

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

Before you begin, see the instructions below and on page 12 for Form 2M, line 23, to determine if you need to complete Worksheet II.

If you received a federal income tax refund in 2009 and you did not itemize deductions in 2008, stop here; none of your federal income tax refund is taxable to Montana.

Your deduction for federal taxes paid in 2008 may have been limited to \$5,000 (or \$10,000 if filing a joint return) so the refund you received in 2009 may not be taxable. A simple way to check this is to subtract the refund you received in 2009 from the total federal income taxes you paid in 2008. 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 2009 is for federal income taxes that you claimed as an itemized deduction in 2008.

You cannot use Worksheet II if you received any of the following refunds or reimbursements in 2009. Instead you should use Worksheet IX, Tax Benefit Rule Recovery of Itemized Deductions.

- A federal income tax refund in 2009 for a federal tax deduction claimed in a year prior to 2008;
- 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 2008 because of the excess adjusted gross income test.

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

1. Add lines 7a through 7d and subtract line 7e from your 2008 Form 2, Schedule III or 2008 Form 2M, Schedule I and enter the result here. ....1.	
2. Add the Stimulus Payment you received in 2008 that is included in line 1 to any additional Recovery Rebate credit and other refundable federal credits you may have received when you filed your 2008 federal return. Subtract this total from the 2008 federal refund you received in 2009 and enter the result here, but not less than zero. ....2.	
3. Subtract line 2 from line 1 and enter the result here, but not less than zero. ....3.	
4. Enter the amount of federal income tax deducted on line 7f of your Montana 2008 Form 2, Schedule III, or 2008 Form 2M, Schedule I. ....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 2008 Form 2, Schedule III, line 33 or 2008 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 2008 Montana adjusted gross income from Form 2, line 41 or Form 2M, line 38. ....7.	
8. 2008 standard deduction. Enter the amount corresponding to your 2008 Montana individual income tax filing status. • If your filing status was single enter 20% (0.20) of line 7, but not less than \$1,780, or more than \$4,010. • If your filing status was married filing jointly, or head of household, enter 20% (0.20) of line 7, but not less than \$3,560, or more than \$8,020. ....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 2008 Montana taxable income from Form 2, line 45 or Form 2M, line 42. 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 14.

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 \$3,950. **This is your maximum standard deduction.**
- If your filing status is joint or head of household (Form 2M filing status 2 or 3) enter \$7,900. **This is your maximum standard deduction.**
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 \$1,750. **This is your minimum standard deduction.**
- If your filing status is joint or head of household (Form 2M filing status 2 or 3) enter \$3,500. **This is your minimum standard deduction.**
6. Enter here and on Form 2M, line 39 the amount from lines 4 or 5, whichever is larger. **This is your standard deduction.** .....6.

### Worksheet VI-A - Itemized Deduction Worksheet

1. Enter your total itemized deductions from Form 2M, Schedule I, line 29 here. ....1.
2. Add lines 4, 5, 6, 7e, 15, 19, 20 and 27 from Form 2M, Schedule I, and enter the result here. ....2.
3. Subtract line 2 from line 1 and enter the result here. If the result is zero, stop here, and enter the amount from line 1 above on Form 2M, line 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 \$166,800. ....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. **This is the amount of your itemized deductions not allowed.** .....10.

### Worksheet VI-B - Qualified Mortgage Insurance Premiums

1. Enter the total premiums you paid in 2009 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?
  - No.** Your deduction is not limited. Enter the amount from line 1 above on Form 2M, Schedule I, line 14.
  - Yes.** 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. **This is your qualified mortgage insurance premiums deduction.** .....7.

### Worksheet VI-C - New Vehicle Taxes and Fees Deduction

1. Enter the taxes and fees paid for the purchase of a new motor vehicle after February 16, 2009 eligible for the deduction. ....1.
2. Enter the amount from Form 2M, line 38. ....2.
3. If married filing jointly, enter \$250,000. Otherwise enter \$125,000. ....3.
4. Is the amount on line 2 more than the amount on line 3?
  - No.** Your deduction is not limited. The full amount may be included on Form 2M, Schedule I, line 9.
  - Yes.** Subtract line 3 from line 2. Enter the result here. ....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. This is the amount that can be included on Form 2M, Schedule I, line 9.....7.

## 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 2008 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 2008 or 2009 after reaching the age of 62.
- You become disabled in either 2008 or 2009.
- You are a farmer or rancher and 66 2/3% of your 2009 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 2009 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 2009 income tax liability (after applying your credits) or 100% of your 2008 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 no estimated tax payments (in other words, your only payments were Montana withholding), or
- You made four equal estimated payments by the required due dates.

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 [revenue.mt.gov](http://revenue.mt.gov) or by calling us toll free (866) 859-2254 (in Helena, 444-6900).

1. Enter your 2009 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 2008 Form 2, line 53, 2008 Form 2M, line 47 or 2008 Form 2EZ, line 15 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 2009 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 2009.</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, 2010, 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

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, 8, 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.	