2013 Montana Form 2M

Individual Income Tax Forms and Instructions

(Includes Form 2EC)

MONTANA DEPARTMENT OF REVENUE

Montana Department of REVENUE

Get Your Refund Faster - File Online!

Check out the options at *revenue.mt.gov*.

Choose e-file and direct deposit for a faster refund!

Filing deadline is April 15, 2014.

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Don't Miss Out!

Apply by April 15 to see if you qualify for property tax relief.

Please see the yellow insert for details.

Hello Montana Taxpayer,

Thank you for filing your Montana tax return. In the graphs below this message you can see where our Montana tax resources come from and how they are used.

As you file your taxes and have questions, please feel free to ask us for help. You can contact our call center toll free at 866-859-2254, or in Helena at 444-6900. We also welcome you to stop by our offices in Helena and 56 counties.

As the internet becomes a more important and convenient way of doing business, we encourage you to file electronically. Please visit our website for helpful information and online options at *revenue.mt.gov*. The benefit of filing electronically will be more efficient processing of your return and a quicker refund back to you.

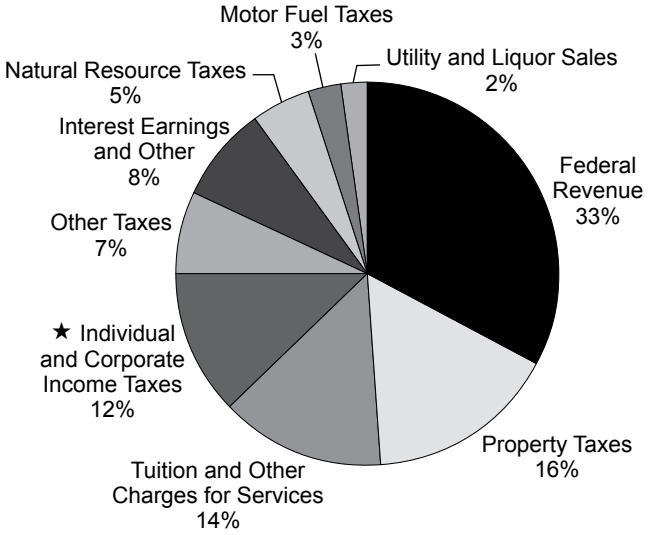
Regards,

Mike Kadas, Director
Montana Department of Revenue

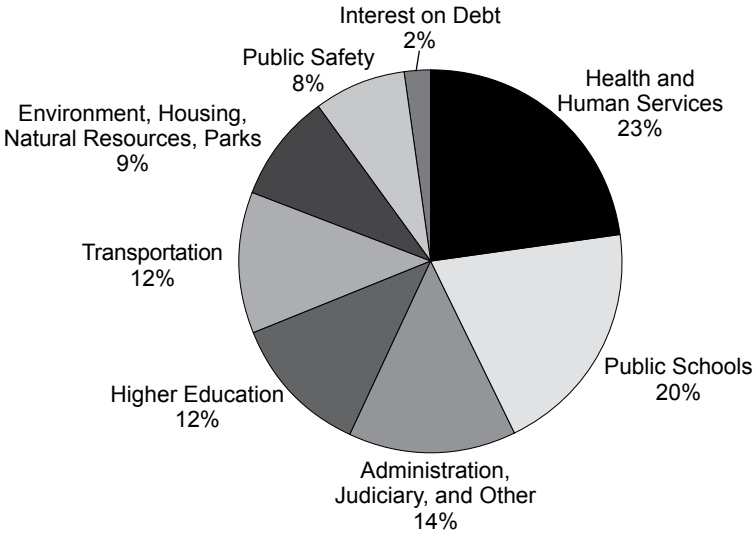
Your Tax Dollars at Work

The first chart shows the sources of revenue for both state and local governments in Montana for 2011, the most recent year for which totals are compiled. The second chart shows state and local spending.

What are Montana's Public Revenues?
Total Montana State and Local Revenue, Fiscal Year Ending 2011



Where Do Your Public Dollars Go?
Total State and Local Spending in Montana, Fiscal year Ending 2011



★ Where Your Income Tax Dollar Goes

Education	47%
Health and Human Services	22%
Public Safety and Corrections	15%
General Government Operations	8%
Transfers to Local Governments	6%
Other	2%
Total Spending	100%

The table above shows where your individual and corporate income tax dollars—about 12% of total state and local revenues—were spent in 2011.

Taxpayer Access Point (TAP)

Free Online Service for Individual Taxpayers

File your Montana return online at *https://tap.dor.mt.gov.*

- Math is calculated for you
- Faster refunds with direct deposit
- Pay with e-check, credit or debit card
- Save and finish later
- Check your return status
- Available for first-time filers, full-year residents, part-year residents and nonresidents

TAP Login Features

- View prior payment history
- View and print prior year returns
- Manage profile information
- Authorize access for tax preparer or other third party

Federal and State E-Filing Options

- **Montana Free File** – Visit *montanafreefile.org* for help with free filing options.
- **Tax Preparer Professionals** – Your preparer can e-file your federal and state tax returns at the same time. Request direct deposit if you expect a refund.
- **Retail or Online Software** – You can use retail or online software to prepare and file your returns on your own. Provide your bank information for direct deposit if you expect a refund.

E-Pay Options

Pay with e-check, credit or debit card.

Income Tax Express (ITE)
(including mobile app)

https://app.mt.gov/ite

Taxpayer Access Point

https://tap.dor.mt.gov

Getting Started

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

1. Complete your federal tax return.
2. Determine if Montana Form 2M is right for you. See FAQ ❷ on page 17.
3. Before you begin, take the time to familiarize yourself with the forms, schedules, worksheets and other documents you'll need to complete your tax return.
4. Decide if you will file electronically or use a paper tax return. This booklet is designed to help you file by either method.
5. If you file a paper return, remember to sign it and include any federal forms or schedules we requested on the return.
6. File your Montana tax return (include your payment, if taxes are due) by April 15, 2014. See FAQ ⓫ on page 19 for information about receiving an extension.
7. When finished, please accept our thanks for a job well done!

Steps to Completing Your Return

Step 1 Personal Information 1
Step 2 Exemptions 2
Step 3 Federal Adjusted Gross Income 3
Step 4 Montana Adjusted Gross Income and Taxable Income 3
Step 5 Tax and Nonrefundable Credits 6
Step 6 Payments and Refundable Credit 7
Step 7 Penalties, Interest and Contributions 7
Step 8 Amount You Owe or Your Refund 9
Step 9 Sign, Assemble and File Your Return 10
FAQs Frequently Asked Questions 16

What's New 1
Instructions for Schedules **11**
I Montana Itemized Deductions 11
II Montana Tax Credits 14
Worksheets **23**
II Tax Benefit Rule for Federal Income Tax Refund 23
IV Partial Pension and Annuity Income Exemption 24
V Standard Deduction 24
VI-QMIP Qualified Mortgage Insurance Premiums 24
VI-IDL Itemized Deduction Limitation 25
VII Calculation of Interest on Underpayment of Estimated Taxes - Short Method 25
VIII Taxable Social Security Benefits 26
Instructions for Form 2EC, Elderly Homeowner/Renter Credit (back of booklet) **2EC-1-3**

For your convenience, there are two copies of the following forms at the back of this booklet.

- 2013 Montana Form 2M
- 2013 Montana Form 2M Schedules
- 2013 Montana Form 2EC

Where's My Refund?

revenue.mt.gov

Click on the Where's My Refund link.

What's New?

"Agriculture in Montana Schools" check-off renamed

The "Agriculture in Montana Schools" program has been renamed the "Agriculture Literacy in Montana Schools" program. This is simply a name change to avoid confusion with an organization with a similar name. The money continues to provide funding for developing and presenting an education program that will provide young people with a better understanding of agriculture in our state and how it relates to the rest of the world.

Federal Changes

Itemized deduction limitation – The American Taxpayer Relief Act of 2012 reinstated what's commonly known as the "Pease Limitation"—the limitation on itemized deductions for individuals with incomes above certain thresholds. Please refer to Schedule I and its instructions on page 11 and Worksheet VI-IDL on page 25 for more information on whether the limitation applies to you and to calculate the limitation.

Medical expense deduction – The Patient Protection and Affordable Care Act of 2010 affected itemized deductions for medical expenses for some filers. Beginning with the 2013 tax year, individuals under age 65 at the end of the tax year can only deduct medical expenses that exceed 10% of their Montana adjusted gross income. Previously, these individuals could deduct medical expenses exceeding 7.5% of their income. Individuals 65 and older at the end of the tax year are still allowed to deduct expenses exceeding 7.5% of their income. Please refer to the instructions on page 11 for more information.

Updated Forms and Instructions

New form for enrolled tribal members – We replaced Form IND (Tribal Member Certification) with Form ETM (Enrolled Tribal Member Exempt Income Certification/ Return). As explained on the new form, tribal members no longer have to file Form 2 if all their income is exempt from Montana income tax. Form ETM now serves as their return. For more information, see Form ETM.

North Dakota reciprocal agreement – We discontinued Form NR-1 (North Dakota Reciprocal Affidavit) and Form NR-2 (Employee Certificate of North Dakota Residence). Beginning with the 2013 tax year, North Dakota residents covered by the reciprocal agreement who want to obtain a refund of any Montana tax withheld will now simply file a Montana Form 2. Form MT-R (Reciprocity Exemption from Withholding) replaces the NR-2 as the form employees submit to their employer to be exempt from Montana withholding under the reciprocal agreement.

Step 1. Personal Information

► **Are you ready?**

- Gather any updated personal information.
- Determine which filing status is best for you.

Heading

Print your name, mailing 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 died prior to filing this return, enter the date of death in the field next to his or her name. Please include a copy of the federal Form 1310 unless filing status 2 (married filing jointly) is used on this return.

Filing Status - (Mark only one box)

Box 1 – Single

You can claim this filing status if on December 31, 2013, 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, 2013, and you did not remarry in 2013.

If you are married, you cannot file separate Form 2M returns. You will have to file a joint tax return with your spouse on Form 2M or 2EZ, 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, 2013, even if you did not live with your spouse at the end of 2013, or
- your spouse died in 2013 and you did not remarry in 2013, or
- you were married as of December 31, 2013, and your spouse died in 2014 before filing a 2013 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 qualify to file as head of household on your Montana tax return if you qualify for filing head of household for federal income tax purposes. When you use this filing status, include your federal Form 1040 or 1040A, pages 1 and 2, with your Montana 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 FAQ 3 on page 17.

Did you…?

- Use blue or black ink if you are filing on paper.
- Ensure that the correct social security number is entered and matches the number on your W-2(s).
- List your mailing address.
- Mark a filing status box.
- Mark the correct residency status.
- If filing electronically, save the tax information that you have entered.

Step 2. Exemptions (Lines 5a-5d)

► **Are you ready?**

- Gather the social security number(s) of your dependent(s).

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 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 include a separate list of 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 some of Montana's dependency requirements are different from the federal dependency requirements, you will need to meet all the following requirements in order to claim a dependent on your Montana tax return.

Your dependent is an individual:

- 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 $2,280,
  - unless the dependent is a "qualifying child" according to the federal rules, 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 has to be:

- a relative to you (or your spouse if you are filing a joint 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		

or

- 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, or
- a cousin (or other descendant of your uncle or aunt) who is receiving institutional care as a result of a physical or mental disability, and was a member of your household before receiving the institutional care.

Note: When the terms nephew, niece, uncle or aunt are used, they mean a direct relative of yours. For example, you cannot claim your spouse's uncle (mother or father's brother) as a dependent, only your spouse can. Similarly, your spouse cannot claim his or her uncle's spouse.

A child who is under age 19 at the end of the year (or age 24 and a full-time student) and lived with you for more than half the year can be considered a dependent even if they have more income than is otherwise allowed.

Disabled Dependent Child Exemption

In addition to the dependent exemption, you are entitled to another exemption for a child who is disabled. If your child is disabled and you qualify for this additional exemption, place an "X" in the "Mark if Disabled" column in the same row you listed your disabled child, and add an additional exemption to your total on line 5c.

You are allowed this disabled child exemption if all of the following requirements are met:

- 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 a disability to 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 this is the first year that you are claiming the additional exemption for this child, you will need to include a physician's certification of this qualifying disability with your 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 again until the circumstances of your disabled child change.

Line 5d

Add lines 5a through 5c and enter the total on this line.

Step 3. Federal Adjusted Gross Income (Lines 6-21)

► **Are you ready?**

- Fill out your 2013 federal tax return.

Lines 6 through 21

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

Line 14 – Taxable Refunds, Credits or Offsets of State and Local Income Taxes

Enter here the same amount that you reported on your federal tax return. You will need to include your state tax refund here and then report it as a subtraction from income on line 35 to calculate your Montana adjusted gross income.

Line 21 – Federal Adjusted Gross Income

Subtract line 20 from line 15 and enter the result here. This amount should correspond to the amount of the federal adjusted gross income that you reported on your federal tax return Form 1040, 1040A, or 1040EZ.

✓ **Did you…?**

- Complete lines 10a, 11a, and 13a if they apply to you.
- If filing electronically, save the tax information that you have entered.

Step 4. Montana Adjusted Gross Income and Taxable Income (Lines 22-42)

► **Are you ready? You will need–**

For lines 22 through 37 (Montana Adjusted Gross Income):

- Worksheet II filled out if you had a federal tax refund in 2013 and you itemized deductions on your 2012 Montana tax return.
- Worksheet IV filled out if you have taxable income from a pension or annuity on line 10b or 11b.
- Worksheet VIII filled out if you have taxable income from social security or Tier I Railroad Retirement.
- Information about your Montana medical savings account if you used the account this year.
- Information about any federal interest or dividends from bonds, notes or obligations.
- Information about income from tips.

For lines 38 through 42 (Taxable Income):

- Receipts and supporting documents for deductible expenses, such as:
  - medical expenses
  - federal income tax payments
  - property taxes
  - vehicle registration
  - mortgage interest and points
  - charitable contributions

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 State, County or Municipal Bonds from Other States

Enter the interest and mutual fund dividend income that you received from bonds and obligations of another state, territory, or political subdivision of another state (county, municipality, district, etc.).

Line 23 – Taxable Federal Refund

If you received a 2012 federal income tax refund in 2013 and you claimed federal income taxes paid as an itemized deduction on your 2012 Montana income tax return, you may need to report a portion or all of your federal refund as income on your 2013 Montana tax return.

To the extent that the federal tax deduction that you claimed on your 2012 Montana income tax return reduced

the amount of your 2012 Montana income tax liability, any subsequent refunds from this deduction are considered income in the year that you received them.

You will need to complete Worksheet II, Tax Benefit Rule for Federal Income Tax Refund, found on page 23 of this booklet to determine whether your federal income tax refund is taxable in 2013, unless one of the following scenarios applies to you:

- If you claimed the Montana standard deduction when you filed your 2012 Montana return (instead of itemized deductions) in 2013, none of your federal income tax refund is taxable and you do not need to complete Worksheet II.
- Your deduction for federal taxes paid in 2012 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 2013 from the total federal income taxes paid in 2012 (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 and you do not need to complete Worksheet II.
  - If the result is less than $5,000 ($10,000 if you filed a joint return), please complete Worksheet II to determine whether your federal income tax refund is taxable.

Line 24 – Addition to Federal Taxable Social Security

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, Taxable Social Security Benefits, found on page 26 of this booklet. Before you can complete your social security worksheet, you will need to complete your partial pension and annuity income exemption worksheet, Worksheet IV, found on page 24 of this 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 Form 2M, line 59 and Montana Form MSA for more information on the Montana medical care savings account 10% penalty.

Subtractions – Lines 27 through 35

Line 27 – Exempt Interest and Dividends from Federal Bonds, Notes and Obligations

If you 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. 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.

Interest on obligations that are only guaranteed by the United States government is not tax exempt. If you 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.

United States obligations that are exempt include:

- Series E, EE, F, G and H savings bonds
- U.S. treasury bills
- U.S. government notes
- 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 exempt from Montana tax. If you reported taxable unemployment benefits on Form 2M, line 12, enter the same amount of these benefits on this line.

Line 29 – Partial Pension and Annuity Income Exemption

If you reported taxable retirement income on your Form 2M, lines 10b and/or 11b, you may be entitled to a partial exemption of this income. Before you determine if any of this retirement income is excluded, you should first determine 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. Any remaining amount of pension and annuity income is then used to determine the partial pension and annuity income exemption.

Distributions of your retirement income that are considered early or premature according to federal regulations do not qualify for the retirement income exemption, regardless of whether or not payment of the federal 5% or 10% additional tax was required. If you 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, 2013 Disability Income Exemption, to determine your deduction instead of the retirement income exemption.

If you received retirement income other than Tier II Railroad Retirement benefits or premature distributions and early withdrawals, you should complete Worksheet IV on page 24 to determine the amount of your exemption. Your retirement exemption is limited to the lesser of your taxable retirement income that you have received or $3,900, as long as your federal adjusted gross income is $32,480 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 filing as head of household. If you are filing jointly with your spouse, both of you have retirement income, and your federal adjusted gross income is $32,480 or less, you both can exempt the lesser of your taxable retirement income that you receive personally, or $3,900 each for a maximum of $7,800.

When your federal adjusted gross income exceeds $32,480, your retirement exemption is reduced $2 for every $1 that your federal adjusted gross income is over $32,480. For example, if your federal adjusted gross income is $33,480, your retirement exemption is $1,900 ($3,900 – ($1,000 x $2) = $1,900). You are not entitled to this retirement income exemption if your federal adjusted gross income is greater than $34,430 ($3,900 – ($1,950 x $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 exemption is phased out when your federal adjusted gross income is greater than $35,750, because your maximum retirement exemption is $7,800 (($3,900 – ($1,950 x $2)) + ($3,900 – ($1,950 x $2)) = $0). You should complete Worksheet IV on page 24 to determine your partial pension and annuity income exemption.

Line 30 – Partial Interest Exemption for Taxpayers 65 and Older

If you are single and age 65 or older at the end of 2013, 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 2013, 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 exemption, 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 exempt 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 customers while you worked in the food, beverage or lodging industry that you reported as part of your federal adjusted gross income. All other tips and gratuities that you received for providing services in other types of businesses—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 26—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 of contributions plus interest or other earnings on these funds annually. If you are married filing jointly with your spouse, both of you can qualify for your own Montana MSA and you each can exclude up to $3,000 plus 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 qualified 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 Form MSA. When you claim this exclusion, you will need to include a copy of Form MSA with your tax return.

Line 33 – Subtraction from Federal Taxable Social Security/Tier I Railroad Retirement

Your social security benefits taxable to Montana may be different from the amount of taxable benefits that you reported on Form 2M, line 13b. You should determine your Montana taxable social security benefits by completing Worksheet VIII, found on page 26 of these instructions.

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 from 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 Form 2M, line 24.

Line 34 – Subtraction for Federal Taxable Tier II Railroad Retirement

When you determine your Montana adjusted gross income, you can subtract your taxable Tier II Railroad Retirement benefits included on Form 2M, 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 are required to include your state income tax refund in your federal adjusted gross income on Form 2M, line 14, you can exclude that amount on this line. Montana income tax refunds and income tax refunds received from another state are not taxable to Montana.

Line 37 – Montana Adjusted Gross Income

Add lines 21 and 26, then subtract line 36; enter the result here. 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 mark the box on line 39 that identifies which method you are using. If you do not mark the appropriate box, this will delay the processing of your return.

- **Standard Deduction**

  To calculate your standard deduction, complete Worksheet V, on page 24.

- **Itemized Deductions**

  To figure your itemized deductions, complete Form 2M, Schedule I. You can find the instructions for Form 2M, Schedule I, on page 11 of this instruction booklet.

Line 41 – Exemption

You are entitled to at least one exemption (your own). Multiply $2,280 times the number of exemptions that you have claimed on Form 2M, 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.

✓ **Did you…?**

- Mark the correct box on line 39 to claim either "standard deduction" or "itemized deductions."
- If filing electronically, save the tax information that you have entered.

Step 5. Tax and Nonrefundable Credits (Lines 43-47)

► **Are you ready? You will need–**

- Credit forms and/or other supporting documents for any credits you are claiming.

Line 43

Compute your tax using the following tax table. The tax table is also on Form 2M, page 4.

2013 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
$0	$2,800	1% (0.010)	$0	
$2,800	$4,900	2% (0.020)	$28	
$4,900	$7,400	3% (0.030)	$77	
$7,400	$10,100	4% (0.040)	$151	
$10,100	$13,000	5% (0.050)	$252	
$13,000	$16,700	6% (0.060)	$382	
More Than $16,700		6.9% (0.069)	$532	

Line 44 – Capital Gains Tax Credit

You can claim a capital gains tax credit against your Montana income tax of up to 2% of your net capital gains. Your net capital gains is the amount you reported on Form 2M, 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 of nonrefundable credits from Form 2M, Schedule II, line 6.

We have listed the six credits that can be used when filing Form 2M. However, the Montana Legislature has authorized 26 different income tax credits. See Montana Form 2, Schedule V, for a list and description of these 26 tax credits that are available. If you are eligible for any of the other credits not listed on Form 2M, Schedule II, you will have to file Montana Form 2 instead of Form 2M. With the exception of the capital gains tax credit, which is required to be applied before any other credit (refer to Form 2M, line 44), you are not required to apply any of the other tax credits in a particular order.

✓ **Did you…?**

- If filing electronically, save the tax information that you have entered.

Step 6. Payments and Refundable Credit (Lines 48-56)

► **Are you ready? You will need–**

- Information about payments you made for this tax year.
- Any W-2s and/or 1099s you received that show tax withheld.
- Form 2EC filled out if you are entitled to the elderly homeowner/renter credit.

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 12 of your federal Form 1099-R. When you claim Montana income tax withheld, you are required to include a copy of your withholding statement(s) (federal Form(s) W-2 or 1099-R) with your return.

Montana mineral royalty tax withheld from Montana mineral royalties received or income tax withheld as a result of an ownership interest in a pass-through entity 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 2013, enter the amount of these estimated tax payments. Include in this amount the 2012 refund that you requested us to apply to your 2013 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 2013. You can view your payment history online at Taxpayer Access Point (TAP), available at *revenue.mt.gov*.

Line 50 – Extension Payment

If you paid an extension payment on or before April 15, 2014, 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-13.

Line 51 – Elderly Homeowner/Renter Credit

Your refundable credits are applied against your income tax liability with any unused credit refunded to you.

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 Form 2EC instructions at the back of this booklet for a detailed explanation of this refundable credit.

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 any payments made when you filed your original return and any subsequent payments that were applied to your 2013 tax liability.

Line 53 – Previously Issued Refunds

Enter 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 2014 estimated tax payments.

Line 54 – Total Payments

Add lines 48 through 52, and then subtract line 53. Enter the result here. This is your total payments and refundable credit.

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.

✓ **Did you…?**

- If filing electronically, save the tax information that you have entered.

Step 7. Penalties, Interest and Contributions (Lines 57-61)

► **Are you ready? You will need–**

- Information about payments you made for this tax year.

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 2013 income tax liability (after applying your credits) or 100% of your 2012 income tax liability (after applying your credits),

you may have to pay interest on the underpayment of your estimated tax.

Please mark the box if you used the annualization method to make your estimated tax payments for 2013.

To calculate your interest, please complete either Worksheet VII that is on page 25 of these instructions or Form EST-I, 2013 Underpayment of Estimated Tax by Individuals, Estates and Trusts. You can access this form by visiting our website at *revenue.mt.gov* 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, 2014—or October 15, 2014, with a valid extension—you will need to pay a late file penalty if there is tax due on line 55. The penalty is equal to the lesser of $50 or the amount of tax you owe. You do not have to pay a late file penalty if you are filing your tax return late and you are due a refund.

  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 all of your income tax liability by April 15, 2014, you will need to pay a late payment penalty. The late payment penalty is equal to 1.2% per month or part of a calendar month on the unpaid balance from April 15, 2014, until it is paid. For example, if you do not pay your tax due until May 10, 2014, your late payment penalty will be 2.4% (two parts of a month x 1.2%) of the unpaid tax. To calculate your late payment penalty, multiply the amount on line 55 by 1.2% per month or part of a calendar month that your payment is late. Your late payment penalty will never exceed 12% (10 months x 1.2%) of the unpaid tax.

  Note: If your tax liability is $200 or less, and you have not filed your tax return and paid your tax due on or before October 15, 2014, Montana law requires that we assess a penalty on the amount you owe from the original due date of the return, which is April 15, 2014.

- **Interest**

  Unless your tax liability is $200 or less, an extension to file your return does not give you an extension to pay your tax. Therefore, if you have not paid 100% of your income tax liability by April 15, 2014—or October 15, 2014, if your tax liability is $200 or less—you will have to pay 8% annual interest, computed daily, on the amount you still owe. To calculate your interest, multiply the amount on line 55 by 0.02192% (0.0002192) times the number of days after April 15, 2014, that your tax is paid. Interest accrues from the original due date of your return.

  Note: If your tax liability is $200 or less, and you have not filed your return and paid your tax due on or before October 15, 2014, Montana law requires that we assess interest on the amount you owe from the original due date of the return, which is April 15, 2014.

If you owe more than one of the items listed above, enter each amount you owe on the following worksheet.

Type	Amount
Late file penalty	
Late payment penalty	
Interest	
Total	

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

Line 59 – Medical Care Savings Account 10% Penalty

If you withdrew funds from your medical care savings account for purposes other than to pay for eligible medical costs, you are required to pay a 10% penalty on this withdrawal unless you made this withdrawal on the last business day in December. Complete the penalty calculation on Montana Form MSA, 2013 Medical Care Savings Account. Enter the amount of the penalty on this line and include a copy of Form MSA with your 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 of these four programs. Your contribution will increase the amount you owe or reduce the amount of your refund.

Line 60a – Nongame Wildlife Program

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

MONTANA CHILDREN'S TRUST FUND

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 Literacy in Montana Schools Program

As mentioned in the "What's New?" section, only the name of this program has changed. 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 – 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 penalties, interest and check-off program contributions.

✓ **Did you…?**

- Check the instructions about extensions to see if you owe a late file penalty.
- If filing electronically, save the tax information that you have entered.

Step 8. Amount You Owe or Your Refund (Lines 62-65)

► **Are you ready?**

- Gather the routing and account number for your checking or savings account if you will be receiving a refund and would like the money to be direct deposited.

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. This is the amount you owe.

You can pay the amount you owe by:

- Electronic funds withdrawal when e-filing your joint federal/state tax return. You can schedule your withdrawal for a later date.
- E-check or credit/debit card—please visit our website at *revenue.mt.gov* and click on Taxpayer Access Point (TAP) or Income Tax Express (ITE) e-payment services.
- 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 2013" on the memo line.

Interest and late payment penalties will be assessed on any amount not paid when due.

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 you can. By filing and paying as much as you can by April 15, 2014, you may not have to pay a late file penalty and you can reduce the amount of your late payment penalty and interest. 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 payment options and make 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 2014 estimated taxes.

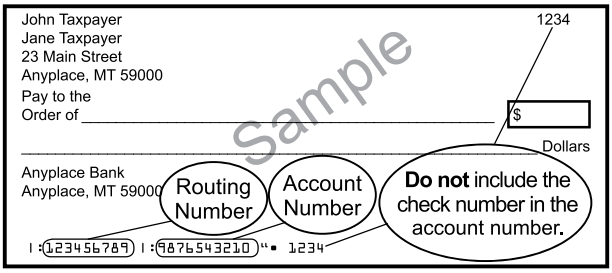
Line 65 – Your Refund

Subtract line 64 from line 63 and enter the result on this line. This is the amount of your refund.

If you would like to use direct deposit, enter your financial institution's routing number (RTN#) and your account number (ACCT#) in the space provided. Your routing number will be nine digits and your account can be up to 17 characters, including numbers and letters. Mark whether your account is a checking or savings account and if your refund will go to a bank outside of the United States and its territories (Midway Islands, Puerto Rico, American Samoa, US Virgin Islands, Federated States of Micronesia and Guam).

If your financial institution does not accept the direct deposit, we will mail you a refund check.

A sample of a personal check is provided for your convenience.



✓ **Did you…?**

- Check your return to ensure you have no mathematical errors.
- Make sure that your refund or amount due is reported on the correct line.
- If filing electronically, save the tax information that you have entered.

Step 9. Sign, Assemble and File Your Return

Sign Your Return

Your tax return is considered incomplete unless you sign it. If you are filing a joint return, your spouse must also sign. Unsigned or incomplete returns cannot be processed and require us to contact you for additional information. If you have someone prepare your return, you are still responsible for the correctness of the return. If you are filing a joint return as a surviving spouse, see FAQ 20) on page 21.

Electronic Return Signatures

If you are filing your return electronically, you are not required to actually sign your return. The act of filing your return electronically signifies your declaration, under the penalty of false swearing, that:

- You are the taxpayer identified in the return; and
- The information in the return is true, correct and complete.

Your filing electronically, with this declaration, is your signature.

Daytime Phone Number

Providing your daytime phone number may help speed the processing of your return. We may have questions about items on your return and if you are able to answer our questions over the phone, we may be able to continue processing your return without mailing you a letter. If you are filing a joint return, you can enter either your or your spouse's daytime phone number.

Paid Preparer

Anyone you pay to prepare your return must sign it and include his or her Preparer Tax Identification Number (PTIN) in the space provided. Preparers should have a PTIN, but the preparer's Social Security Number (SSN) may be used when the paid preparer does not have a PTIN. The paid preparer must also include his or her firm's Federal Employer Identification Number (FEIN), if applicable. The preparer must give you a copy of the return for your records. Someone who prepares your return but does not charge you should not sign your return or include their PTIN or SSN.

Third Party Designee

If you want to allow your preparer, friend, family member, or any other person you choose to discuss your 2013 tax return with the department, mark the "Yes" box in the bottom of the signature block. You will also need to enter your designee's printed name and phone number.

If you are filing a joint return, you are automatically authorizing us to discuss the joint return with either spouse, but you will still need to complete the third party designee section if you wish to allow another person, such as a tax preparer, to discuss your return with us.

If you do not complete the third party designee section according to these instructions, we cannot discuss your return with another person. By completing this section, you are authorizing the designee to:

- Give us any information that is missing from your return;
- Call us for information about the processing of your return or the status of your refund or payment(s); and
- Respond to notices from us about math errors, offsets and return preparation.

You are not authorizing the designee to discuss any other tax year, receive any refund check, bind you to anything or otherwise represent you before the Department. If you want to expand the designee's authorization, please view information about granting someone power of attorney at *revenue.mt.gov*.

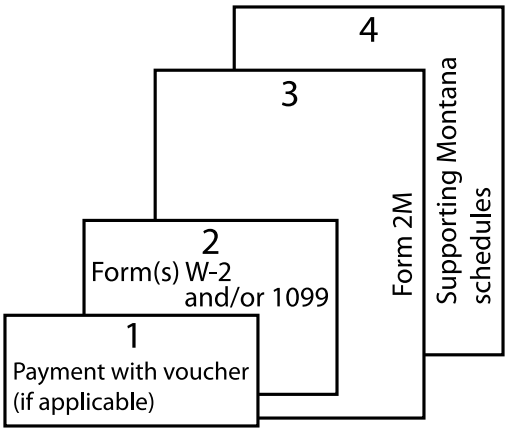
The authorization will automatically end no later than the due date (without regard to extensions) for filing your 2014 return. This is April 15, 2015, for most people.

For additional information, please see FAQ 5 on page 18.

Assemble Your Return

Please include with your return all Form(s) W-2 and any Form(s) 1099 reporting Montana withholding you were issued. If you forget to send your Form(s) W-2 or other withholding forms with your return, do not send them separately or with another copy of your tax return. Wait until we request them from you.

If you are filing your return on paper, you are required to include any applicable federal forms and schedules we requested on the return. You are not required to provide us with your entire federal return when you file your Montana return. However, you should retain your federal return in your tax records and be able to provide it to us upon request. Please assemble your return, without using staples, in the following order:



Please Do Not Use Staples

File Your Return

We encourage you to e-file your tax return. To see the e-filing options available to you, please see FAQ 7 on page 18 or visit *revenue.mt.gov*. If you have chosen to file your return on paper, you will need to mail your return to us.

If your tax return does not include a payment or shows you are due a refund, please mail your tax return to the following address:

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

If you are filing a tax return that includes a payment, please mail your tax return and check to:

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

✓ **Did you…?**

- Receive a confirmation that your Montana return was accepted, if you are filing electronically.
- Sign your tax return, if you are filing on paper. Have your spouse sign the return, if you are married filing a joint return.
- Fill out the third party designee section completely, if you want to allow someone else to discuss your return with us.
- Include Schedules I and II, if you filled those out. You do not need to include blank schedules or any worksheets.

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 tax return and state deductions that are allowed only on the Montana tax return.

Line 1 – Medical and Dental Expenses

Enter your medical expenses paid in 2013 after you have deducted from these expenses any payments that you received from your insurance company or other sources. These expenses are the same medical and dental expenses that are allowed under the Internal Revenue Code with the exception of the following expenses that are not deductible on line 1:

- Medical insurance and long-term care insurance premiums paid in 2013 that are claimed as a deduction on 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

NEW! The Patient Protection and Affordable Care Act of 2010 affected some filers' itemized deductions for medical expenses. Beginning with the 2013 tax year, individuals under age 65 at the end of the tax year can only deduct medical expenses that exceed 10% of their Montana adjusted gross income. Individuals 65 or older on January 1, 2014 can deduct expenses that exceed 7.5% of their adjusted gross income. For a married couple filing a joint return, only one spouse must be 65 or older for the lower rate to apply.

Multiply the amount on line 2 by 10% (0.1) if under age 65 on January 1, 2014. Otherwise multiply line 2 by 7.5% (0.075). Enter the result on 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. In addition, the supplemental part of Medicare insurance (Medicare B) and the premiums you pay for Medicare Part D insurance from your social security benefits are 100% deductible on this line.

To qualify to 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-tax" payments and therefore not subject to federal or state income tax withholding, federal social security or federal Medicare payments. If you are unsure whether your medical

insurance premiums are covered by a health benefit cafeteria plan, you can check with your employer's payroll office.

- 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

You may be eligible to deduct 100% of the long-term care insurance premiums that you paid. You have to meet the following criteria:

- Your premiums have to be for long-term care policies that provide 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.
- The long-term care policies have to be for the benefit of you, your dependents, your parents or your grandparents.
- Your premiums cannot have been deducted elsewhere on your tax return when you determined your Montana adjusted gross income.
- Your premiums cannot have been included 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. This does not include any state income taxes you may have paid to Montana or any other state even if you were able to deduct them on your federal return. Additionally, this does not include any self-employment taxes you have paid during the year.

The amount you can claim may be limited based on your filing status. See the instructions for line 7e.

Complete lines 7a through 7e if you are claiming a deduction for federal income taxes paid in 2013.

Line 7a – Federal Income Tax Withheld

Enter the total amount of the federal income tax withheld that was reported to you on your federal Form(s) W-2 and/or 1099. Do not include in this total the amount of the self-employment tax that you paid.

Line 7b – Federal Estimated Tax Payment Paid in 2013

Enter the total amount of the federal estimated income tax payments that you made in 2013. When you claim federal estimated tax payments, you should include a copy of your federal Form 1040 or 1040A, pages 1 and 2.

Line 7c – 2012 Federal Income Taxes Paid in 2013

Enter the balance of the total amount of the 2012 federal income tax that you paid in 2013.

Line 7d – Other Back Year Federal Income Taxes Paid in 2013

Enter the total amount of additional back year federal income taxes that you paid in 2013. For example, you may have paid additional 2010 federal income taxes in 2013.

Line 7e – Federal Income Tax Deduction

Add lines 7a through 7d. If the result is less than $10,000 and you file your Montana return jointly with your spouse, or the result is less than $5,000 and you file your return using another filing status, enter the result.

If the result is more, your federal tax deduction is limited as follows:

- If your filing status is single or head of household, you should deduct the lesser of $5,000 or the sum of lines 7a through 7d.
- If you file your Montana tax return jointly with your spouse, your federal income tax deduction is limited to the lesser of $10,000 or the sum of lines 7a through 7d.

Line 8 – Real Estate Taxes Paid in 2013

Enter any real estate taxes that you paid in 2013 on real estate that you own and that was not used for business. If you apply for the elderly homeowner/renter credit, do not confuse this amount with the amount of your property tax billed that is used to determine the amount of your elderly homeowner/renter credit. See Montana Form 2EC for information on the Montana elderly homeowner/renter credit.

Line 9 – Personal Property Taxes Paid in 2013

Enter any personal property taxes that you paid in 2013. Only personal property taxes that are based on value and charged on a yearly basis are deductible, with one exception.

The exception is the Montana light vehicle registration fee which 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. Taxes and fees deductible on this line from your Montana vehicle registration receipt include the light vehicle registration fee (LVREG) and any county option tax (COOPT) assessed by the county where the vehicle is registered. However, because receipts may vary by county, these items may not appear on your receipt exactly as listed here.

Line 10 – Other Deductible Taxes

Enter any other deductible taxes that you paid in 2013 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.

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 2013: state income, federal excise, social security, Medicare, gasoline, lodging, alcoholic beverage, cigarette, tobacco or selective sales taxes. Also, you cannot take a deduction for certain license fees paid in 2013—such as hunting, fishing or driver's license fees.

Line 11 – Home Mortgage Interest and Points

Enter your home mortgage interest and points allowed by federal law that were reported to you on your 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.

Enter any points that you paid that were not reported to you on federal Form 1098.

Line 12 – Qualified Mortgage Insurance Premiums

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 Worksheet VI-QMIP, Qualified Mortgage Insurance Premiums Deduction, on page 24 to determine the amount you can deduct.

Line 13 – Investment Interest

Determine your Montana investment interest deduction by following the computation on federal Form 4952 but include any Montana adjustments to income. You cannot use interest expense related to income that is exempt from Montana tax when computing your investment interest deduction. If you and your spouse are filing separately, you should compute your investment interest deduction on federal Form 4952 separately.

Charitable Contributions

The charitable 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 2013 to the Montana veterans' service special revenue account or the Montana state veterans' cemetery program, or the surcharge you paid for purchasing a Montana patriotic specialty license plate may be included as itemized deductions on your Montana income tax return even if they are not allowed as itemized deductions on your federal return. For further instructions about this contribution, see Montana Form VT. This form is available at *revenue.mt.gov*.
- When you apply the federal 50%, 30% and 20% contribution limitations, use your Montana adjusted gross income instead of your federal adjusted gross income when you determine your contributions that are allowed.
- Any portion of a contribution that you used to calculate your qualified endowment tax credit cannot also be claimed as a contribution deduction. You can claim a charitable deduction for that portion of the contribution not used to calculate this credit.

Line 14 – Contributions Made by Cash or Check

Enter your contributions made by cash or check on this line.

Line 15 – Contributions Made Other Than by Cash or Check

Enter your non-cash contributions on this line.

Line 16 – 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 17 – Child and Dependent Care Expenses

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 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 2441-M. When you claim this deduction, complete Form 2441-M and include a copy of it with your Montana tax return.

Line 18 – Casualty and Theft Loss

If you have a casualty and/or theft loss, you should complete federal Form 4684 to figure the amount of the Montana loss that you can enter on this line. To determine your casualty and/or theft loss, you should use your Montana adjusted gross income in place of the federal adjusted gross income.

Line 19 – 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 tax return. To claim these expenses, complete federal Form 2106 or 2106-EZ and include a copy with your Montana tax return.

Line 20 – Other Expenses

Enter other expenses that are allowed on your federal tax return. Examples of these expenses include, but are not limited to, your tax preparation fee, certain legal and accounting fees, clerical help, office rent and custodial fees related to the production of income.

Line 21

Add lines 19 and 20; enter the result on this line.

Lines 22 and 23

Your unreimbursed employee business expenses and other expenses reported on lines 19 and 20 are deductible only to the extent that these expenses exceed 2% of your Montana adjusted gross income. Enter on line 22, the amount that you reported on Form 2M, line 38. Multiply the amount on line 22 by 2% (0.02) and enter the result on line 23.

Line 24

Subtract line 23 from line 21 and enter the result on this line, but not less than zero. This is the amount of your unreimbursed employee business expenses and other expenses that are deductible in computing your net income.

Line 25 – Political Contributions

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

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

Line 26 – 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 tax return. They include a deduction for amounts you paid to purchase 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 27 – Itemized Deductions

NEW! The American Taxpayer Relief Act of 2012 reinstated a limitation on itemized deductions for individuals with incomes above certain thresholds commonly referred to as the “Pease Limitation”. Mark the box on line 27 and complete Worksheet VI-IDL (Itemized Deduction Limitation) on page 25 if your adjusted gross income from Form 2M, line 38 is:

- more than $300,000 and you are filing a joint return
- more than $275,000 and you are filing as head of household
- more than $250,000 and you are filing as single.

Enter the result on line 27 and Form 2M, line 39. Otherwise, add lines 4 through 6, 7e through 18, and 24 through 26 and enter the result on line 27 and Form 2M, line 39.

Schedule II – Montana Tax Credits

There are three categories of credits available on your Montana tax return. We have listed the six tax credits available to you that can be used when filing Montana Form 2M; however, the Montana Legislature has authorized 26 different income tax credits. See Montana Form 2, Schedule V (available at *revenue.mt.gov*) for a list and description of these 26 tax credits. If you are eligible for any of the other credits not listed in these instructions, you will have to file Montana Form 2 instead of Form 2M.

With the exception of the capital gains tax credit, which is required to be applied before any other credit (refer to Form 2M, line 44), you are not required to apply any of the other tax credits in a particular order.

- **Nonrefundable Single-Year Credits**

  Your nonrefundable single-year credits can only be used to offset your 2013 resident tax after capital gains tax credit and cannot reduce your tax liability below zero. The unused portion of your nonrefundable single-year credits that exceeded your 2013 income tax liability cannot be carried forward or backward to other tax years.

- **Nonrefundable Carryover Credits**

  Your nonrefundable carryover credits can be used to offset your 2013 resident tax after capital gains tax

credit. These credits cannot reduce your tax liability below zero. Your excess nonrefundable carryover credits that were not applied against your 2013 income tax liability can be carried forward 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.

Nonrefundable Single-Year Credits (Lines 1-3)

Line 1 – College Contribution Credit

You can claim a credit against your income tax liability for contributions that you made in 2013 to a foundation or general endowment fund of the Montana university system, a Montana private college, a community college or a tribal college. Your credit is equal to 10% of the contribution that you made with a maximum credit allowed of $500.

In order to qualify for this credit, your contribution has to be made to a Montana college or university that offers an associate or baccalaureate degree level education program. In addition to this credit, your contribution may also be claimed as an itemized deduction on Form 2M, Schedule I, line 14.

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 include a copy of Form CC with your 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.

You will not qualify for this credit by simply switching to an energy source that is less expensive or free (investments of this nature may qualify for the alternative energy system 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 *revenue.mt.gov* for more information, such as specific examples of what investments may or may not qualify. When you claim this credit, you will have to include a copy of Form ENRG-C with your 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 for a tax year cannot exceed $5,000 for one qualifying family member, or $10,000 for two or more qualifying family members.

In order to qualify for this credit, you need to care for an elderly family member who is at least 65 or has been determined to be disabled by the Social Security Administration, and who has a family income of $15,000 or less if single, or $30,000 or less if married. In addition, your Montana adjusted gross income must be less than $55,000 if your filing status is single or married filing jointly, or $27,500 if your filing status is married filing separately.

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 include a copy of Form ECC with your income tax return.

Nonrefundable Carryover Credits (Lines 4-5)

Lines 4a and 4b – Alternative Energy Systems Credit

Line 4a – Nonfossil form of energy: 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. Any balance of your credit that is not used in 2013 can be carried forward and applied to future income tax liabilities for a period of four succeeding tax years. You are not allowed to claim both the alternative energy systems credit and the geothermal systems credit for the same investment.

Line 4b – Low emission wood or biomass combustion: 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. You can also claim the credit for installing certain outdoor hydronic heaters or masonry heaters. Your credit cannot exceed $500 per taxpayer. Any balance of your credit that is not used in 2013 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 include a copy of Form ENRG-B with your 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 2013. 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 2013, 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. Also, the legal adoption of a stepchild does not qualify for the federal or Montana credit. Include a copy of federal Form 8839 for the year of the adoption with your tax return.

Refundable Credits (Line 7)

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 of up to $1,000 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.

For further instructions on the elderly homeowner/renter credit, and to calculate this credit, see Form 2EC instructions at the back of this booklet.

FAQs–Frequently Asked Questions

Please find the answers to these questions identified by number on pages 17-22.

Filing Requirements

1. Do I have to file a Montana individual income tax return?
2. I have to file a Montana individual income tax return. Which form is appropriate for me and my situation?
3. How do I know whether I am a full-year resident, nonresident, or a part-year resident of Montana for individual income tax purposes?
4. When do I have to file my Montana tax return?
5. What does the checkbox that asks “Do you want to allow another person (such as a paid preparer) to discuss this return with us?” mean?
6. If I choose to file a paper return, where do I mail it?

Electronic Filing and Payment Options

7. What options do I have to file my Montana tax return electronically?
8. If I file my return electronically, what information do I have to send in and what documents do I have to retain?
9. What options do I have to pay my Montana taxes electronically?

Late Filed Returns

10. What happens if I do not file my Montana tax return on time?
11. What if I need more time to file my Montana tax return?

Amended Returns

12. What do I do if I made an error on my income tax return and I now want to correct it?
13. I have filed an amended federal tax return with the Internal Revenue Service, or the Internal Revenue Service has adjusted my federal tax return. Do I have to report this change to Montana? If so, how do I report this change?

Penalty and Interest

14. What happens if my payment is late?
15. What is the interest rate on unpaid taxes?

Refund Information

16. How can I check on my refund?

Special Situations

17. I am on active duty in the regular armed forces and currently serving in an area designated as a “combat zone” or “contingency operations.” I am unable to file my 2013 Montana tax return by April 15, 2014. Can I (and my spouse) obtain an extension to file?
18. My spouse has a past-due child support obligation and I don’t want my refund to be applied to this debt. What can I do?
19. A mental or physical disability prevents me from completing and filing a tax return. What can I do?
20. How do I file for a deceased person?
21. I have heard that special rules apply to wages that Montana residents earn in North Dakota, or North Dakota residents earn in Montana. What are those rules?
    - I am a Montana resident. How do those rules apply to me?
    - I am a North Dakota resident. How do those rules apply to me?

Tax Records

22. What should I do if I did not receive a Form W-2, wage and tax statement, from my employer or I misplaced it?
23. How long do I need to maintain my tax records after I have filed my state tax return?

1 Do I have to file a Montana individual income tax return?

If you are a resident, nonresident, or 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 threshold for your filing status.

IF your filing status is…	AND at the end of 2013 you were…	THEN you have to file a tax return if your federal gross income, excluding unemployment compensation was at least…
Single, or married filing separately	Under 65	$4,180
	65 or older	$6,460
Head of household	Under 65	$6,080
	65 or older	$8,360
Married filing jointly with your spouse	Both under 65	$8,360
	One spouse 65 or older	$10,640
	Both spouses 65 or older	$12,920

You are entitled to an additional exemption if you are blind or your spouse is blind. Increase your federal gross income by $2,280 to determine if you are required to file.

2 I have to file a Montana individual income tax return. Which form is appropriate for me and my situation?

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

- I was a Montana resident for all of 2013.
- 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 2013.
- I am claiming no dependents.
- My only income is from wages, interest, dividends, or unemployment compensation.
- I am claiming the standard deduction rather than itemizing deductions.
- I am not claiming any credits.
- I did not have any military or tribal income that is exempt from income tax.

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 2013.
- 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 compensation, 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 Installation Credit (Form ENRG-C)
  - Elderly Care Credit (Form ECC)
  - Alternative Energy Systems Credit (Form ENRG-B)
- I did not have any military or tribal income that is exempt from income tax.

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 2013.
- 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 corporations, estates or trusts; or
  - military or tribal income that is exempt from income tax.
- My tax year ended on a date other than December 31, 2013.
- I am claiming the tax withheld from my Montana mineral royalty payments.
- I am claiming the tax withheld by a pass-through entity from Montana Schedule K-1.

3 How do I know 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. A permanent home in Montana means a dwelling place you habitually use as your home, whether or not you own it and whether or not you may someday leave. You do not lose your Montana residency if you leave the state temporarily with the intention of returning. Your Montana residency is lost when you move outside of Montana with no intention of returning. Unless there is a specific exception under Montana law, 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 were not a resident during any part of 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.

A nonresident or part-year resident who is required to file a Montana tax return needs to use Form 2.

4 When do I have to file my Montana tax return?

Your 2013 Form 2M tax return is required to be filed by April 15, 2014. If filing after April 15, 2014, please see FAQs 10 and 11.

5 What does the checkbox that asks "Do you want to allow another person (such as a paid preparer) to discuss this return with us?" mean?

If you mark the "Yes" box, we can discuss any concerns that we might have with your 2013 tax return—for example, a missing W-2—with a third party designee. If you mark the "No" box or do not mark a box, we cannot discuss your return with anyone but you or someone to whom you have given a power of attorney that allows us to discuss the return with them.

If you and your spouse are filing a joint return or separately on the same form, and the "Yes" box is marked, each of you is authorizing us to call the third party designee to answer any questions that arise while we are processing your 2013 tax return.

By marking "Yes," you are also authorizing us to:

- Request that the third party designee give us any information that is missing from your return.
- Respond to the third party designee's call to us for information about the processing of your return or the status of your refund or 2013 payment(s).
- Discuss certain notices from us about math errors, offsets and return preparation. Note: The department will only send notices directly to you, not to the third party designee.

You are not authorizing the third party designee to receive any refund check, bind you to anything (including any additional tax liability), receive any information about any other tax year or tax matter, or otherwise represent you before the department.

Please be aware that this authorization cannot be revoked. The authorization will, however, automatically end no later than the due date, without regard to extensions, for filing your next year's (2014) tax return. This is April 15, 2015, for most people.

If you want to expand or change the third party designee's authorization (for example, to verify any estimated payments you'll be making in the future), you can use Form POA, Power of Attorney, Authorization to Disclose Tax Information. Form POA is available on our website at *revenue.mt.gov*. You also can grant your third party designee access to your tax account information through Taxpayer Access Point (TAP) at *https://tap.dor.mt.gov*.

6 If I choose to file a paper return, where do I mail it?

We have two different mailing addresses for your paper return, if you choose not to file electronically. 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 tax return that includes no payment or if you are due a refund, please mail your tax return to:

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

If you are filing a tax return that includes a payment, please mail your tax return and check to:

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

7 What options do I have to file my Montana tax return electronically?

- File your Montana tax form FREE through our website. For more information, please visit *revenue.mt.gov* and click on Taxpayer Access Point (TAP). Please note that this service only applies to your Montana tax return; you may still have to file a federal tax return.
- File both your Montana and federal tax returns at the same time through the federal/state electronic filing, either online or with software you download (options may be free or low-cost). Additional information can be found at *www.irs.gov* or on our website at *revenue.mt.gov*. A list of approved e-file software products for Montana filing can also be found on our website.
- File through a tax professional who is an Authorized IRS E-file Provider.
- File by using the free electronic filing options available on *MontanaFreeFile.org*.

Please see the following chart to find out which e-filing methods are available to you as a first-time filer, full-year resident, part-year resident or nonresident.

	In 2013, I was a…			
	First-time filer	Full-year resident	Part-year resident	Nonresident
E-file with tax preparer	Yes	Yes	Yes	Yes
E-file with online/retail software	Yes	Yes	Yes	Yes
E-file through TAP*	No	Yes	Yes***	Yes***
E-file through MT Direct File**	Yes	Yes	Yes	Yes

**Taxpayer Access Point (TAP) is a free electronic service for accessing your Montana tax account information, filing your return, paying your tax and more. Visit revenue.mt.gov.*

***MT Direct File is a free electronic service for filing your return without signing up for account access. Visit revenue.mt.gov.*

****If you are a nonresident or part-year resident who has previously filed a Montana income tax return, you may use this option. If you have not previously filed, you cannot sign up for account access and e-file through TAP.*

8 If I file my return electronically, what information do I have to send in and what documents do I have to retain?

If you file electronically, you don't have to mail in a paper copy of your tax return, any accompanying federal Form(s) W-2 or 1099, or any other Montana supplemental forms. When you file your tax return electronically, you represent that you have kept all the documents required as your tax record and that you will provide copies of these if we ask for them. You also don't have to sign a copy of your tax return and submit it to us. The act of completing and filing your tax return electronically is considered your authorized signature.

9 What options do I have to pay my Montana taxes electronically?

You can pay your Montana taxes electronically by using any of the following methods:

- Electronic funds withdrawal when e-filing your joint federal/state tax return. You can schedule a withdrawal for a date later than when you file your return. (There is no fee for an electronic funds withdrawal.)
- E-checks (There is no fee for an e-check payment.)
- Credit/debit cards (A small fee is applied for a credit card payment.)

To pay your Montana taxes electronically by e-check or using a credit/debit card, please visit *revenue.mt.gov* and click on Taxpayer Access Point (TAP) or Income Tax Express (ITE) e-payment services.

10 What happens if I do not file my Montana tax return on time?

If you file your tax return late, you will need to pay a late file penalty of $50 or the amount of tax due, whichever is less. You do not owe a late file penalty if you file a late tax return for which you are receiving a refund. Please remember that your return is considered late if you file after April 15, 2014, unless you qualified for an extension. If you were granted an automatic, six-month extension, your return is considered late after October 15, 2014.

11 What if I need more time to file my Montana tax return?

You are granted an automatic extension of time of up to six months for filing your Montana income tax return if one of the following applies to you:

- Your 2013 tax liability is $200 or less.
- You paid 100% of your 2012 Montana income tax liability through your estimated tax payments, your withholding, or a combination of both by April 15, 2014.
- You paid at least 90% of your 2013 Montana income tax liability through your estimated tax payments, your withholding, or a combination of both by April 15, 2014.
- You are a first time filer.
- You had zero or negative taxable income for 2012.

You do not need to apply for a federal extension in order to receive a Montana extension.

Please use the Montana Form EXT-13, 2013 Extension Payment Worksheet, to determine if you have to make an extension payment by April 15, 2014, to qualify for the automatic filing extension. You can get a copy of this form by visiting our website at *revenue.mt.gov* or 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 voucher found on this worksheet or sign up to make your payment online by visiting our website at *revenue.mt.gov*.

Important Unless you qualify for an extension because your tax liability is $200 or less, an extension of time to file your Montana income tax return is not an extension of time to pay your income tax liability. If your tax liability is more than $200 and you have a valid Montana extension but you have not paid your entire 2013 income tax liability by April 15, 2014, you are relieved of late file penalties but you are not relieved of late pay penalties and interest on your outstanding Montana income tax liability.

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

If you discover that your tax return was incorrect, you have five years from the due date of the original tax return to file an amended Montana tax return to correct the mistake. Please mark the "Amended Return" box found in the upper left-hand corner of the Montana tax return.

Include copies of any schedules submitted with the original filing, even if none of the amounts previously reported have changed.

Montana AMD Worksheet is available to help you reconcile the changes to the original tax return. Although not required, we suggest that you complete and include AMD Worksheet, or a similar form outlining the changes, with your corrected tax return. AMD Worksheet does not serve as an amended return on its own. You can get AMD Worksheet by visiting our website at *revenue.mt.gov*.

Important If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. To receive the waiver, simply mark the "Amended Return" box on the top left-hand corner of the tax return and pay the tax and applicable interest in full when you file the amended return. By marking this box and paying all tax and interest, you are treated as having requested a waiver of the late payment penalty.

13 I have filed an amended federal tax return with the Internal Revenue Service, or the Internal Revenue Service has adjusted my federal tax return. Do I have to report this change to Montana? If so, how do I report this change?

Yes, you have to report the change to Montana. Within 90 days after you receive notification that the Internal Revenue Service changed or corrected your federal taxable income, or 90 days after you change your federal taxable income by filing an amended federal return, you have to file an amended Montana tax return. If you do not file an amended Montana return within that 90 days, we will have five years to adjust your Montana tax return to reflect the changes made on your federal tax return or make any other assessments of additional tax.

14 What happens if my payment is late?

If you do not pay all of your tax on or before April 15, 2014--or October 15, 2014 if your tax liability is $200 or less--, you will need to pay 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, 2014--or October 15, 2014 if your tax liability is $200 or less--, 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 you can 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 to pay.

Note: If your tax liability is $200 or less, and you have not filed your return and paid your tax due on or before October 15, 2014, a late payment penalty and interest will be assessed on the amount you owe. Penalty and interest will be assessed from the original due date of the return, April 15, 2014.

Whether you just pay your tax late or are making a payment as part of a payment plan you established with us, be sure to include your name, social security number and the tax year for which the payment is to be applied clearly on your payment. 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 tells us how you want us to apply your payment.

15 What is the interest rate on unpaid taxes?

The current interest rate is 8%, and it will continue to be in effect through December 31, 2014. Under Montana law, the 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%.

16 How can I check on my refund?

You can check the status of a refund you are expecting by visiting our website at *revenue.mt.gov* and going to the "Where's My Refund?" link. You can also check the status of your refund by calling us toll free at (866) 859-2254 (in Helena, 444-6900). We will be able to tell you the status of your refund once it is processed and on our computer system.

Whether you are checking the status of your refund online or by phone, you will need to provide the following information:

- The social security number of the first taxpayer's name on your tax return, and
- The amount of the refund requested as shown on your tax return.

17 I am on active duty in the regular armed forces and currently serving in an area designated as a "combat zone" or "contingency operations." I am unable to file my 2013 Montana tax return by April 15, 2014. Can I (and my spouse) obtain an extension to file?

Yes, you can. Montana law follows federal law with respect to the time allowed for filing a return. Therefore, the extension of time to file your Montana tax return is the same for filing your federal 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 tax return for up to 180 days after your last day in a combat zone.

If you are filing your tax return under this provision, 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 your last day in a combat zone. If you file within the 180 days, you are not assessed any penalties or interest.

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

If you do not want your refund to be applied toward your spouse's child support obligation, you can file your Montana tax return using Form 2 and filing status 3b, which is "married filing separate tax returns on separate forms." When using this filing status, each spouse claims his or her own income, losses, deductions, expenses, exemptions and credits, and your Montana refund would not be offset by your spouse's child support debt.

If you filed a joint return with your spouse and your refund was applied to your spouse's child support debt, you may

be considered an "injured spouse" and we can help you resolve the matter. You need to contact us within 30 days after receiving notice that your refund was applied to your spouse's child support debt. If necessary, we can help you file the correct tax return(s).

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

If you have a filing obligation but are unable to complete and file 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.

20 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 in FAQ 1. If you and the deceased person were married, you can file a joint tax return. If you are filing a joint return 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 include a federal Form 1310 as well as any court documents appointing you as the 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. Income of the deceased person received after the date of death should not be included on an individual tax return. Post-death income is reported on a fiduciary income tax return for a trust or estate, Montana Form FID-3.

21 I have heard that special rules apply to wages that Montana residents earn in North Dakota, or North Dakota residents earn in Montana. What are those rules?

Montana and North Dakota have a reciprocal agreement. If a Montana resident performs personal or professional services for an employer in North Dakota, the wages are treated as being earned in Montana and the Montana resident does not have to file a North Dakota income tax return reporting those wages. If a North Dakota resident performed personal or professional services for an employer in Montana, the wages are treated as being earned in North Dakota and the North Dakota resident does not have to file a Montana income tax return reporting those wages. The agreement also covers withholding taxes. Withholding is not required on wages treated as earned in the other state. The Montana-North Dakota agreement applies only to wages; other types of income, such as the self-employment income of an independent contractor or mineral royalties, are not included.

- **I am a Montana resident. How do those rules apply to me?**

  You should report all of your wages on your Montana return—you are not required to file a North Dakota income tax return (unless your employer withheld North Dakota taxes on wages covered by the agreement and you need to file a North Dakota return to get a refund of those taxes). You can also claim an exemption from future North Dakota withholding by completing North Dakota Form NDW-R and giving it to your North Dakota employer. You can get this form from your employer, by visiting North Dakota's website at *nd.gov/tax* or by writing to Office of State Tax Commissioner, State Capitol, Bismarck, ND 58505.

- **I am a North Dakota resident. How do those rules apply to me?**

  You should report all of your wages on your North Dakota return—you are not required to file a Montana income tax return (unless your employer withheld Montana taxes on wages covered by the agreement and you need to file a Montana return to get a refund of those taxes). If you have to file a Montana return to get a refund, complete Form 2, following the instructions for filing under the reciprocal agreement, and file by April 15, 2014. File as a nonresident and do not report the wages that you earned in Montana as "Montana source income."

  You can also claim an exemption from future Montana withholding by completing Montana Form MT-R annually. File a copy with your employer by February 28 of the calendar year for which you want it to apply, or within 30 days after you begin working or change your permanent residence. You can get this form from your employer, by visiting our website at *revenue.mt.gov*, or by writing to Montana Department of Revenue, PO Box 5805, Helena, MT 59604-5805.

22 What should I do if I did not receive a Form W-2, wage and tax statement, from my employer or I misplaced it?

Your employer is required to issue a Form W-2 by January 31 if you earned wages during the previous calendar year. If you haven't received your Form W-2 by that date or you misplaced it, request your employer to reissue it. You may also obtain this information by completing a Request for Copies of Tax Information (Form RTI) and submitting it to us in person, by fax or by mail. You can obtain this form by visiting *revenue.mt.gov* or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

You still must file your tax return on time even if you do not receive your Form W-2. If you do not receive the missing information in time to file, you may complete federal Form 4852, Substitute for Form W-2, Wage and Tax Statement. Include Form 4852 with the return, estimating income and withholding taxes as accurately as possible. There may be a delay in any refund due while the information is verified. Keep a copy of the completed Form 4852 for your records.

If you receive a Form W-2 or W-2C (corrected form) after you have filed your return using Form 4852 and the information differs from what you reported on your return, you must amend your Montana individual income tax return.

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

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

Worksheet II – Tax Benefit Rule for Federal Income Tax Refund

(Do not complete this worksheet if you claimed the Montana standard deduction on your 2012 Montana return.)

A tax benefit recovery occurs when an amount you claimed as a deduction or credit in an earlier tax year is returned to you. Recoveries are taxable to the extent that you received a tax benefit from the deduction or credit.

The most common recovery in Montana is when you receive a federal tax refund during the current tax year for the paid federal taxes you included as an itemized deduction on the previous year's Montana return. A simple way to check if your federal refund is taxable is to subtract the refund you received in 2013 from the total federal income taxes you reported on Schedule I, lines 7a through 7d on your 2012 Montana return. If the result is larger than the $5,000 (or $10,000 if filing a joint return) you were allowed to deduct on line 7e on Schedule I of your 2012 Montana return, none of the refund is taxable.

This worksheet will help you determine how much, if any, of your federal tax refund you received in 2013 is taxed by Montana. You may use this worksheet only if all three of the following conditions exist:

- You received a federal tax refund in 2013;
- You claimed itemized deductions on your 2012 Montana return; and
- Your only tax benefit recovery in 2013 was a refund of federal taxes you claimed as a deduction on your 2012 Montana return.

If all three conditions do not exist, you need to use Worksheet IX, Tax Benefit Rule Recovery of Itemized Deductions. You will also need to use Worksheet IX if you received a federal refund for taxes you reported in a year other than 2012 or if you recovered any other item that you claimed as a deduction on your Montana return in 2012 or any other year (for instance, your insurance company reimbursed you for a medical expense you claimed as an itemized deduction).

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

Before you begin, see the instructions above and on page 3 for Form 2M, line 23 to determine if you need to complete Worksheet II.

1.	Enter your total federal taxes paid in 2012 as reported on lines 7a through 7d on Form 2, Schedule III or Form 2M, Schedule I ...1.	
2.	Enter the federal tax refund you received in 2013 ...2.	
3.	Enter any refundable credits claimed on your 2012 federal Form 1040, lines 64a, 65, 66, 70 and 71. If in 2012 you filed 1040A or 1040EZ, enter the amounts from Form 1040A lines 38a, 39 and 40 or Form 1040EZ line 8a. These items are not attributable to taxes you paid ...3.	
4.	Is line 3 greater than or equal to line 2? If yes, stop; your federal refund is not taxable. If no, subtract line 3 from line 2, and enter the result here. This is the portion of your federal refund that is a result of taxes you paid ...4.	
5.	Subtract line 4 from line 1 and enter the result here, but not less than zero. This amount is your federal income taxes paid that were not refunded to you ...5.	
6.	Enter the federal income taxes you deducted for 2012 as reported on line 7e on Form 2, Schedule III or Form 2M, Schedule I ....6.	
7.	Is line 5 larger than line 6? If yes, stop; your federal refund is not taxable. If no, subtract line 5 from line 6, and enter the result here. This is the amount of taxes you deducted that were refunded to you ...7.	
8.	Enter the itemized deduction you claimed on your 2012 Montana Form 2, Schedule III, line 32 or 2012 Form 2M, Schedule I, line 29. If you took the standard deduction, stop; your federal income tax refund is not taxable ...8.	
9.	Enter your 2012 Montana adjusted gross income from Form 2, line 41 or Form 2M, line 38 ...9.	
10.	2012 standard deduction. Enter the amount below that corresponds to your 2012 Montana individual income tax filing status. • If your filing status was single, enter 20% (0.20) of line 9, but not less than $1,860, or more than $4,200. • If your filing status was married filing jointly, or head of household, enter 20% (0.20) of line 9, but not less than $3,720, or more than $8,400 ...10.	
11.	Subtract line 10 from line 8, and enter the result here. If the result is smaller than zero, stop; your federal refund is not taxable, because you didn't receive a benefit from deducting federal income taxes ...11.	
12.	Enter the smaller of line 7 or line 11 here. This is the portion of your federal tax deduction that reduced your taxable income and was refunded in 2013 ...12.	
13.	Enter here your 2012 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 ...13.	
14.	If line 13 is zero or more, enter the amount from line 12 here and on Form 2M, line 23. **This is your taxable federal income tax refund.** If line 13 is less than zero (a negative amount), add lines 12 and 13. • 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. **This is your taxable federal income tax refund.** ...14.	

Worksheet IV – Partial Pension and Annuity Income Exemption

If your federal adjusted gross income from Form 2M, line 21 is $34,430 ($36,380 if filing a joint return) or more, stop here. You are not entitled to this exemption. If your federal adjusted gross income is less than this amount, you may be entitled to an exemption on all or part of the first $3,900 of your reported taxable pension and annuity income (Form 2M, line 11b) or IRA distributions not considered premature for federal income tax purposes (Form 2M, line 10b). Complete Worksheet IV to determine the exemption amount. Please see the instructions on page 4 for more information.

Early distributions that required payment of the federal 5% or 10% additional tax do not qualify. Also, distributions considered premature according to federal regulations do not qualify. Subtract any nonqualifying 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 6.

1.	Enter your federal adjusted gross income from Form 2M, line 21 here ..... 1.	
2.	Federal adjusted gross income limitation amount ..... 2.	$32,480
	If line 1 is smaller than line 2, enter on Form 2M, line 29, the smaller of your pension and annuity income, or $3,900 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 or head of household. Enter the smaller of your pension and annuity income or $3,900 ..... 4a.	
	b. Joint. Enter the smaller of each spouse's taxable pension and annuity income or $3,900 in the following space: Spouse 1 _____ Spouse 2 _____	
	Add together Spouse 1 and Spouse 2; enter the total here ..... 4b.	
5.	Multiply the amount on line 3 by 2 and enter the result here ..... 5.	
6.	Pension and annuity exemption. 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 exemption. If the number is positive, enter the result here and on Form 2M, line 29. **This is your partial pension and annuity exemption.** ..... 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 $4,270. *This is your maximum standard deduction.*	
	If your filing status is joint or head of household (Form 2M filing status 2 or 3), enter $8,540. *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 $1,900. *This is your minimum standard deduction.*	
	If your filing status is joint or head of household (Form 2M filing status 2 or 3), enter $3,800. *This is your minimum standard deduction.*	
6.	Enter here and on Form 2M, line 39 the amount from line 4 or 5, whichever is larger. **This is your standard deduction.** ..... 6.	

Worksheet VI-QMIP – Qualified Mortgage Insurance Premiums Deduction

If you have completed the Qualified Mortgage Insurance Premiums Deduction Worksheet for your federal return, you do not need to complete this worksheet. You are allowed the same deduction. If you did not complete the federal worksheet, use this worksheet to calculate the amount you are allowed to deduct.

1.	Enter the total premiums you paid in 2013 for qualified mortgage insurance for a contract issued after December 31, 2006. ..... 1.		
2.	Enter your federal adjusted gross income 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 12.		
	❑ **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 ..... 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 and enter the result here ..... 6.		
7.	Subtract line 6 from line 1. Enter the result here and on Form 2M, Schedule I, line 12. **This is your qualified mortgage insurance premiums deduction.** ..... 7.		

Worksheet VI-IDL – Itemized Deduction Limitation

1	From Form 2M, Schedule I, add lines 4 through 6, 7e through 18 and 24 through 26 and enter the result here.....1.	
2	From Form 2M, Schedule I, add lines 4, 5, 6, 7e, 13, 17, 18 and 25 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 Schedule I, line 27 and Form 2M, line 39. You do not have to complete this worksheet.....3.	
4	Multiply the amount on line 3 above by 0.80 (80%) and enter the result here .....4.	
5	Enter your Montana adjusted gross income from Form 2M, line 38 here.....5.	
6	Enter here $300,000 if filing jointly, $275,000 if filing head of household or $250,000 if filing single .....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 Schedule I, line 27 and Form 2M, line 39. You do not have to complete this worksheet .....7.	
8	Multiply line 7 by 0.03 (3%) and enter the result here .....8.	
9	Enter the smaller of the amounts on line 4 or line 8 here .....9.	
10	Subtract line 9 from line 1. Enter the result here and on Form 2M, Schedule I, line 27. **This is your total itemized deductions.** .... 10.	

Worksheet VII – Calculation of Interest on Underpayment of Estimated Taxes – Short Method

You usually have to pay your income tax liability throughout the year. You can pay through employer withholding, by making installment payments of estimated taxes, or a combination of both. If you have to pay estimated taxes and you did not pay enough during the year by each of the four quarterly installment payment dates, you may owe interest on your underpayment of those estimated taxes even if you pay the full amount of tax you owe when you file your return.

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

- Your tax liability (after withholding and estimated tax payments) is less than $500.
- You did not have a 2012 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 2012 or 2013 after reaching the age of 62.
- You become disabled in either 2012 or 2013.
- You are a farmer or rancher and 66 2/3% of your 2013 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 2013 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 2013 income tax liability (after applying your credits) or 100% of your 2012 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 only if one of the following conditions applies to you:

- 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* or by calling us toll free at (866) 859-2254 (in Helena, 444-6900).

1.	Enter your 2013 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, the 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 the income tax liability that you reported on your 2012 Form 2, line 54; 2012 Form 2M, line 47; or 2012 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 2013 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. **This is your total underpayment for 2013**..... 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, 2014, 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 and then 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. **This is your interest on underpayment of estimated taxes**..... 11.	

Worksheet VIII – Taxable Social Security Benefits

The taxable amount of your social security benefits for Montana and federal purposes may be different. Complete this worksheet to figure out how much, if any, of your social security benefits are taxable in Montana.

Montana does not tax Tier I Railroad Retirement benefits. If you reported any portion of these benefits on your Form 2M, line 13b as taxable benefits, enter that amount as a Montana subtraction on Form 2M, line 33.

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?
   - ❑ No None of your social security benefits are taxable. Enter zero on line 18 and go to line 19.
   - ❑ Yes Subtract line 6 from line 5 and enter the result here ..... 7.
8. Enter the amount that corresponds to your filing status. If your filing status is:
   - married filing jointly, enter $32,000;
   - single or head of household, enter $25,000 ..... 8.
9. Is the amount on line 8 less than the amount on line 7?
   - ❑ No None of your social security benefits are taxable. Enter zero on line 18 and go to line 19.
   - ❑ Yes Subtract line 8 from line 7 and enter the result here ..... 9.
10. Enter the amount that corresponds to your filing status. If your filing status is:
    - married filing jointly, enter $12,000;
    - single or head of household, enter $9,000 ..... 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 here 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. **This is your Montana taxable social security benefits.** ..... 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 taxed by Montana. No adjustment is necessary.

20b. If line 19 is less than line 18, enter the difference here and as a Montana addition on Form 2M, line 24. **This is the additional amount of your social security benefits that is taxed by Montana.** ..... 20b.

20c. If line 19 is greater than line 18, enter the difference here and as a Montana subtraction on Form 2M, line 33. **This is the amount of your social security benefits that is taxed by the federal government but not by Montana.** ..... 20c.

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Montana Department of Revenue, toll free (866) 859-2254 (in Helena 444-6900)

Instructions for Elderly Homeowner/Renter Credit Form 2EC

If you are not required to file an income tax return but are filing Form 2EC, 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 died during the claim year, enter the date of death in the appropriate box. If filing an individual tax return is not required and this claim is for either a deceased individual or a married couple who are both deceased, please include federal Form 1310. Otherwise, please refer to the instructions of the tax return to be filed to determine if a federal Form 1310 should be included.

Part I – Qualifications

You will need to answer all four statements before you apply for the elderly homeowner/renter credit. Any "No" answer means you are not eligible for the credit. If you are able to answer "Yes" to all of these statements, you are eligible for this refundable credit of up to $1,000. Even though you may be eligible for the credit, after completing Parts II and III of this form, it may be that you are not entitled to receive any credit. Please note that only one claim is allowed per household and that married taxpayers who are living apart may qualify for only one credit per year.

Age 62 Test

If you were 62 or older as of December 31, 2013, you can answer "Yes" to this statement. If you are married and both spouses own or rent your residence, only one of you has 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 for six months or more during the year.

Nine-Month Test

You must have resided in Montana for nine months or more during the year to answer "Yes" to this statement. 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, 2013. If you are married filing this claim with your spouse and if your spouse, who would have been the only eligible individual, dies before October 1, 2013, you are not eligible for this credit. You are eligible 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

If your gross household income was less than $45,000, you can answer "Yes" to this question. Your gross household income includes all income received by all 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. This includes, but is not limited to, the income of adult children and unrelated individuals living in your household. In addition to federal adjusted gross income, the following are examples of items that are included in household income:

- Inheritances
- Pension and annuity income (this includes railroad retirement)
- Disability benefits including, but not limited to, veteran's disability, SSI payments and workers' compensation
- 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 - Do not include LIEAP (Low Income Energy Assistance Program) or SNAP (Supplemental Nutrition Assistance Program, formerly known as the Food Stamp Program)
- Interest on federal, state, county and municipal bonds
- All social security payments except those paid directly to a nursing home
- Federal income tax refunds taxable in Montana
- Federally taxable state tax refunds
- Elderly homeowner/renter credit allowed

Some items above may involve a basis (amount you invested). If applicable, you may reduce your income by the basis or by the amount that is the return of what you invested. 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).

If you received pension or annuity income or a distribution from a traditional IRA, include the federally taxable amount as shown on your form 1099.

Do not reduce your household income by any losses that you included in your federal adjusted gross income.

The following Income Source Worksheet can be used to help you calculate your gross household income.

Income Source Worksheet	
Income Source (taxable and nontaxable)	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) and capital gains (do not include capital losses).	
4. Federally taxable state refunds.	
5. Federal tax refund taxable in Montana	
6. Prior year 2EC refunds.	
7. Alimony, public assistance, unemployment.	
8. Pension, annuities, IRA distributions, benefits from railroad retirement, public employee's retirement, veteran's disability and social security (do not include social security income paid directly to a nursing home).	
9. Income from any source or other household members not included above.	
10. Add lines 1 through 9; enter the total here and on Form 2EC, line 1. This is your gross household income.	

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 include a copy of your 2013 property tax bill and/or your signed rent receipts when you file Form 2EC. 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, retained the required documents in your tax records and will provide those documents to us upon request.

Line 6 – Property Tax Billed

Your property tax billed is your November 2013 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 2013.

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. **New!** 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, your property tax to be used in the credit calculation is the larger of: total amount of property tax billed multiplied by 80%, or total amount of property tax billed divided by the total acreage.

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. If the property occupied by you is in a name other than your own, the property taxes billed for that property can qualify as rent only.

Line 7 – Rent Equivalent Paid

Your rent is only the amount of money that you paid to occupy your home. 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.

Items that should not be included as rent equivalent paid on line 7 are as follows (this list is not all inclusive):

- Mortgage payments
- Amenities such as meals, housekeeping or nursing care
- Nursing home costs that are paid directly from social security to the facility
- Rent paid for you by a rental assistance program (this amount should also not be included in your household income)
- Rent for a unit in a building owned by a non-profit and exempt from property tax

Line 12 – Credit Multiplier Table

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 would like to use direct deposit, enter your financial institution's routing number (RTN#) and your account number (ACCT#) in the space provided. Your routing number will be nine digits and your account can be up to 17 characters, including numbers and letters. Mark whether your account is a checking or savings account and if your refund will go to a bank outside of the United States and its territories (Midway Islands, Puerto Rico, American Samoa, US Virgin Islands, Federated States of Micronesia, and Guam).

If your financial institution does not accept the direct deposit or if the direct deposit information that you provided is incomplete, we will mail you a refund check.

Sign Your Credit Claim

This form is not considered a valid claim unless you sign it. If you are filing a joint claim, your spouse must also sign. If you have someone prepare your Form 2EC, you are still responsible for the correctness of the claim.

Electronic Signatures

If you are filing your claim electronically, you are not required to actually sign your claim. The act of filing your claim electronically signifies your declaration, under the penalty of false swearing, that:

- You are the taxpayer identified in the claim; and
- The information in the claim is true, correct, and complete.

Your filing electronically, with this declaration, is your signature.

Daytime Phone Number

Providing your daytime phone number may help speed the processing of your claim. We may have questions about items on this form and if you are able to answer our questions over the phone, we may be able to continue processing your claim without mailing you a letter. If you are filing a joint claim, you can enter either your or your spouse's daytime phone number.

Paid Preparer

Anyone you pay to prepare your claim must sign it and include his or her Preparer Tax Identification Number (PTIN) in the space provided. Preparers should have a PTIN, but the preparer's Social Security Number (SSN) may be used when the paid preparer does not have a PTIN. The paid preparer must also include his or her firm's Federal Employer Identification Number (FEIN), if applicable. The preparer must give you a copy of this form for your records. Someone who prepares your claim but does not charge you should not sign your claim.

Third Party Designee

If you want to allow your preparer, a friend, a family member or any other person you choose to discuss your 2013 Form 2EC with the department, mark the "Yes" box in the bottom of the signature block. You must also enter the designee's printed name and phone number. If you do not complete this section in its entirety, we cannot discuss your claim with a third party.

If you mark the "Yes" box, you, and your spouse if filing a joint claim, are authorizing the department to call the designee to answer any questions that may arise during the processing of your claim. You are also authorizing the designee to:

- Give us any information that is missing from your claim;
- Call us for information about the processing of your claim or the status of your refund;
- Receive copies of notices or transcripts related to your claim, upon request; and
- Respond to notices from us about math errors, offsets and claim preparation.

You are not authorizing the designee to discuss any other tax year, receive any refund check, bind you to anything or otherwise represent you before the department. If you want to expand the designee's authorization, please view information about granting someone power of attorney at *revenue.mt.gov*.

The authorization will automatically end no later than the due date (without regard to extensions) for filing your 2014 return. This is April 15, 2015, for most people.

File Your Form 2EC Electronically

File Form 2EC with your Form 2 or 2M, or alone if not required to file a Montana tax return, through our website. For further information on filing Form 2EC electronically, please visit our website at *revenue.mt.gov*.

If you choose not to file electronically and you are not required to file Montana Form 2 or 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 or other tax matters, such as property tax relief?

If you need additional information about this credit or other tax matters, such as property tax relief, please call us toll free at (866) 859-2254 (in Helena, 444-6900) or visit our website at *revenue.mt.gov*.

Individual Income Tax Forms Available Upon Request

These forms are available on our website at *revenue.mt.gov,* and may be available at your library, post office, or your Department of Revenue county or IRS offices. You can also request forms by calling us toll free (866) 859-2254 (in Helena, 444-6900).

Form Name	Description
2EZ Booklet	2013 Individual Income Tax Form 2EZ with Instructions
2M Booklet	2013 Individual Income Tax Form 2M with Instructions
2 Booklet	2013 Individual Income Tax Form 2 with Instructions
2EC	Montana Elderly Homeowner/Renter Credit
2441-M	Child and Dependent Care Expense Deduction
AEPC	Alternative Energy Production Credit
AFCR	Alternative Fuel Credit
AMD Worksheet	Amended Return Reconciliation
BBSC	Biodiesel Blending and Storage Credit
CC	College Contribution Credit
DCAC	Dependent Care Assistance Credit
DS-1	Disability Income Exclusion Calculation
ECC	Elderly Care Credit
ENRG-A	Geothermal Systems Credit
ENRG-B	Alternative Energy Systems Credit
ENRG-C	Energy Conservation Installation Credit
ESA	Estimated Tax Annualization Worksheet
EST-I	Interest on Underpayment of Estimated Tax
ESW	Estimated Individual Income Tax Worksheet
ETM	Enrolled Tribal Member Exempt Income Certification/Return

Form Name	Description
EXT-13	Extension Payment Worksheet
FPC	Film Employment Production and Qualified Expenditures Credit
FRM	Farm and Ranch Risk Management Account
FTB	First-Time Home Buyer Savings Account
HI	Health Insurance for Uninsured Montanans Credit
IUFC	Infrastructure User Fee Credit
MHPE	Mobile Home Park Exclusion
MINE-CRED	Mineral and Coal Exploration Incentive Credit
MSA	Medical Care Savings Account
MT-R	Reciprocity Exemption from Withholding (For North Dakota residents who work in Montana)
NOL	Montana Net Operating Loss Worksheet (1999 and subsequent years)
NOL-Pre 99	Montana Net Operating Loss Worksheet (1998 and prior years)
OSC	Oilseed Crushing and Biodiesel/ Biolubricant Production Facility Credit
QEC	Qualified Endowment Credit
RCYL	Recycle Credit
TELC	Temporary Emergency Lodging Credit
VT	Veteran's Program Contribution and Deduction
Worksheet IX	Tax Benefit Rule for Recoveries of Itemized Deductions

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

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

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OF REVENUE

No Return

Filing Checklist

If you e-file your tax return, be sure to:

- ☐ Receive confirmation that your return was accepted by the Montana Department of Revenue.
- ☐ If you have tax due, e-pay or mail a check by April 15, 2014.
- ☐ Keep a copy of your return with all schedules, worksheets, receipts and other supporting documents.

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

- ☐ Sign the return. If you are filing a joint return, your spouse must also sign the return.
- ☐ Sign your check or money order if you have included a payment. Do not send cash.
- ☐ Include all W-2s and any 1099s reporting Montana withholding that you were issued for 2013.
- ☐ Include all schedules that support figures on your tax return. Do not include worksheets or blank schedules. You do not have to include your entire federal return.
- ☐ Keep a copy of your return with all schedules, worksheets, receipts and other supporting documents, including your federal return.
- ☐ Mail your return to the correct address.

If you have a refund or no payment due:

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

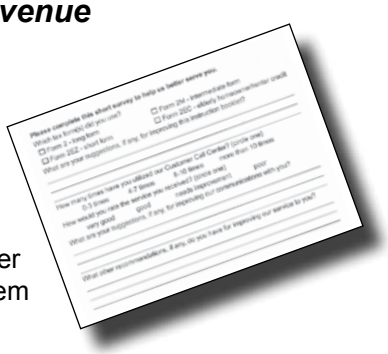
If you are sending a payment and voucher:

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

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?

revenue.mt.gov

Click on the Where's My Refund link.