be reduced by 7.5% of your Montana adjusted gross income. Enter on line 2, the amount that you reported on Form 2M, line 38. Multiply the amount on line 2 by 7.5% (0.075) 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 this line, 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 this line.
- Medicare taxes that are withheld from your wages or paid as part of your self-employment tax are not deductible on this line.

**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. In order to 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.

Report your 2008 federal income tax paid on these lines.

**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 2008.** Enter the total amount of the federal estimated income tax payments that you made in 2008. 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 – 2007 Federal Income Taxes Paid in 2008.** Enter the balance of the total amount of the 2007 federal income tax that you paid in 2008.

**Line 7d – Additional Back Year Federal Income Taxes Paid in 2008.** Enter the total amount of additional back year federal income taxes that you paid in 2008. For example, you may have paid additional 2006 federal income taxes in 2008.

**Line 7e – Federal Economic Stimulus Package Rebate.** Enter the federal economic stimulus payment you received in 2008.

Here are a couple of scenarios to help you determine if the federal tax rebate will impact your Montana income tax situation. Please keep in mind that the maximum allowable deduction for "federal income taxes paid" for Montana individual income tax purposes is \$5,000 for single, head of household, or married filing separately, and \$10,000 for married filing jointly.

- If your itemized deduction for "federal income taxes paid" is below the threshold for your filing status, your deduction for "federal income taxes paid" on your state tax return will be reduced by the amount of the rebate.
- If your itemized deduction for "federal income taxes paid" exceeds the threshold for your filing status, your deduction for "federal taxes paid" on your state tax return most likely will not be impacted because your deduction has already surpassed the maximum allowable amount. The exception would be if the federal tax rebate decreases the amount of your itemized deduction so that it now falls below the threshold for your filing status.

**Line 7f – Federal Income Tax Deduction.** 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 minus line 7e.
- 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 minus line 7e.

**Line 8 – Real Estate Taxes Paid in 2008.** Enter any real estate taxes that you paid in 2008 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 on page 17 of these instructions.

**Line 9 – Personal Property Taxes Paid in 2008.** Enter any personal property taxes that you paid in 2008. 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 this line include codes 14-COOPT and 61-LVREG.

**Line 10 – Other Deductible Taxes.** Enter any other deductible taxes that you paid in 2008 and that you did not report on lines 7a through 9. When you claim these other deductible taxes, list on this line 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 2008: 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 2008—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 this line.

**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.

**Line 14 – Qualified Mortgage Insurance Premiums.** Individuals who entered into a contract issued after December 31, 2006 for *qualified mortgage insurance* are allowed 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 after 2006 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 after December 31, 2006, or that are properly allocable to any period after December 31, 2006 are 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 19 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 2008 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 the amount of your allowable contributions.
- 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 this line.

**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 the amount of your allowable contributions.
- 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 this line.

**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 this form and attach a copy of it to your Montana income tax return.

**Line 20 – Casualty and Theft Loss.** If you have a casualty and/or theft loss, you should complete federal Form 4684 to calculate the amount of the Montana loss that you can enter on this line. 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 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; enter the result on this line

**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 38.

Multiply the amount on line 24 by 0.02 (2%) and enter the result on this line.

**Line 26 –** Subtract line 25 from line 23 and enter the result on this line. 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 one of the following:

- 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
- 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 38, is more than \$159,950, your total itemized deductions reported on Schedule I, line 29, may be limited. Complete Worksheet VI on page 20, to determine the portion of the itemized deductions that you reported on 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 39.

**Form 2M, Schedule II – Montana Tax Credits**

We have listed six credits that can be used when filing Montana Form 2M, however the Montana Legislature has authorized 27 different income tax credits. See Montana Form 2, Schedule V for a list and description of these 27 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 2008 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 2008 income tax liability cannot be carried forward or backward to other tax years.
- **Nonrefundable carryover credit.** Your nonrefundable carryover credits can be used to offset your 2008 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 2008 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 2008 to a general endowment fund of the Montana University System foundations or a Montana private 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 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 a credit of up to \$500 as long as you both made qualifying capital investments.

In order to qualify for this credit, you will have to show that the investments make your home or building use energy more efficiently. It does not mean simply switching to an energy source that is less expensive or free (investments of this nature may qualify for the Alternative Energy System credit). If you are unable to provide this documentation and verification, you will not be allowed to take this credit.

For further instructions and a list of investments that qualify for the energy conservation credit, see Montana Form ENRG-C. In addition, please refer to our website at [mt.gov/revenue](http://mt.gov/revenue) and look for the “Energy Conservation Credits” icon 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 – 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 2008 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 2008 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.

**Line 5 – Adoption Credit.** You can claim a credit against your income tax liability if you finalized the adoption of an eligible child during 2008. 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 2008, you can carry forward the unused credit to the next five tax years. For Montana purposes, this carryforward applies only to

adoptions that were finalized on or after January 1, 2007. Therefore, 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 7 – Elderly Homeowner/Renter Credit.** 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.

## Instructions for Elderly Homeowner/Renter Credit Form 2EC

If you are not required to file an income tax return and are only claiming this credit, 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 you will be filing this form with an income tax return, you only need to enter your social security number(s).

If either spouse is deceased during the claim year, enter the date of death in the appropriate box.

### Part I – Qualifications

You will need to answer all four statements before you apply for the 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.
- **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.
- **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, 2008. 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, 2008, 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 other statements.
- **Gross household income** – Your gross household income includes all income received by individuals in the household.

### Part II – Household Income

Enter your gross household income on line 1. Your gross 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 such as the gain from the sale of your primary residence
- 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 including the 2008 federal economic stimulus package rebate
- 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. For example, if you paid \$5,000 for stock in a company, that is your basis. If you sell the stock for \$8,000, your household income only includes the gain of \$3,000 (\$8,000 sales price minus \$5,000 basis). Do not reduce your household income by any losses that you included in your federal adjusted gross income.

The following worksheet can be used to help you calculate your gross household income.

Income Source	Amount
1. Wages, salaries, bonuses, tips, etc.	
2. Business, partnership, rent, royalties (do not include losses)	
3. Dividends, interest including interest from federal, state, county and municipal bonds capital gains (do not include capital losses)	
4. State and federal tax refunds	
5. Prior year 2EC refunds	
6. Alimony, public assistance, unemployment	
7. Pension, annuities, IRA distributions, benefits from railroad retirement, public employee's retirement, veteran's disability and social security	
8. Income from any source or other household members not included above	
9. Add lines 1 through 8; enter the total here and on Form 2EC, line 1. <b>This is your Gross Household Income.</b>	

**Line 4 – Household Income Reduction Table**

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

**Part III – Credit Computation**

You will need to attach a copy of your 2008 property tax bill and/or your signed rent receipts. If you are unable to get signed rent receipts, a statement detailing the rent paid during the year signed by your landlord is an acceptable substitute. If you are filing electronically, 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.

**Line 6 – Property Tax Billed.** Your property tax billed is your November, 2008 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 2008.

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 7 – 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.

**Line 12 – Credit Multiplier**

If the amount on line 1 is	enter this figure on line 12
Less than \$35,000	1.00 (100%)
\$35,000 to \$37,500	0.40 (40%)
\$37,501 to \$40,000	0.30 (30%)
\$40,001 to \$42,500	0.20 (20%)
\$42,501 to \$44,999	0.10 (10%)
\$45,000 and greater	0.00 (0%)

**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.

**File your Form 2EC electronically!** If you are not required to file Montana Form 2 or Form 2M, you can file your Form 2EC through our website, at no cost to you. For further information on this direct electronic filing option, please visit our website at [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 Montana Department of Revenue, PO Box 6577, Helena, MT 59604-6577.

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

If you need additional information on this credit or other tax issues, please call us toll free at (866) 859-2254 (in Helena, 444-6900) or visit our website at [mt.gov/revenue](http://mt.gov/revenue).

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

1. Enter the total premiums you paid in 2008 for qualified mortgage insurance for a contract issued after December 31, 2006. ....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. ... 4.	
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. Subtract line 6 from line 1. Enter the result here and on Form 2M, Schedule I, line 14. <b>This is your qualified mortgage insurance premiums deduction.</b> .....7.	

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

Before you begin, see the instructions below and on page 7 for Form 2M, line 23, to determine if you need to complete Worksheet II.

If you received a federal income tax refund in 2008 and you did not itemize deductions in 2007, stop here; none of your federal income tax refund is taxable to Montana.

Your deduction for federal taxes paid in 2007 may have been limited to \$5,000 (or \$10,000 if filing a joint return) so the refund you received in 2008 may not be taxable. A simple way to check this is to subtract the refund you received in 2008 from the total federal income taxes you paid in 2007. If the result is still above the \$5,000 (or \$10,000 if filing a joint return) you deducted, none of the refund is taxable.

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 2008 is for federal income taxes that you claimed as an itemized deduction in 2007.

You cannot use Worksheet II if you received any of the following refunds or reimbursements in 2008. Instead you should use Worksheet IX, Tax Benefit Rule Recovery of Itemized Deductions.

- A federal income tax refund in 2008 for a federal tax deduction claimed in a year prior to 2007;
- 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 2007 because of the excess adjusted gross income test.

You can obtain Worksheet IX by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or by calling us toll free (866) 859-2254 (in Helena, 444-6900).

1. Add lines 7a through 7d from your 2007 Form 2, Schedule III or lines 7a through 7d from your 2007 Form 2M, Schedule I and enter the result. ....1.	
2. Enter the total of all the 2007 federal income tax refunds that you received in 2008. 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 Montana 2007 Form 2, Schedule III, line 7e or 2007 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 Montana itemized deductions from your 2007 Form 2, Schedule III, line 33 or 2007 Form 2M, Schedule I, line 31. If you took the standard deduction, stop; your federal income tax refund is not taxable. ....6.	
7. Enter your 2007 Montana adjusted gross income from Form 2, line 41 or Form 2M, line 38. ....7.	
8. 2007 standard deduction. Enter the amount corresponding to your 2007 Montana individual income tax filing status.	
• If your filing status was single enter 20% (0.20) of line 7, but not less than \$1,690, or more than \$3,810.	
• If your filing status was married filing jointly, or head of household, enter 20% (0.20) of line 7, but not less than \$3,380, or more than \$7,620. ....8.	
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 2007 Montana taxable income from Form 2, line 45 or Form 2M, line 43. 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.	
• If your result remains less than zero (a negative amount), enter zero and stop here; none of your federal refund is taxable to Montana.	
• 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> ..... 12.	

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

If you have reported taxable pension and annuity income on your Form 2M, line 11b, 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 which required payment of the federal 10% additional tax do not qualify. 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 34 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 29, 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 29.		
<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 38 here. ....	1.	
2. Multiply the amount on line 1 by 20% (0.20) 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 \$4,010. <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 \$8,020. <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 \$1,780. <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 \$3,560. <b>This is your minimum standard deduction.</b>		
6. Enter here and on Form 2M, line 39 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, 7f, 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 39. 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 38 here. ....	5.	
6. Enter here \$159,950. ....	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 39. You do not have to complete this worksheet. ....	7.	
8. Multiply line 7 by 3% (0.03) and enter the result here. ....	8.	
9. Enter the smaller of the amounts on line 4 or line 8 here. ....	9.	
10. Divide the amount on line 9 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> .....	10.	



**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, installment payments of estimated taxes, or a combination of both.

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 2007 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 2007 or 2008 after reaching the age of 62.
- You become disabled in either 2007 or 2008.
- You are a farmer or rancher and 66 2/3% of your 2008 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 2008 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 2008 income tax liability (after applying your credits) or 100% of your 2007 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 get this form by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or by calling us toll free (866) 859-2254 (in Helena, 444-6900).

1. Enter your 2008 total tax liability reported on Form 2M, line 47 here. ....	1.	
2. Multiply line 1 by 90% (0.90) and enter the result here. ....	2.	
3. Combine the amounts on Form 2M, line 48, that portion of line 49 that includes amounts credited from prior year's tax refunds, and line 51. 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 2007 Form 2, line 58, 2007 Form 2M, line 50 or 2007 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 2008 Form 2M, line 49. 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 2008.</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, 2009, 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-1099s. ....	1.	
2. Multiply line 1 by 50% (0.50) and enter result here. ....	2.	
3. Add the amounts on Form 2M, lines 6, 7a, 8a, 9, 10b, 11b, 12 and 14 and enter the result here. ....	3.	
4. Add the amounts on Form 2M, lines 22, 23 and 25 and tax exempt interest on line 7b that is not included in line 22. ....	4.	
5. Add lines 2, 3 and 4; enter the result here. ....	5.	
6. Add the amounts on Form 2M, lines 16, 17, 28 through 32, 34 and 35. 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 50% (0.50) and enter the result here. ....	13.	
14. Enter the smaller of line 2 or line 13. ....	14.	
15. Multiply line 11 by 85% (0.85) and enter result here. If line 11 is zero, enter zero. ....	15.	
16. Add lines 14 and 15; enter the result here. ....	16.	
17. Multiply line 1 by 85% (0.85) 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 24. <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 33. <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.	

# 2008 Montana Individual Income Tax Return

# Form 2M

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

<input type="checkbox"/> Check this box if this is an amended return.	First name and initial	Last name	Social security number	If deceased, date of death
	Spouse's first name and initial	Last name	Spouse's social security number	If deceased, date of death
	Mailing address		City	State

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.)

<b>Exemptions</b>	5a. <input checked="" type="checkbox"/> Yourself	<input type="checkbox"/> 65 or older	<input type="checkbox"/> Blind	Enter number checked .....	5a.		
	5b. <input type="checkbox"/> Spouse	<input type="checkbox"/> 65 or older	<input type="checkbox"/> Blind	Enter number checked .....	5b.		
	Dependent's first name	Last name	SSN	Relationship	Disabled		

5c. Total dependents. If additional dependents, see instructions..... 5c.

5d. Add lines 5a through 5c and enter total exemptions here ..... 5d.

**Enter amounts corresponding to your federal tax return. Round to nearest dollar. If no entry, leave blank.**

<b>Federal Adjusted Gross Income</b>	6. Wages, salaries, tips, etc. Attach federal Form(s) W-2 .....	6.	<input style="width: 50px;" type="text"/>			
	7a. Taxable interest. Attach federal Schedule B or federal Schedule 1 if required .....	7a.	<input style="width: 50px;" type="text"/>			
	b. Tax-exempt interest. Do not include on line 7a .....	7b.	<input style="width: 50px;" type="text"/>			
	8a. Ordinary dividends. Attach federal Schedule B or federal Schedule 1 if required.....	8a.	<input style="width: 50px;" type="text"/>			
	b. Qualified dividends .....	8b.	<input style="width: 50px;" type="text"/>			
	9. Capital gain or (loss). Attach federal Schedule D if required.....	9.	<input style="width: 50px;" type="text"/>			
	10a. IRA distributions .....	10a.	<input style="width: 50px;" type="text"/>	Taxable amount.....	10b.	<input style="width: 50px;" type="text"/>
	11a. Pensions and annuities .....	11a.	<input style="width: 50px;" type="text"/>	Taxable amount.....	11b.	<input style="width: 50px;" type="text"/>
	12. Unemployment compensation and jury duty pay.....	12.	<input style="width: 50px;" type="text"/>			
	13a. Social security benefits.....	13a.	<input style="width: 50px;" type="text"/>	Taxable amount.....	13b.	<input style="width: 50px;" type="text"/>
	14. Taxable refunds, credits or offsets of state and local income taxes.....	14.	<input style="width: 50px;" type="text"/>			
	15. Add lines 6 through 14 (far right column.) <b>This is your total income.</b> .....	15.	<input style="width: 50px;" type="text"/>			
	16. Educator expenses.....	16.	<input style="width: 50px;" type="text"/>			
	17. IRA deduction.....	17.	<input style="width: 50px;" type="text"/>			
	18. Student loan interest deduction.....	18.	<input style="width: 50px;" type="text"/>			
19. Tuition and fees deduction. Attach federal Form 8917.....	19.	<input style="width: 50px;" type="text"/>				
20. Add lines 16 through 19 and enter the result here. <b>This is your total adjustments to income.</b> .....	20.	<input style="width: 50px;" type="text"/>				
21. Subtract line 20 from line 15 and enter the result here. <b>This is your federal adjusted gross income.</b> .....	21.	<input style="width: 50px;" type="text"/>				

<b>Montana Adjusted Gross Income</b>	22. Interest and mutual fund dividends from other states' state, county or municipal bonds .....	22.	<input style="width: 50px;" type="text"/>
	23. Taxable federal refund.....	23.	<input style="width: 50px;" type="text"/>
	24. Addition to federal taxable social security/railroad retirement. ....	24.	<input style="width: 50px;" type="text"/>
	25. Medical care savings account nonqualified withdrawals.....	25.	<input style="width: 50px;" type="text"/>
	26. Add lines 22 through 25 and enter the result here. <b>This is your Montana additions to federal adjusted gross income.</b> .....	26.	<input style="width: 50px;" type="text"/>
	27. Exempt interest and dividends from federal bonds, notes, and obligations. ....	27.	<input style="width: 50px;" type="text"/>
	28. Exempt unemployment compensation. ....	28.	<input style="width: 50px;" type="text"/>
	29. Partial pension and annuity income exemption.....	29.	<input style="width: 50px;" type="text"/>
	30. Partial interest exemption for taxpayers 65 and older. ....	30.	<input style="width: 50px;" type="text"/>
	31. Exemption for certain taxed tips and gratuities.....	31.	<input style="width: 50px;" type="text"/>
	32. Exempt medical care savings account deposits and earnings.....	32.	<input style="width: 50px;" type="text"/>
	33. Subtraction to federal taxable social security/Tier I Railroad Retirement. ....	33.	<input style="width: 50px;" type="text"/>
	34. Subtraction for federal taxable Tier II Railroad Retirement. ....	34.	<input style="width: 50px;" type="text"/>
	35. Federally taxable refunds, credits or offsets of state <u>income</u> taxes.....	35.	<input style="width: 50px;" type="text"/>
	36. Add lines 27 through 35 and enter the result here. <b>This is your Montana subtractions from federal adjusted gross income.</b> 36.	36.	<input style="width: 50px;" type="text"/>
37. Add lines 21 and 26, then subtract line 36. <b>This is your Montana adjusted gross income.</b> .....	37.	<input style="width: 50px;" type="text"/>	

38. Montana adjusted gross income from line 37.....38. <input style="width: 50px;" type="text"/>		
<b>Deductions</b> (Check only one box)		
<b>Taxable Income</b>	39. (A) Standard Deduction (see Worksheet V on page 20): (A) <input type="checkbox"/>	
	(B) Itemized Deductions (from Form 2M, Schedule I, line 31): (B) <input type="checkbox"/> .....39. <input style="width: 100px;" type="text"/>	
	40. Subtract line 39 from line 38 and enter amount here .....40. <input style="width: 100px;" type="text"/>	
<b>Exemptions</b> (All individuals are entitled to at least one exemption.)		
	41. Multiply \$2,140 by the number of exemptions on line 5d and enter result here .....41. <input style="width: 100px;" type="text"/>	
	42. Subtract line 41 from line 40 and enter the result here. If zero or less, enter zero. <b>This is your taxable income.</b> .....42. <input style="width: 100px;" type="text"/>	
<b>Tax</b>	43. Tax from the tax table on page 4 of this form. If line 42 is zero, enter zero.....43. <input style="width: 100px;" type="text"/>	
	44. 2% capital gains tax credit.....44. <input style="width: 100px;" type="text"/>	
	45. Subtract line 44 from 43 and enter the result here. If zero or less, enter zero. <b>This is your resident tax after capital gains tax credit.</b> .....45. <input style="width: 100px;" type="text"/>	
<b>Credits</b>	46. Enter the amount from Schedule II, line 6. <b>This is your total nonrefundable credits.</b> .....46. <input style="width: 100px;" type="text"/>	
	47. Subtract line 46 from line 45 and enter the result. If zero or less, enter zero. <b>This is your total tax after nonrefundable credits.</b> .....47. <input style="width: 100px;" type="text"/>	
<b>Payments</b>	48. Montana income tax withheld. Attach federal Form(s) W-2 and 1099.....48. <input style="width: 100px;" type="text"/>	
	49. 2008 estimated tax payments and amounts applied from your 2007 return.....49. <input style="width: 100px;" type="text"/>	
	50. 2008 extension payment from Form EXT-08.....50. <input style="width: 100px;" type="text"/>	
	51. Elderly Homeowner/Renter Credit from Form 2EC, line 13. Attach Form 2EC.....51. <input style="width: 100px;" type="text"/>	
	52. <b>If filing an amended return:</b> Payments made with original return.....52. <input style="width: 100px;" type="text"/>	
	53. <b>If filing an amended return:</b> Previously issued refunds .....53. <input style="width: 100px;" type="text"/>	
	54. Add lines 48 through 52, then subtract line 53 and enter the result here. <b>This is your total payments.</b> ..... 54. <input style="width: 100px;" type="text"/>	
	55. If line 47 is greater than line 54, subtract line 54 from line 47 and enter the result here. <b>This is your tax due.</b> ..... 55. <input style="width: 100px;" type="text"/>	
	56. If line 54 is greater than line 47, subtract line 47 from line 54 and enter the result here. <b>This is your tax overpaid.</b> ..... 56. <input style="width: 100px;" type="text"/>	
<b>Penalty, Interest and Contributions</b>	57. Interest on underpayment of estimated taxes. (See instructions on page 10.) .....57. <input style="width: 100px;" type="text"/>	
	58. Late file penalty, late payment penalty and interest. (See instructions on page 11.) .....58. <input style="width: 100px;" type="text"/>	
	59. Medical Care Savings Account 10% penalty .....59. <input style="width: 100px;" type="text"/>	
	60. Voluntary check-off contributions. Check the appropriate box(es) if you wish to contribute in addition to your existing tax liability. Enter your total voluntary check-offs here.....60. <input style="width: 100px;" type="text"/>	
	60a. Nongame Wildlife Program <input type="checkbox"/> \$5, <input type="checkbox"/> \$10, or _____ (specify amount)	
	60b. Child Abuse Prevention <input type="checkbox"/> \$5, <input type="checkbox"/> \$10, or _____ (specify amount)	
	60c. Agriculture in Schools <input type="checkbox"/> \$5, <input type="checkbox"/> \$10, or _____ (specify amount)	
	60d. End-Stage Renal Disease Program <input type="checkbox"/> \$5, <input type="checkbox"/> \$10, or _____ (specify amount)	
	60e. Montana Military Family Relief Fund <input type="checkbox"/> \$5, <input type="checkbox"/> \$10, or _____ (specify amount)	
	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 you have tax due (amount on line 55), add lines 55 and 61 OR, if you have a tax overpayment (amount on line 56) and it is less than line 61, subtract line 56 from line 61. 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 your check payable to MONTANA DEPARTMENT OF REVENUE.	
	63. If you have a tax overpayment (amount on line 56) and it is greater than line 61, subtract line 61 from line 56 and enter the result here. <b>This is your overpayment.</b> .....63. <input style="width: 100px;" type="text"/>	
	64. Enter the amount of line 63 you want applied to your 2009 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 direct-deposit your refund, enter your RTN# and ACCT# below. Please see instructions.**

RTN#           ACCT#

**If using direct deposit, you are required to mark one box.**  Checking  Savings

If applicable, check appropriate box. <input type="checkbox"/> Annualized estimated payments <input type="checkbox"/> Do not mail forms and instructions next year	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.
--	--	--

May the DOR discuss this tax return with your tax preparer?  Yes  No

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

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

**Questions?** Call us toll free at (866) 859-2254 (in Helena, 444-6900), or TDD (406) 444-2830 for hearing impaired.

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

Enter your itemized deductions on the corresponding line.

File Schedule I with your Montana Form 2M.

Medical and Dental Expenses	1. Medical and dental expenses.....1.	
	2. Enter amount from Form 2M, line 38.....2.	
	3. Multiply line 2 by 7.5% (0.075) .....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 Adjusted Gross Income.</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.	
Taxes You Paid	Complete lines 7a through 7e reporting your total federal income tax paid in 2008 before completing line 7f.	
	7a. Federal income tax withheld in 2008.....7a.	
	7b. Federal estimated tax payments paid in 2008.....7b.	
	7c. 2007 federal income taxes paid in 2008.....7c.	
	7d. Other back-year federal income taxes paid in 2008.....7d.	
	7e. Federal Economic Stimulus Package Rebate received in 2008.....7e.	
	7f. Add lines 7a through 7d, and then subtract line 7e. Enter the 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> .....7f.	
	8. Real estate taxes paid in 2008. ....8.	
	9. Personal property taxes paid in 2008. ....9.	
	10. Other deductible taxes. List type and amount: _____ 10.	
Interest You Paid	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.	
Gifts	16. Contributions made by cash or check during 2008 .....16.	
	17. Contributions made other than by cash or check .....17.	
	18. Contribution carryover from the prior year .....18.	
	19. Child and dependent care expenses. Attach Montana Form 2441M .....19.	
	20. Casualty and theft loss(es). Attach federal Form 4684 .....20.	
Job Expenses and Certain Miscellaneous Deductions	21. Unreimbursed employee business expenses. Attach federal Form 2106 or 2106EZ .....21.	
	22. Other expenses. List type and amount: _____ 22.	
	23. Add lines 21 and 22; enter the result here.....23.	
	24. Enter the amount on Form 2M, line 38 here.....24.	
	25. Multiply line 24 by 2% (0.02) 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 Adjusted Gross Income. List type and amount: _____ 28.	
Total Itemized Deductions	29. Add lines 4 through 6; 7f through 20; and 26 through 28. Enter the result here.....29. If the amount on Form 2M, line 38 is more than \$159,950 complete Worksheet VI - Itemized Deduction Worksheet; otherwise, enter zero on line 30.	
	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; enter here and on Form 2M, line 39. <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.	<input type="text"/>
2. Energy conservation installation credit. Attach Form ENRG-C. ....	2.	<input type="text"/>
3. Elderly care credit. Attach Form ECC. ....	3.	<input type="text"/>

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

4. Alternative energy systems credit. Attach Form ENRG-B. ....	4.	<input type="text"/>
5. Adoption credit. Attach federal Form 8839. ....	5.	<input type="text"/>
6. Add lines 1 through 5 and enter the result here and on Form 2M, line 46. <b>These are your total nonrefundable credits.</b> ....	6.	<input type="text"/>

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

7. Elderly homeowner/renter credit. Attach Form 2EC. Enter the result on Form 2M, line 51. (You do not need to attach Schedule II if this is the only credit you are claiming.).....	7.	<input type="text"/>
--	----	----------------------

**Montana Tax Credits**

We have listed six credits that can be used when filing Montana Form 2M. However, the Montana Legislature has authorized 27 different income tax credits. See Montana Form 2, Schedule V for a list and description of these 27 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 44) you are not required to apply any of these six other 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 2008 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 2008 income tax liability are lost and cannot be used in future years.
- **Nonrefundable carryover credits.** Your nonrefundable carryover credit can be used to offset your 2008 resident tax after capital gains credit and cannot reduce your tax liability below zero. Your excess nonrefundable credit that is not applied against your 2008 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.

**2008 Montana Individual Income Tax Table**

If Your Taxable Income Is More Than	But Not More Than	Multiply Your Taxable Income By	And Subtract	This Is Your Tax	If Your Taxable Income Is More Than	But Not More Than	Multiply Your Taxable Income By	And Subtract	This Is Your Tax
\$0	\$2,600	1% (0.010)	\$0		\$9,500	\$12,200	5% (0.050)	\$237	
\$2,600	\$4,600	2% (0.020)	\$26		\$12,200	\$15,600	6% (0.060)	\$359	
\$4,600	\$7,000	3% (0.030)	\$72		More than \$15,600		6.9% (0.069)	\$499	
\$7,000	\$9,500	4% (0.040)	\$142						

For Example: Taxable Income \$6,800 X 3% (0.030) = \$204; \$204 Minus \$72 = \$132 Tax

# 2008 Montana Elderly Homeowner/Renter Credit

# Form 2EC

File alone or with your Form 2 or Form 2M. Free electronic filing is available at [mt.gov/revenue](http://mt.gov/revenue)

<input type="checkbox"/> Check this box if this is an Amended Return.	First name and initial	Last name	Social security number	If deceased, date of death
	Spouse's first name and initial		Last name	
	Spouse's social security number		If deceased, date of death	
	Mailing address	City	State	Zip+4

### Part I - Qualifications (Answer each of the following statements.)

I was age 62 or older as of December 31, 2008.	Yes ▶		No ▶	
I occupied a Montana residence as an owner or renter for a total of six months or more during 2008.	Yes ▶		No ▶	
I resided in Montana for nine months or more during 2008.	Yes ▶		No ▶	
My gross household income was less than \$45,000 in 2008.	Yes ▶		No ▶	
<b>If you answered "No" to any of the four statements above, you are not eligible for this credit.</b>				

### Part II - Household Income

1	Enter your total gross household income (see worksheet on the back of this form).	▶	1	
2	Entered here for you is your standard exclusion.	▶	2	\$6,300
3	Subtract line 2 from line 1 and enter result here, but not less than zero.	▶	3	
4	Enter your multiplier rate from the Household Income Reduction Table located on the back of this form.		4	
5	Multiply line 3 by line 4 and enter the result here. <b>This is your net household income.</b>	▶	5	

### Part III - Credit Computation

6	Enter the property tax that you were billed for your principal residence in 2008.	▶	6	
7	Enter the rent that you paid in 2008 for your principal residence.	▶	7	
8	Multiply line 7 by 0.15 (15%) and enter the result here.	▶	8	
9	Add lines 6 and 8; enter the result here.	▶	9	
10	Subtract line 5 from line 9 and enter the result here.	▶	10	
11	Enter the lesser of line 10 or \$1,000.	▶	11	
12	Enter on line 12 the percentage multiplier listed in the instructions on the back of this form that corresponds to your gross household income reported on line 1.	▶	12	
13	Multiply line 11 by the percentage reported on line 12 and enter result here. <b>This is your elderly homeowner/renter credit.</b>	▶	13	

- If you are filing Montana Form 2, enter on Form 2, Schedule V, line 25, the amount on line 13 above. Attach Form 2EC to Form 2.
- If you are filing Montana Form 2M, enter on Form 2M, Schedule II, line 7, the amount on line 13 above. Attach Form 2EC to Form 2M.
- If you are not required to file Montana Form 2 or 2M, see instructions on the back of this form. Mail Form 2EC to the MT Dept. of Revenue.

If you wish to direct-deposit your refund, enter your financial institution's ROUTING# and ACCOUNT# below.

<b>ROUTING#</b>		<b>Please check one box.</b>	Checking ▶		Savings ▶	
<b>ACCOUNT#</b>		Name, address and telephone number of paid preparer.				
Do not mail forms and instructions next year. ▶						
May the DOR discuss this return with your tax preparer? Yes ▶						
No ▶						
Preparer SSN, FEIN or PTIN.						
<b>Signature is required</b>	<b>Date</b>	<b>Daytime phone number</b>	<b>Spouse's signature</b>	<b>Date</b>		

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

Questions? Call us toll free at (866) 859-2254 (in Helena, 444-6900) or TDD (406) 444-2830 for hearing impaired.

**Please note:** The complete instructions for the elderly homeowner/renter tax credit can be found in this booklet.

### Line 1 – Gross Household Income

Enter your gross household income on line 1. Your gross 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 such as the gain from the sale of your primary residence
- 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 including the 2008 federal economic stimulus package rebate
- 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. For example, if you paid \$5,000 for stock in a company, that is your basis. If you sell the stock for \$8,000, your household income only includes the gain of \$3,000 (\$8,000 sales price minus \$5,000 basis). Do not reduce your household income by any losses that you included in your federal adjusted gross income.

The following worksheet can be used to help you calculate your gross household income:

Income Source	Amount
1. Wages, salaries, bonuses, tips, etc.	
2. Business, partnership, rent, royalties (do not include losses.)	
3. Dividends, interest including interest from federal, state, county and municipal bonds capital gains (do not include capital losses.)	

4. State and federal tax refunds.	
5. Prior year 2EC refunds.	
6. Alimony, public assistance, unemployment.	
7. Pension, annuities, IRA distributions, benefits from railroad retirement, public employee’s retirement, veteran’s disability and social security.	
8. Income from any source or other household members not included above.	
9. Add lines 1 through 8 and enter the total here and on Form 2EC, line 1. <b>This is your Gross Household Income.</b>	

### Line 4 – Household Income Reduction Table

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

### Line 12 – Credit Multiplier

If the amount on line 1 is	enter this figure on line 12
Less than \$35,000	1.00 (100%)
\$35,000 to \$37,500	0.40 (40%)
\$37,501 to \$40,000	0.30 (30%)
\$40,001 to \$42,500	0.20 (20%)
\$42,501 to \$44,999	0.10 (10%)
\$45,000 and over	0.00 (0%)

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:

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



# 2008 Montana Individual Income Tax Return

# Form 2M

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

<input type="checkbox"/> Check this box if this is an amended return.	First name and initial	Last name	Social security number	If deceased, date of death
	Spouse's first name and initial	Last name	Spouse's social security number	If deceased, date of death
	Mailing address		City	State

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.)

<b>Exemptions</b>	5a. <input checked="" type="checkbox"/> Yourself	<input type="checkbox"/> 65 or older	<input type="checkbox"/> Blind	Enter number checked .....	5a.		
	5b. <input type="checkbox"/> Spouse	<input type="checkbox"/> 65 or older	<input type="checkbox"/> Blind	Enter number checked .....	5b.		
	Dependent's first name	Last name	SSN	Relationship	Disabled		

5c. Total dependents. If additional dependents, see instructions..... 5c.

5d. Add lines 5a through 5c and enter total exemptions here ..... 5d.

**Enter amounts corresponding to your federal tax return. Round to nearest dollar. If no entry, leave blank.**

<b>Federal Adjusted Gross Income</b>	6. Wages, salaries, tips, etc. Attach federal Form(s) W-2 .....	6.	<input style="width: 100px;" type="text"/>			
	7a. Taxable interest. Attach federal Schedule B or federal Schedule 1 if required .....	7a.	<input style="width: 100px;" type="text"/>			
	b. Tax-exempt interest. Do not include on line 7a .....	7b.	<input style="width: 100px;" type="text"/>			
	8a. Ordinary dividends. Attach federal Schedule B or federal Schedule 1 if required.....	8a.	<input style="width: 100px;" type="text"/>			
	b. Qualified dividends .....	8b.	<input style="width: 100px;" type="text"/>			
	9. Capital gain or (loss). Attach federal Schedule D if required.....	9.	<input style="width: 100px;" type="text"/>			
	10a. IRA distributions .....	10a.	<input style="width: 100px;" type="text"/>	Taxable amount.....	10b.	<input style="width: 100px;" type="text"/>
	11a. Pensions and annuities .....	11a.	<input style="width: 100px;" type="text"/>	Taxable amount.....	11b.	<input style="width: 100px;" type="text"/>
	12. Unemployment compensation and jury duty pay.....	12.	<input style="width: 100px;" type="text"/>			
	13a. Social security benefits.....	13a.	<input style="width: 100px;" type="text"/>	Taxable amount.....	13b.	<input style="width: 100px;" type="text"/>
	14. Taxable refunds, credits or offsets of state and local income taxes.....	14.	<input style="width: 100px;" type="text"/>			
	15. Add lines 6 through 14 (far right column.) <b>This is your total income.</b> .....	15.	<input style="width: 100px;" type="text"/>			
	16. Educator expenses.....	16.	<input style="width: 100px;" type="text"/>			

20. Add lines 16 through 19 and enter the result here. **This is your total adjustments to income.** ..... 20.

21. Subtract line 20 from line 15 and enter the result here. **This is your federal adjusted gross income.** ..... 21.

<b>Montana Adjusted Gross Income</b>	22. Interest and mutual fund dividends from other states' state, county or municipal bonds .....	22.	<input style="width: 100px;" type="text"/>
	23. Taxable federal refund.....	23.	<input style="width: 100px;" type="text"/>
	24. Addition to federal taxable social security/railroad retirement. ....	24.	<input style="width: 100px;" type="text"/>
	25. Medical care savings account nonqualified withdrawals. ....	25.	<input style="width: 100px;" type="text"/>
	26. Add lines 22 through 25 and enter the result here. <b>This is your Montana additions to federal adjusted gross income.</b> .....	26.	<input style="width: 100px;" type="text"/>
	27. Exempt interest and dividends from federal bonds, notes, and obligations. ....	27.	<input style="width: 100px;" type="text"/>
	28. Exempt unemployment compensation. ....	28.	<input style="width: 100px;" type="text"/>
	29. Partial pension and annuity income exemption. ....	29.	<input style="width: 100px;" type="text"/>
	30. Partial interest exemption for taxpayers 65 and older. ....	30.	<input style="width: 100px;" type="text"/>
	31. Exemption for certain taxed tips and gratuities.....	31.	<input style="width: 100px;" type="text"/>
	32. Exempt medical care savings account deposits and earnings.....	32.	<input style="width: 100px;" type="text"/>
	33. Subtraction to federal taxable social security/Tier I Railroad Retirement. ....	33.	<input style="width: 100px;" type="text"/>
	34. Subtraction for federal taxable Tier II Railroad Retirement. ....	34.	<input style="width: 100px;" type="text"/>
	35. Federally taxable refunds, credits or offsets of state <u>income</u> taxes.....	35.	<input style="width: 100px;" type="text"/>

36. Add lines 27 through 35 and enter the result here. **This is your Montana subtractions from federal adjusted gross income.** 36.

37. Add lines 21 and 26, then subtract line 36. **This is your Montana adjusted gross income.** ..... 37.



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

Enter your itemized deductions on the corresponding line.

File Schedule I with your Montana Form 2M.

Medical and Dental Expenses	1. Medical and dental expenses.....1.	
	2. Enter amount from Form 2M, line 38.....2.	
	3. Multiply line 2 by 7.5% (0.075) .....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 Adjusted Gross Income.</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.	
Taxes You Paid	Complete lines 7a through 7e reporting your total federal income tax paid in 2008 before completing line 7f.	
	7a. Federal income tax withheld in 2008.....7a.	
	7b. Federal estimated tax payments paid in 2008.....7b.	
	7c. 2007 federal income taxes paid in 2008.....7c.	
	7d. Other back-year federal income taxes paid in 2008.....7d.	
	7e. Federal Economic Stimulus Package Rebate received in 2008.....7e.	
	7f. Add lines 7a through 7d, and then subtract line 7e. Enter the 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> .....7f.	
	8. Real estate taxes paid in 2008. ....8.	
	9. Personal property taxes paid in 2008. ....9.	
	10. Other deductible taxes. List type and amount: _____ 10.	
Interest You Paid	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.	
Gifts	16. Contributions made by cash or check during 2008 .....16.	
	17. Contributions made other than by cash or check .....17.	
	18. Contribution carryover from the prior year .....18.	
	19. Child and dependent care expenses. Attach Montana Form 2441M .....19.	
	20. Casualty and theft loss(es). Attach federal Form 4684 .....20.	
Job Expenses and Certain Miscellaneous Deductions	21. Unreimbursed employee business expenses. Attach federal Form 2106 or 2106EZ .....21.	
	22. Other expenses. List type and amount: _____ 22.	
	23. Add lines 21 and 22; enter the result here.....23.	
	24. Enter the amount on Form 2M, line 38 here.....24.	
	25. Multiply line 24 by 2% (0.02) 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 Adjusted Gross Income. List type and amount: _____ 28.	
Total Itemized Deductions	29. Add lines 4 through 6; 7f through 20; and 26 through 28. Enter the result here.....29. If the amount on Form 2M, line 38 is more than \$159,950 complete Worksheet VI - Itemized Deduction Worksheet; otherwise, enter zero on line 30.	
	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; enter here and on Form 2M, line 39. <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.	<input type="text"/>
2. Energy conservation installation credit. Attach Form ENRG-C. ....	2.	<input type="text"/>
3. Elderly care credit. Attach Form ECC. ....	3.	<input type="text"/>

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

4. Alternative energy systems credit. Attach Form ENRG-B. ....	4.	<input type="text"/>
5. Adoption credit. Attach federal Form 8839. ....	5.	<input type="text"/>
6. Add lines 1 through 5 and enter the result here and on Form 2M, line 46. <b>These are your total nonrefundable credits.</b> ....	6.	<input type="text"/>

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

7. Elderly homeowner/renter credit. Attach Form 2EC. Enter the result on Form 2M, line 51. (You do not need to attach Schedule II if this is the only credit you are claiming.).....	7.	<input type="text"/>
--	----	----------------------

**Montana Tax Credits**

We have listed six credits that can be used when filing Montana Form 2M. However, the Montana Legislature has authorized 27 different income tax credits. See Montana Form 2, Schedule V for a list and description of these 27 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 44) you are not required to apply any of these six other 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 2008 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 2008 income tax liability are lost and cannot be used in future years.
- **Nonrefundable carryover credits.** Your nonrefundable carryover credit can be used to offset your 2008 resident tax after capital gains credit and cannot reduce your tax liability below zero. Your excess nonrefundable credit that is not applied against your 2008 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.

**2008 Montana Individual Income Tax Table**

If Your Taxable Income Is More Than	But Not More Than	Multiply Your Taxable Income By	And Subtract	This Is Your Tax	If Your Taxable Income Is More Than	But Not More Than	Multiply Your Taxable Income By	And Subtract	This Is Your Tax
\$0	\$2,600	1% (0.010)	\$0		\$9,500	\$12,200	5% (0.050)	\$237	
\$2,600	\$4,600	2% (0.020)	\$26		\$12,200	\$15,600	6% (0.060)	\$359	
\$4,600	\$7,000	3% (0.030)	\$72		More than \$15,600		6.9% (0.069)	\$499	
\$7,000	\$9,500	4% (0.040)	\$142						

For Example: Taxable Income \$6,800 X 3% (0.030) = \$204; \$204 Minus \$72 = \$132 Tax

# 2008 Montana Elderly Homeowner/Renter Credit

# Form 2EC

File alone or with your Form 2 or Form 2M. Free electronic filing is available at [mt.gov/revenue](http://mt.gov/revenue)

<input type="checkbox"/> Check this box if this is an Amended Return.	First name and initial	Last name	Social security number	If deceased, date of death
	Spouse's first name and initial	Last name	Spouse's social security number	If deceased, date of death
	Mailing address	City	State	Zip+4

### Part I - Qualifications (Answer each of the following statements.)

I was age 62 or older as of December 31, 2008.	Yes ▶		No ▶	
I occupied a Montana residence as an owner or renter for a total of six months or more during 2008.	Yes ▶		No ▶	
I resided in Montana for nine months or more during 2008.	Yes ▶		No ▶	
My gross household income was less than \$45,000 in 2008.	Yes ▶		No ▶	
<b>If you answered "No" to any of the four statements above, you are not eligible for this credit.</b>				

### Part II - Household Income

1	Enter your total gross household income (see worksheet on the back of this form). ▶	1		
2	Entered here for you is your standard exclusion. ▶	2	\$6,300	
3	Subtract line 2 from line 1 and enter result here, but not less than zero. ▶	3		
4	Enter your multiplier rate from the Household Income Reduction Table located on the back of this form. ▶	4		
5	Multiply line 3 by line 4 and enter the result here. <b>This is your net household income.</b> ▶	5		

### Part III - Credit Computation

6	Enter the property tax that you were billed for your principal residence in 2008. ▶	6		
7	Enter the rent that you paid in 2008 for your principal residence. ▶	7		
8	Multiply line 7 by 0.15 (15%) and enter the result here. ▶	8		
9	Add lines 6 and 8; enter the result here. ▶	9		
10	Subtract line 5 from line 9 and enter the result here. ▶	10		
11	Enter the lesser of line 10 or \$1,000. ▶	11		
12	Enter on line 12 the percentage multiplier listed in the instructions on the back of this form that corresponds to your gross household income reported on line 1. ▶	12		
13	Multiply line 11 by the percentage reported on line 12 and enter result here. <b>This is your elderly homeowner/renter credit.</b> ▶	13		

- If you are filing Montana Form 2, enter on Form 2, Schedule V, line 25, the amount on line 13 above. Attach Form 2EC to Form 2.
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- If you are not required to file Montana Form 2 or 2M, see instructions on the back of this form. Mail Form 2EC to the MT Dept. of Revenue.

If you wish to direct-deposit your refund, enter your financial institution's ROUTING# and ACCOUNT# below.

<b>ROUTING#</b>		<b>Please check one box.</b>	Checking ▶		Savings ▶	
<b>ACCOUNT#</b>		Name, address and telephone number of paid preparer.				
Do not mail forms and instructions next year. ▶						
May the DOR discuss this return with your tax preparer? Yes ▶						
No ▶						
Preparer SSN, FEIN or PTIN.						
<b>Signature is required</b>	<b>Date</b>	<b>Daytime phone number</b>	<b>Spouse's signature</b>	<b>Date</b>		

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

Questions? Call us toll free at (866) 859-2254 (in Helena, 444-6900) or TDD (406) 444-2830 for hearing impaired.

**Please note:** The complete instructions for the elderly homeowner/renter tax credit can be found in this booklet.

### Line 1 – Gross Household Income

Enter your gross household income on line 1. Your gross 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 such as the gain from the sale of your primary residence
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- Cash public assistance and relief
- Interest on federal, state, county, and municipal bonds
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- 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. For example, if you paid \$5,000 for stock in a company, that is your basis. If you sell the stock for \$8,000, your household income only includes the gain of \$3,000 (\$8,000 sales price minus \$5,000 basis). Do not reduce your household income by any losses that you included in your federal adjusted gross income.

The following worksheet can be used to help you calculate your gross household income:

Income Source	Amount
1. Wages, salaries, bonuses, tips, etc.	
2. Business, partnership, rent, royalties (do not include losses.)	
3. Dividends, interest including interest from federal, state, county and municipal bonds capital gains (do not include capital losses.)	

4. State and federal tax refunds.	
5. Prior year 2EC refunds.	
6. Alimony, public assistance, unemployment.	
7. Pension, annuities, IRA distributions, benefits from railroad retirement, public employee’s retirement, veteran’s disability and social security.	
8. Income from any source or other household members not included above.	
9. Add lines 1 through 8 and enter the total here and on Form 2EC, line 1. <b>This is your Gross Household Income.</b>	

### Line 4 – Household Income Reduction Table

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

### Line 12 – Credit Multiplier

If the amount on line 1 is	enter this figure on line 12
Less than \$35,000	1.00 (100%)
\$35,000 to \$37,500	0.40 (40%)
\$37,501 to \$40,000	0.30 (30%)
\$40,001 to \$42,500	0.20 (20%)
\$42,501 to \$44,999	0.10 (10%)
\$45,000 and over	0.00 (0%)

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:

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

# Where's My Refund?



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

Click on "Where's My Refund" icon



(406) 444-9840

# Your Tax Dollars at Work

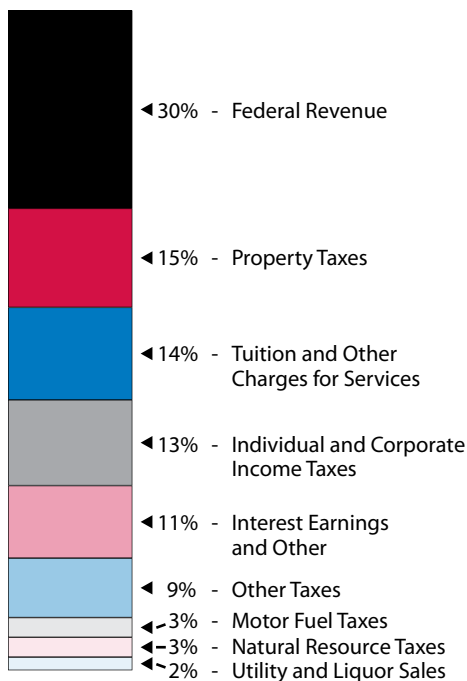
The table to the right shows where your individual and corporate income tax dollars (about 13% of total state and local revenues) were spent in 2007. For the charts below, the left chart shows the sources of revenue for both state and local governments in Montana for 2006, the most recent year for which totals are compiled. The right chart shows state and local spending.

## Where Your Income Tax Dollar Goes

Education .....	49%
Health and Human Services .....	20%
Public Safety and Corrections.....	11%
Transfers to Local Governments.....	6%
General Government Operations.....	9%
Other .....	5%
Total Spending .....	100%

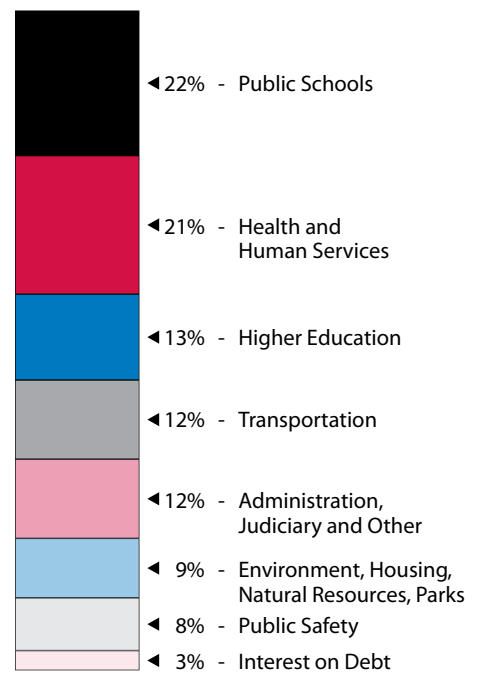
## What are Montana's Public Revenues?

Total Montana State and Local Revenue, Fiscal Year Ending 2006



## Where Do Your Public Dollars Go?

Total State and Local Spending in Montana, Fiscal Year Ending 2006



Montana Department of Revenue  
Post Office Box 5805  
Helena, MT 59604-5805

PRSRT STD  
U.S. POSTAGE  
PAID  
MONTANA DEPARTMENT  
OF REVENUE

No Return

## Important Reminders

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

- ▶ Check the appropriate box or boxes indicating your exemption(s).
- ▶ Sign the tax return. If you are filing a joint tax return, your spouse must also sign the tax 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 2008.
- ▶ Use the correct address 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.

- ▶ Attach all state and federal schedules that support figures on your tax return. You do not need to attach worksheets. You also do not need to include schedules that are blank.
- ▶ Keep a copy of your tax return with all schedules, worksheets, receipts and other supporting documents.

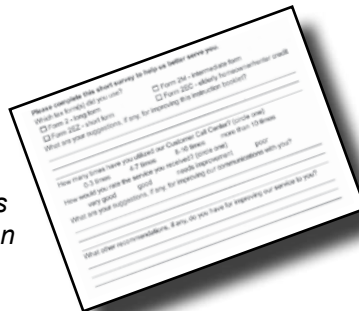
### If you file your tax return electronically, be sure to:

- ▶ Watch for confirmation that your tax return was received by the Montana Department of Revenue.
- ▶ Make an electronic payment or send a check or money order by April 15, 2009 if you owe.
- ▶ Keep a copy of your tax 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 the Where's My Refund icon



(406) 444-9840