

SENATE BILL NO. 434

INTRODUCED BY W. GALT

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING FOR A PROPERTY TAX REBATE ON A PRINCIPAL RESIDENCE BASED ON A CERTAIN AMOUNT OF PROPERTY TAXES PAID; PROVIDING A REBATE OF PROPERTY TAXES UP TO \$400 FOR TAX YEAR 2024 FOR A PRINCIPAL RESIDENCE THAT WAS OCCUPIED BY THE TAXPAYER; PROVIDING A PENALTY FOR FALSE OR FRAUDULENT CLAIMS; PROVIDING THAT THE PROPERTY TAX REBATE IS NOT SUBJECT TO THE MONTANA INDIVIDUAL INCOME TAX; PROVIDING DEFINITIONS; AMENDING SECTION 15-30-2120, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 3], the following definitions apply:

(1) "Montana property taxes" means the ad valorem property taxes, special assessments, and other fees imposed on property classified under 15-6-134 that is a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre, as is reasonably necessary for its use as a dwelling and that were assessed and paid by the taxpayer for tax year 2024. The amount of Montana property taxes assessed and paid is equal to the total amount billed by the local government for the dwelling as shown on the 2024 property tax bill received by the taxpayer with a first-half payment due in or around November 2024 and a second-half payment due in or around May 2025.

(2) "Owned" includes purchasing under a contract for deed and being the grantor or grantors under a revocable trust indenture.

(3) (a) "Principal residence" is, subject to the provisions of subsection (3)(b), a dwelling:

(i) in which a taxpayer can demonstrate the taxpayer owned and lived in for at least 7 months of the year for which the rebate is claimed;

(ii) that is the only residence for which the property tax rebate is claimed; and

(iii) for which the taxpayer made payment of the assessed Montana property taxes during tax year 2024.

(b) A taxpayer that cannot meet the requirements of subsection (3)(a)(i) because the taxpayer's principal residence changes during the tax year to another principal residence may still claim a rebate if the taxpayer paid the Montana property taxes while residing in each principal residence for a total of at least 7 consecutive months for each tax year.

(4) "Tax year 2024" means the period January 1, 2024, through December 31, 2024.

NEW SECTION. Section 2. Property tax rebate -- manner of claiming -- limitations -- appeals. (1)

Subject to the conditions provided for in [sections 1 through 3], there is a rebate of Montana property taxes in the amount of \$400 or the amount of total property taxes paid, whichever is less, for tax year 2024.

(2) The rebate provided for in subsection (1) is for Montana property taxes assessed to and paid by a taxpayer or taxpayers on property they owned and occupied as a principal residence during the relevant tax year.

(3) The department shall mail a notice to potential claimants by June 30, 2025, for tax year 2024. Receipt of a notice does not establish that a taxpayer or property owner is eligible for a rebate, and a taxpayer who does not receive a notice may still be eligible to claim a rebate. All taxpayers, regardless of the receipt of notice, shall claim a rebate as provided in subsection (5).

(4) Except as provided in subsections (5)(c) and (5)(d), a single-family dwelling unit, unit of a multiple-unit dwelling, trailer, manufactured home, or mobile home and as much of the surrounding land, not exceeding 1 acre that is owned by an entity is not eligible to claim the rebate.

(5) (a) All claims for this property tax rebate must be submitted to the department electronically or by mail for each tax year the rebate is claimed.

(i) Electronic claims must be submitted between August 15, 2025, and October 1, 2025, through the department's website.

(ii) Claims submitted by mail must be made on a form prescribed by the department and postmarked by October 1.

(iii) The department may grant an extension of time if the claimant establishes good cause for

1 missing the October 1 deadline. The department's authority to consider an application terminates on December
2 1, 2025, and any applications or requests for extension received after that date may not be processed.

3 (b) Subject to subsections (5)(c) and (5)(d), a claim for rebate must be submitted, under penalty of
4 false swearing and the penalties provided in [section 3], on a form prescribed by the department and must
5 contain:

6 (i) an affirmation that the claimant owns and maintains the land and improvements as the principal
7 residence as defined in [section 1];

8 (ii) the geocode or other property identifier for the principal residence that the claimant is
9 requesting the rebate on;

10 (iii) the social security number of the claimant and the claimant's spouse; and

11 (iv) any other information as required by the department that is relevant to the claimant's eligibility.

12 (c) The personal representative of the estate of a deceased taxpayer may execute and file the
13 claim for rebate on behalf of a deceased taxpayer who qualifies for the rebate.

14 (d) The trustee of a grantor revocable trust may file a claim on behalf of the trust if the dwelling
15 meets the definition of a principal residence for the grantor.

16 (6) Only one rebate for each tax year will be issued to a taxpayer for the Montana property taxes
17 paid by the taxpayer for tax year 2024.

18 (7) If a debt is due and owing to the state, the department may offset the rebate in this section as
19 provided in sections 15-30-2629, 15-30-2630, 17-4-105, or as otherwise provided by law.

20 (8) If a property tax rebate is denied by the department, the claimant is entitled to a written
21 explanation why the application was denied. A claimant may make a written appeal of a denial to a
22 management level employee of the department who shall issue a final decision that is not appealable. Appeals
23 occurring under this subsection (8) are not subject to the provisions contained in 15-1-211.

24
25 **NEW SECTION. Section 3. Property tax rebate -- penalty for false or fraudulent claim.** (1) Except
26 as provided in subsection (2), if the department discovers that a rebate paid to a taxpayer exceeded the amount
27 allowed by [sections 1 through 3], the department may, within 1 year from the date the rebate was transmitted
28 to the taxpayer, assess the taxpayer for the difference. The assessment is subject to the uniform dispute review

1 procedure established in 15-1-211.

2 (2) A person who files a false or fraudulent claim for a property tax rebate under [sections 1
3 through 3] is subject to criminal prosecution under the provisions of 45-7-202. If a false or fraudulent claim has
4 been paid by the department, the amount paid may be recovered as any other tax owed the state, together with
5 a penalty of 300% of the rebate claimed and interest on the amount of the rebate claimed plus penalty at the
6 rate of 12% a year, until paid. If this rebate plus penalty becomes due and owing, the department may issue a
7 warrant for distraint as provided in Title 15, chapter 1, part 7.

8

9 **Section 4.** Section 15-30-2120, MCA, is amended to read:

10 **"15-30-2120. Adjustments to federal taxable income to determine Montana taxable income. (1)**

11 The items in subsection (2) are added to and the items in subsection (3) are subtracted from federal taxable
12 income to determine Montana taxable income.

13 (2) The following are added to federal taxable income:

14 (a) to the extent that it is not exempt from taxation by Montana under federal law, interest from
15 obligations of a territory or another state or any political subdivision of a territory or another state and exempt-
16 interest dividends attributable to that interest except to the extent already included in federal taxable income;

17 (b) that portion of a shareholder's income under subchapter S. of Chapter 1 of the Internal
18 Revenue Code that has been reduced by any federal taxes paid by the subchapter S. corporation on the
19 income;

20 (c) depreciation or amortization taken on a title plant as defined in 33-25-105;

21 (d) the recovery during the tax year of an amount deducted in any prior tax year to the extent that
22 the amount recovered reduced the taxpayer's Montana income tax in the year deducted;

23 (e) an item of income, deduction, or expense to the extent that it was used to calculate federal
24 taxable income if the item was also used to calculate a credit against a Montana income tax liability;

25 (f) a deduction for an income distribution from an estate or trust to a beneficiary that was included
26 in the federal taxable income of an estate or trust in accordance with sections 651 and 661 of the Internal
27 Revenue Code, 26 U.S.C. 651 and 661;

28 (g) a withdrawal from a medical care savings account provided for in Title 15, chapter 61, used for

1 a purpose other than an eligible medical expense or long-term care of the employee or account holder or a
2 dependent of the employee or account holder;

3 (h) a withdrawal from a first-time home buyer savings account provided for in Title 15, chapter 63,
4 used for a purpose other than for eligible costs for the purchase of a single-family residence;

5 (i) for a taxpayer that deducts the qualified business income deduction pursuant to section 199A
6 of the Internal Revenue Code, 26 U.S.C. 199A, an amount equal to the qualified business income deduction
7 claimed;

8 (j) for an individual taxpayer that deducts state income taxes pursuant to section 164(a)(3) of the
9 Internal Revenue Code, 26 U.S.C. 164(a)(3), an additional amount equal to the state income tax deduction
10 claimed, not to exceed the amount required to reduce the federal itemized amount computed under section 161
11 of the Internal Revenue Code, 26 U.S.C. 161, to the amount of the federal standard deduction allowable under
12 section 63(c) of the Internal Revenue Code, 26 U.S.C. 63(c); and

13 (k) for a pass-through entity, estate, or trust, the amount of state income taxes deducted pursuant
14 to section 164(a)(3) of the Internal Revenue Code, 26 U.S.C. 164(a)(3).

15 (3) To the extent they are included as income or gain or not already excluded as a deduction or
16 expense in determining federal taxable income, the following are subtracted from federal taxable income:

17 (a) a deduction for an income distribution from an estate or trust to a beneficiary in accordance
18 with sections 651 and 661 of the Internal Revenue Code, 26 U.S.C. 651 and 661, recalculated according to the
19 additions and subtractions in subsections (2) and (3)(b) through ~~(3)(e)~~ (3)(p);

20 (b) if exempt from taxation by Montana under federal law:

21 (i) interest from obligations of the United States government and exempt-interest dividends
22 attributable to that interest; and

23 (ii) railroad retirement benefits;

24 (c) (i) salary received from the armed forces by residents of Montana who are serving on active
25 duty in the regular armed forces and who entered into active duty from Montana;

26 (ii) the salary received by residents of Montana for active duty in the national guard. For the
27 purposes of this subsection (3)(c)(ii), "active duty" means duty performed under an order issued to a national
28 guard member pursuant to:

- 1 (A) Title 10, U.S.C.; or
- 2 (B) Title 32, U.S.C., for a homeland defense activity, as defined in 32 U.S.C. 901, or a contingency
- 3 operation, as defined in 10 U.S.C. 101, and the person was a member of a unit engaged in a homeland
- 4 defense activity or contingency operation.
- 5 (iii) the amount received by a beneficiary pursuant to 10-1-1201; and
- 6 (iv) all payments made under the World War I bonus law, the Korean bonus law, and the veterans'
- 7 bonus law. Any income tax that has been or may be paid on income received from the World War I bonus law,
- 8 Korean bonus law, and the veterans' bonus law is considered an overpayment and must be refunded upon the
- 9 filing of an amended return and a verified claim for refund on forms prescribed by the department in the same
- 10 manner as other income tax refund claims are paid.
- 11 (d) annual contributions and income in a medical care savings account provided for in Title 15,
- 12 chapter 61, and any withdrawal for payment of eligible medical expenses or for the long-term care of the
- 13 employee or account holder or a dependent of the employee or account holder;
- 14 (e) contributions or earnings withdrawn from a family education savings account provided for in
- 15 Title 15, chapter 62, or from a qualified tuition program established and maintained by another state as
- 16 provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), for qualified
- 17 education expenses, as defined in 15-62-103, of a designated beneficiary;
- 18 (f) interest and other income related to contributions that were made prior to January 1, 2024, that
- 19 are retained in a first-time home buyer savings account provided for in Title 15, chapter 63, and any withdrawal
- 20 for payment of eligible costs for the first-time purchase of a single-family residence;
- 21 (g) for each taxpayer that has attained the age of 65, an additional subtraction of \$5,500;
- 22 (h) the amount of a scholarship to an eligible student by a student scholarship organization
- 23 pursuant to 15-30-3104;
- 24 (i) a payment received by a private landowner for providing public access to public land pursuant
- 25 to Title 76, chapter 17, part 1;
- 26 (j) the amount of any refund or credit for overpayment of income taxes imposed by this state or
- 27 any other taxing jurisdiction to the extent included in gross income for federal income tax purposes but not
- 28 previously allowed as a deduction for Montana income tax purposes;

1 (k) the recovery during the tax year of any amount deducted in any prior tax year to the extent that
2 the recovered amount did not reduce the taxpayer's Montana income tax in the year deducted;

3 (l) the amount of the gain recognized from the sale or exchange of a mobile home park as
4 provided in 15-31-163;

5 (m) payments from the Montana end of watch trust as provided in 2-15-2041;

6 (n) (i) subject to subsection (9), a portion of military pensions or military retirement income as
7 calculated pursuant to subsection (8) that is received by a retired member of:

8 (A) the armed forces of the United States, as defined in 10 U.S.C. 101;

9 (B) the Montana army national guard or the army national guard of other states;

10 (C) the Montana air national guard or the air national guard of other states; or

11 (D) a reserve component, as defined in 38 U.S.C. 101, of the United States armed forces; and

12 (ii) subject to subsection (9), up to 50% of all income received as survivor benefits for military
13 service provided for in subsection (3)(n)(i)(A) through (3)(n)(i)(D); and

14 (o) the amount of the property tax rebate received under 15-1-2302; and

15 (p) the amount of the property tax rebate received under [section 2].

16 (4) (a) A taxpayer who, in determining federal taxable income, has reduced the taxpayer's
17 business deductions:

18 (i) by an amount for wages and salaries for which a federal tax credit was elected under sections
19 38 and 51(a) of the Internal Revenue Code, 26 U.S.C. 38 and 51(a), is allowed to deduct the amount of the
20 wages and salaries paid regardless of the credit taken; or

21 (ii) for which a federal tax credit was elected under the Internal Revenue Code is allowed to
22 deduct the amount of the business expense paid when there is no corresponding state income tax credit or
23 deduction, regardless of the credit taken.

24 (b) The deductions in subsection (4)(a) must be made in the year that the wages, salaries, or
25 business expenses were used to compute the credit. In the case of a partnership or small business corporation,
26 the deductions in subsection (4)(a) must be made to determine the amount of income or loss of the partnership
27 or small business corporation.

28 (5) (a) An individual who contributes to one or more accounts established under the Montana

1 family education savings program or to a qualified tuition program established and maintained by another state
2 as provided in section 529(b)(1)(A)(ii) of the Internal Revenue Code, 26 U.S.C. 529(b)(1)(A)(ii), may reduce
3 taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of married taxpayers, each
4 spouse is entitled to a reduction, not in excess of \$3,000, for the spouses' contributions to the accounts.
5 Spouses may jointly elect to treat half of the total contributions made by the spouses as being made by each
6 spouse. The reduction in taxable income under this subsection (5)(a) applies only with respect to contributions
7 to an account of which the account owner is the taxpayer, the taxpayer's spouse, or the taxpayer's child or
8 stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of subsection (2)(d) do not
9 apply with respect to withdrawals of contributions that reduced federal taxable income.

10 (b) Contributions made pursuant to this subsection (5) are subject to the recapture tax provided for
11 in 15-62-208.

12 (6) (a) An individual who contributes to one or more accounts established under the Montana
13 achieving a better life experience program or to a qualified program established and maintained by another
14 state may reduce taxable income by the lesser of \$3,000 or the amount of the contribution. In the case of
15 married taxpayers, each spouse is entitled to a reduction, not to exceed \$3,000, for the spouses' contributions
16 to the accounts. Spouses may jointly elect to treat one-half of the total contributions made by the spouses as
17 being made by each spouse. The reduction in taxable income under this subsection (6)(a) applies only with
18 respect to contributions to an account for which the account owner is the taxpayer, the taxpayer's spouse, or
19 the taxpayer's child or stepchild if the taxpayer's child or stepchild is a Montana resident. The provisions of
20 subsection (2)(d) do not apply with respect to withdrawals of contributions that reduced taxable income.

21 (b) Contributions made pursuant to this subsection (6) are subject to the recapture tax provided in
22 53-25-118.

23 (7) By November 1 of each year, the department shall multiply the subtraction from federal taxable
24 income for a taxpayer that has attained the age of 65 contained in subsection (3)(g) by the inflation factor for
25 that tax year, rounding the result to the nearest \$10. The resulting amount is effective for that tax year and must
26 be used as the basis for the subtraction from federal taxable income determined under subsection (3)(g).

27 (8) (a) Subject to subsection (9), the subtraction in subsection (3)(n)(i) is equal to the lesser of:

28 (i) the amount of Montana source wage income on the return; or

- 1 (ii) 50% of the taxpayer's military pension or military retirement income.
- 2 (b) For the purposes of subsection (8)(a)(i), "Montana source wage income" means:
- 3 (i) wages, salary, tips, and other compensation for services performed in the state;
- 4 (ii) net income from a trade, business, profession, or occupation carried on in the state; and
- 5 (iii) net income from farming activities carried on in the state.
- 6 (9) The subtractions in subsection (3)(n):
- 7 (a) may only be claimed by a person who:
- 8 (i) becomes a resident of the state after June 30, 2023; or
- 9 (ii) was a resident of the state before receiving military pension or military retirement income and
- 10 remained a resident after receiving military pension or military retirement income;
- 11 (b) may only be claimed for 5 consecutive years after satisfying the provisions of subsection (9)(a);
- 12 and
- 13 (c) are not available if a taxpayer claimed the exemption before becoming a nonresident.
- 14 (Subsection (3)(o) terminates June 30, 2025--sec. 10, Ch. 47, L. 2023; subsections (3)(n), (8), and (9) terminate
- 15 December 31, 2033--sec. 4, Ch. 650, L. 2023.)"
- 16

17 NEW SECTION. **Section 5. Codification instruction.** [Sections 1 through 3] are intended to be

18 codified as an integral part of Title 15, chapter 1, and the provisions of Title 15, chapter 1, apply to [sections 1

19 through 3].

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21 NEW SECTION. **Section 6. Effective date.** [This act] is effective on passage and approval.

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23 NEW SECTION. **Section 7. Termination.** [This act] terminates June 30, 2026.

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