



ADMINISTRATIVE RULES OF MONTANA

42.15.108 DETERMINING TAX LIABILITY

- (1) A person required to file a Montana Individual Income Tax Return must determine their Montana income tax liability in accordance with the applicable Montana statutes and administrative rules. All income, except income specifically exempted in Title 15, chapter 30, MCA, or these rules, is included in determining income subject to Montana income tax.
- (2) The administrative rules applicable to determining who must file a Montana Individual Income Tax Return, are located in ARM Title 42, chapter 15, subchapter 3.
 - (a) Rules that apply to enrolled tribal members are located in ARM Title 42, chapter 15, subchapter 1.
 - (b) Rules that apply to certain wages and other income of resident and nonresident military servicemembers and the spouses of nonresident military servicemembers are located in ARM Title 42, chapter 15, subchapter 15.
- (3) The starting point for computing Montana individual income tax liability is a taxpayer's federal taxable income, excluding the qualified business income deduction under IRC section 199A. If a taxpayer is not required to file a federal income tax return for a tax year, but is still required to file a Montana tax return as outlined in 15-30-2602(1)(b), MCA, and ARM 42.15.301, the taxpayer shall compute federal taxable income and complete the applicable federal schedules. The federal computations and tax schedules required by this rule are tax records that the taxpayer must include with their Montana income tax return.
- (4) Federal taxable income is adjusted for Montana additions and subtractions to arrive at Montana taxable income. The subtractions reduce the amount of income subject to tax for all taxpayers.
- (5) The adjustments to taxable income for which additional rules are provided include:
 - (a) nonqualified withdrawals from medical savings accounts located in ARM Title 42, chapter 15, subchapter 6;
 - (b) nonqualified withdrawals from first-time home buyer accounts located in ARM Title 42, chapter 15, subchapter 9;
 - (c) contributions to, and earnings on, medical savings accounts located in ARM Title 42, chapter 15, subchapter 6;
 - (d) contributions to, and earnings on, family education savings accounts located in ARM Title 42, chapter 15, subchapter 8;

- (e) earnings on first-time home buyer savings accounts located in ARM Title 42, chapter 15, subchapter 9; and
 - (f) military retirement income located in ARM Title 42, chapter 15, subchapter 15.
- (6) The tax rates provided in 15-30-2103, MCA, are applied to Montana taxable income. Tax brackets are adjusted annually for inflation. The Montana tax liability of a nonresident or part-year resident is determined by the process and requirements outlined in ARM 42.15.110 and 42.15.125.
- (7) Rules describing credits that may be taken against income tax liability are located in ARM Title 42, chapter 4.

Authorizing statute(s): 15-30-2620, MCA

Implementing statute(s): 15-30-2101, 15-30-2102, 15-30-2103, 15-30-2104, 15-30-2114, 15-30-2131, 15-30-2153, 15-30-2602, MCA

History: NEW, 2004 MAR p. 3147, Eff. 12/17/04; AMD, 2008 MAR p. 178, Eff. 2/1/08; AMD, 2010 MAR p. 1088, Eff. 4/30/10; AMD, 2016 MAR p. 22, Eff. 1/9/16; AMD, 2025 MAR, 42-1088, Eff. 1/25/25.