

Overview of the Income Tax Calculation

The following is an overview of Montana's individual income tax calculation. Please consult the individual income tax instructions for the detail about additions, subtractions and credits.

You Start with Total Income

Total income includes salaries and wages, interest and dividends, state refunds, alimony, net business income, capital gain income, pension income, rents and royalties, net farm income, unemployment compensation, social security benefits and any other miscellaneous income.

Less Federal Adjustments to Income Reported on the Federal Form

Equals: Federal Adjusted Gross Income (FAGI)

Plus Montana Additions Provided in 15-30-2110, MCA
Less Subtractions Provided in 15-30-2110, MCA

Equals: Montana Adjusted Gross Income

Less Itemized Deductions or Standard Deduction

Less Personal Exemptions

Equals: Montana Taxable Income

Montana Taxable Income x Tax Table Rate

Less 2% Capital Gains Credit

Equals: Tax after Capital Gains Credits

Less Other Montana Tax Credits:

- Nonrefundable Credits that are Single-Year Credits and Have No Carryover Provision
- Nonrefundable Credits that Have a Carryover Provision
- Refundable Credits

Equals: Montana Individual Income Tax Liability