

Worksheet II - Tax Benefit Rule for Federal Income Tax Refund

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. You can obtain Worksheet IX by visiting our web site at revenue.mt.gov or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

- 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.

Before you begin, see the instructions above and on page 22 for Schedule I, line 3 to determine if you need to complete Worksheet II.

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1	Add lines 7a through 7d and subtract line 7e from 2008 Form 2, Schedule III and enter the result. ►	1	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	2
3	Subtract line 2 from line 1 and enter the result here, but not less than zero. ►	3	3
4	Enter the amount of federal income tax deducted on line 7f of your Montana 2008 Form 2, Schedule III. ►	4	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, and enter the result here. ►	5	5
6	Enter your total allowable Montana itemized deductions from your 2008 Form 2, Schedule III, line 33. If you took the standard deduction, stop; your federal income tax refund is not taxable. ►	6	6
7	Enter your 2008 Montana adjusted gross income from Form 2, line 40. ►	7	7
8	2008 Standard deduction. Enter the amount corresponding to your 2008 Montana individual income tax filing status. <ul style="list-style-type: none"> • If your filing status was single or married filing separately, 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	8
9	Subtract line 8 from line 6, and enter the result here. If the result is smaller than zero, stop; your federal refund is not taxable. ►	9	9
10	Enter the smaller of line 5 or line 9 here. ►	10	10
11	Enter here your 2008 Montana taxable income from Form 2, line 45. If your amount is less than zero, enter this amount as a negative amount. ►	11	11
12	If line 11 is zero or more, enter the amount from line 10 here and on Form 2, Schedule I, line 3. This is your taxable federal income tax refund. If line 11 is less than zero (a negative amount), add lines 10 and 11. <ul style="list-style-type: none"> • 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 2, Schedule I, line 3. This is your taxable federal income tax refund. ► 	12	12