



Montana Publication 1

**A Guide to Montana Tax Withholding and
Estimated Payments and Worksheets
ESW, ESA, LTCG, and PTE-C**

V4 January 2024

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What's New?

Simplification

Senate Bill 399 passed during the 67th Montana Legislature in 2021 made significant changes to Montana's income tax system. Beginning in Tax Year 2024, taxpayers will see changes to filing statuses, tax brackets, and the calculation of Montana taxable income.

Filing statuses. Under the new law, taxpayers must use the same filing status used on the federal tax return. These filing statuses include married filing jointly, qualifying widower with a dependent child, head of household, single, and married filing separately. When filing the Montana Form 2, each of these filing statuses is considered the same as the federal filing status. Married taxpayers can no longer file separately from their spouses unless they are filing separately for federal purposes. Capital losses, passive losses, and excess business losses will no longer be allocated by spouse, and these losses will be treated the same for Montana purposes as they are for federal purposes.

Filing requirements. The Montana tax filing requirement will follow the federal tax filing requirement after considering any Montana additions and subtractions to federal taxable income.

New Tax Brackets. Montana's tax brackets will be condensed from seven rates to two rates and will be based on a taxpayer's filing status and character of income.

Montana Taxable Income Calculation.

Taxpayers will use their federal taxable income as the base for calculating their Montana taxable income. Montana's current system uses the federal adjusted gross income as the base for determining Montana taxable income. With the Tax Year 2024 change, items of income and deduction will no longer need to be recalculated for purposes of determining Montana taxable income. Taxable Social Security Income and net operating losses are included in Montana taxable income as calculated for federal tax purposes.

New Subtraction. Taxpayers aged 65 and over will receive a \$5,500 subtraction from federal taxable income.

Repealed Deductions. Several deductions are repealed, including:

- Unemployment compensation
- Tip income for certain service industry workers
- Partial interest income deduction for taxpayers aged 65 or older
- Partial pension, annuity, and IRA deduction
- Health insurance premiums paid by an employer for an employee
- Contributions to a Montana first-time homebuyer savings account
- Deposits in a Montana farm and ranch risk management account
- Dependent child's income included in the taxpayer's federal adjusted gross income
- Student loan repayments for health care professionals and qualified educators
- Partial retirement disability deduction for taxpayers under age 65

Net Long-Term Capital Gains Tax Rates.

House Bill 221 created two new tax rates for net long-term capital gains based on the taxpayer's filing status and total ordinary taxable income. Beginning in Tax Year 2024, ordinary taxable income is all taxable income that is not net long-term capital gains.

The capital gains tax rate will replace both the 2% capital gains tax credit set to expire in Tax Year 2024 and the 30% net long-term capital gains subtraction that would have been effective in Tax Year 2024.

Worksheet Updates

Changes to Worksheets ESA and ESW.

Worksheets ESA and ESW have been updated because of the changes to the calculation of Montana taxable income.

New Long-Term Capital Gains Tax Worksheet (Worksheet LTCG). The Worksheet LTCG has been developed for taxpayers that have net long-term capital gains that will be taxed at the net long-term capital gains rates.

New Estimated Composite Tax Worksheet (Worksheet PTE-C). The Worksheet PTE-C was created for pass-through entities that will pay composite tax.

Introduction

Montana's income tax is a pay-as-you-go tax. You must pay your tax as you earn or receive income throughout the year. There are two ways to pay your Montana income tax. Tax may be withheld from your income or you can pay estimated taxes. This publication explains both of these methods. It also includes four worksheets you can use to determine the amount of estimated tax you may owe.

Tax Withholding for 2024

Tax withholding is the first way to pay-as-you-go for your Montana income. Several types of payments are required to be withheld on in Montana.

Salaries and Wages

If you are an employee, your employer is required to withhold income tax from your paycheck unless a federal or Montana tax exemption applies.

Salaries and wages for Montana purposes are the same as they are for federal purposes. With the exception of federal and Montana exemptions, salaries and wages include regular pay, bonuses, commissions, tips, vacation allowances, other supplemental wages earned in Montana, and income recognized when property, such as stock, is transferred in connection with performance of services.

If you do not have enough tax withheld from your wages, estimated tax payments may be required, even if you only receive wages.

Calculating wage withholding. Your employer calculates Montana Wage Withholding using the Montana withholding tax tables based on the length of the payroll period, your gross pay, your filing status, and any other adjustments or exemptions you claim on your Montana Employee's Withholding and Exemption Certificate (Form MW-4). The Montana Employer and Information Agent Guide includes the tax tables your employer uses to determine the amount to withhold from your paycheck. You must complete a Form MW-4 when you start working for a new employer. You may want to complete a new Form MW-4 if your personal or financial situation changes to adjust the amount of tax withheld.

The filing status you use on your federal Form 1040 is the first thing your employer will use to determine the amount to withhold on your paycheck. Your filing status is used to determine the standard deduction and tax rates used to compute your wage withholding.

If you have multiple jobs, you will likely need more tax withheld than what is calculated for your filing status. Complete the Multiple Jobs Worksheet found in the Form MW-4 instructions to calculate the additional withholding.

If you are married and both spouses work, and earn similar amounts, mark the box on line 2 of all of your Forms MW-4. If this box is checked, the standard deduction and tax brackets will be cut in half for each job to calculate withholding. This is roughly accurate for jobs with similar pay; otherwise, more tax than necessary will be withheld. If one spouse earns significantly more than the other, select the married filing jointly status on line 1b of the Form MW-4. Then, complete the Multiple Jobs Worksheet on the Form MW-4 of the highest paid job. Report the additional amount to withhold on line 3 of the Form MW-4 of the highest paid job.

Tips. Beginning in Tax Year 2024, the tips you receive while working your job are considered part of your pay. Your tips are no longer deductible from your pay on your Montana income tax return.

Supplemental wages. Supplemental wages, such as commissions, bonuses, or overtime pay, are subject to withholding based on the total of the regular and supplemental wages. If supplemental wages are paid separately (for example, a holiday bonus), your employer can withhold the tax by using one of the following ways:

- the total of the supplemental wage and the regular wage for the current payroll period
- the total of the supplemental wage and the regular wage for the last preceding payroll period that falls within the same calendar year
- a flat 5 percent of the supplemental wage.

Exemptions from Wage Withholding

Some wages earned in Montana are not subject to wage withholding. There are three exemptions that are determined by the employer. Other exemptions must be claimed by the employee.

Exemptions Determined by the Employer **Active-duty members of the armed forces.**

Active-duty military compensation received for services in the regular armed forces paid under a United States Code Title 10 order is not subject to withholding in Montana. This exemption applies whether you are a resident or a nonresident.

Nonresident employees of interstate carriers.

Nonresident interstate employees of railroad, trucking, air, and water interstate carriers are exempt from Montana wage withholding. Employers are responsible for determining the state of residency of the employee and applying the corresponding withholding. Employers must withhold on the wages received by employees who are residents of Montana.

Agricultural laborers. Agricultural laborers' wages are not subject to the Montana wage withholding requirement. Agricultural laborers are employees that work on a farm or ranch that participate in the cultivation of soil or in the raising or harvesting any agricultural or horticultural commodity. Employees working in the cannabis industry are not considered agricultural laborers and are subject to Montana wage withholding requirements.

Exemptions Claimed by the Employee.

There are two types of exemptions from wage withholding that you can claim as an employee: limited exemptions and unlimited exemptions.

You must complete a new Form MW-4 and give it to your employer each year to continue receiving any of these exemptions from withholding.

Limited Exemptions. Limited exemptions are those that apply to a portion of the wages you receive from your employer.

When you claim one of these exemptions, you must also indicate your filing status to determine the amount of withholding applied to your non-exempt wages. The exemptions for enrolled tribal members and for military reservists and National Guard members under U.S.C. Title 10 orders are limited exemptions.

Non-exempt wages must be reported on your Montana Individual Income Tax Return (Form 2), even if the employer did not withhold on them.

TIP: If you forgot to claim a limited exemption on your Form MW-4, you may be entitled to a refund of your wage withholding. You will need to file your Form 2 to obtain a refund of your wage withholding.

Enrolled tribal members. If you are an enrolled tribal member living and working on the reservation of your governing tribe, your wages earned on the reservation are exempt from Montana withholding.

However, tribal members' wages earned off the reservation of their governing tribe are always subject to withholding.

Consequently, even if the wages earned within the reservation are exempt, tribal members should also complete line 1 or 2 on the Form MW-4 each year.

Your filing status will be used by your employer to determine the amount of withholding on wages earned outside the external boundaries of the reservation.

Example: You are an enrolled tribal member of the Crow Nation and lived on the Crow Indian Reservation the entire year. In that year, you earned \$35,000 of wages working on the Crow Indian Reservation. Your wages of \$35,000 are exempt from Montana wage withholding. That same year, you also earned \$10,000 working in Billings and \$2,000 working on the Northern Cheyenne Indian Reservation. The \$12,000 of wages earned in Billings and on the Northern Cheyenne Indian Reservation are subject to withholding by the employer. If you did not provide your filing status on the Form MW-4, the amount of withholding will be higher than necessary.

Reservists and National Guard Members.

Active-duty military compensation received for services in the National Guard or Reserves paid under a U.S.C. Title 10 order is not subject to withholding in Montana. You may claim this exemption on Form MW-4 if you received U.S.C. Title 10 orders. Compensation received under a U.S.C. Title 32 order is still subject to withholding in Montana, unless it was paid for

being part of a unit engaged in a homeland defense activity or a contingency operation. You must complete line 1 or 2 on the Form MW-4. Your filing status will be used by your employer to determine the amount of withholding on wages you did not receive under U.S.C. Title 32.

Unlimited Exemptions

Unlimited exemptions apply to the entire portion of wages received from an employer. These include wages received as a spouse of a military service person and wages received by a North Dakota resident working in Montana. The following exemptions are unlimited. When you claim one of them, the entire wages paid by the employer are exempt until the end of the year or until the exemption no longer applies.

Spouse of military service person. If you are the spouse of a military service person, your wages earned in Montana are not subject to withholding if you moved to Montana solely because:

- You are the nonmilitary spouse of an active-duty service member of the regular armed forces stationed in Montana in compliance with U.S.C. Title 10 orders; and
- You and your spouse are both residents of the same state, which is not Montana.

These wages are not Montana source income and, if applicable, are taxable in your state of residence.

If your situation changes, either because you choose to become a Montana resident, your spouse is no longer serving in Montana, or you have divorced, you must complete a new Form MW-4. Withholding may apply from the date of the change if you cannot claim another exemption.

North Dakota residents working in Montana.

If you are a North Dakota resident earning wages from work performed in Montana, these wages are exempt from Montana withholding. Note that the wages you earn for work in Montana are subject to income tax in North Dakota.

To benefit from this exemption, mark the North Dakota Exemption box on Form MW-4 and give it to your employer as soon as possible after the hiring date or after becoming a North Dakota resident, to avoid Montana wage withholding.

If, in the next year, you receive a Form W-2 showing Montana withholding, verify with your employer that the amount of withholding is correct. You may claim the refund of excess withholding by filing Montana Form 2.

De minimis exemption. Nonresident employees that worked in Montana for less than 30 days do not have a filing requirement. The exemption does not apply to employees who work in Montana for more than 30 cumulative days, professional athletes, entertainers, persons that perform services for compensation on a per-event basis, construction workers, key employees, and qualified production employees for the purposes of the MEDIA Credit. Key employees are employees that had an annual salary of more than \$500,000 in the year preceding the current tax year.

If you are a nonresident and expect to work in Montana for more than 30 days, your income is subject to Montana tax. Complete a Form MW-4 so that your employer can begin withholding on your Montana wages.

Pensions and Annuity Payments

Pensions and annuities are taxable in Montana. If you receive pension or annuity payments, you may choose to have the remitter withhold a flat amount of taxes every distribution period. You can enter this flat amount on line 3 of Form MW-4.

The withholding can be changed or revoked at any time. All you need to do is send a new Form MW-4 to the payor of the pension or annuity, with a change of amount on line 3.

The payor is not required to withhold if the amount of tax withholding is less than \$10.

TIP: In general, you can quickly estimate the additional amount you will need to withhold as follows:

- Estimate your additional income or expected taxable pension and annuity distributions for the year.
- Multiply the result by 5.9 percent (0.059) to determine the overall amount of additional withholding for the rest of the year.

Divide the additional withholding by the number of paydays or payments left for the year.

Railroad Retirement Benefits. Tier I and II Railroad Retirement Benefits paid by the Railroad Retirement Board are exempt from Montana income tax. Taxpayers must subtract these benefits from federal taxable income on the Form 2 or Form FID-3.

Working military retirees. Beginning in Tax Year 2024, military retirees that become Montana residents after June 30, 2023, or who began receiving military retirement after becoming a Montana resident can exempt the lesser of half of the taxpayer's military retirement income or the amount of Montana source wage income. Montana source wage income includes wages, business income, and farming income sourced to Montana.

Military retirees include retirees of the Armed Forces, Army National Guard, Air National Guard, and Reserve Members. Military survivor benefits are also eligible for the exemption.

The exemption is only available for five consecutive years after becoming a resident. For taxpayers who began receiving military retirement before June 30, 2023, the exemption is available for five consecutive years beginning with Tax Year 2024.

Additional Withholding from Wages

If you have a large amount of income from sources not subject to withholding (such as interest, dividends, capital gains, or business income), you may be able to request to have an additional amount withheld from your paycheck on Form MW-4. You can use this additional withholding instead of making estimated tax payments.

Lottery Winnings

Lottery winnings from a ticket purchased in Montana are considered Montana source income regardless of the winner's state of residency. The Montana State Lottery must withhold 5.9 percent on any winnings that exceed \$5,000.

Unemployment Compensation

Beginning in Tax Year 2024, all unemployment compensation is taxable in Montana. If you do not have income tax withheld, you may have to

pay estimated tax. If you do not pay enough tax, either through withholding or estimated tax, or a combination of both, you may be subject to a penalty.

You may choose to have Montana income tax withheld from your unemployment compensation. Provide Form MW-4 to the payer with the amount you want withheld on line 3.

Pass-Through Entity Payments

If you are an owner of a pass-through entity doing business in Montana, you may have tax withheld or paid on your behalf. There are three types of taxes that a pass-through entity may pay or withhold on your behalf, pass-through entity tax, composite tax, and pass-through withholding. The tax is reported to you on your Montana Schedule K-1.

Pass-Through Entity Tax

Beginning in Tax Year 2023, pass-through entities may elect to pay tax on an affected owner's distributive share of Montana source income. The tax is calculated at the rate of 5.9 percent of the affected owner's distributive share of Montana source income. The tax can be used as a refundable credit against the affected owner's income tax. Affected owners include individuals, estates, trusts, partnerships, S corporations, and disregarded entities owned by individuals, estates, or trusts. Owners that are not affected by the pass-through entity tax are C corporations, tax-exempt entities, or disregarded entities owned by a partnership, a corporation, or an undisclosed person. A nonresident affected owner that does not have any other Montana source income (other than that from another pass-through entity that is paying composite tax or pass-through entity tax) does not have a filing requirement.

If a pass-through entity pays this tax, your share of the tax will be reported to you on Part 5 of your Montana Schedule K-1 (PTE). Report this amount on your income tax return as indicated in the form's instructions. This amount is fully creditable against your income tax liability. The excess payment is refundable.

More information about pass-through entity tax can be found in Publication 4, Montana Pass-Through Entity Tax Guide.

Pass-Through Withholding

If you receive a Montana Schedule K-1 from a partnership, S corporation, or disregarded entity, the entity may be required to withhold tax on your behalf. If this applies to you, it will be reported on Part 5 of your Montana Schedule K-1 (PTE).

Pass-through withholding is 5.9 percent of the distributive share of Montana source income attributable to nonresident owners, foreign C corporations, or second-tier pass-through entities, unless there is a waiver of this requirement in place. A pass-through entity that owns an interest in another pass-through entity is called a second-tier pass-through entity.

Nonresident individuals, nonresident estates, nonresident trusts, and domestic second-tier pass-through entities may file a Form PT-AGR to claim a waiver from pass-through withholding. Domestic second-tier pass-through entities are owned entirely, directly or indirectly, by resident individuals, resident trusts or estates, or domestic corporations.

A domestic corporation is a corporation registered to do business in Montana. See Form PT-AGR for more information on how to apply for the waiver.

Treatment by Individuals, Estates, and Trusts

If you are an individual, estate, or trust, report the pass-through withholding from your Montana Schedule K-1 (PTE) on your income tax return, Form 2 or Form FID-3 as indicated in the instructions.

This amount is fully creditable against your income tax liability. The excess payment is refundable.

Note that if you are an indirect owner in a pass-through entity, this entity may be required to withhold on the Montana source income attributable to a second-tier pass-through entity before the income flows to you. As a result, you will receive a Montana Schedule K-1 (PTE) with some pass-through withholding paid on your behalf even if you are a resident individual, trust or estate, or domestic C corporation.

Treatment by Pass-Through Entities

A second-tier pass-through entity must allocate the pass-through withholding they receive to each of its owners according to the owners' distributive share of Montana source income.

If the pass-through entity also derives Montana source income from its own trade or business activities, pass-through withholding must be calculated based on the total Montana source income attributable to each owner. The second-tier pass-through entity may use the pass-through withholding it received from a lower-tier pass-through entity to offset any pass-through withholding it may owe on its return.

Mineral Royalty Withholding

A mineral royalty interest is treated as real property and any royalty paid for the extraction of minerals located in Montana is Montana source income.

The remitter of Montana mineral royalty must withhold a 6 percent tax from each net payable amount of royalty due to a Montana mineral royalty owner. Some exceptions apply. If mineral royalty tax was withheld, this amount can be taken as a refundable credit against Montana income tax.

TIP: Do not confuse the mineral royalty withholding with the production taxes that are also subtracted from the royalty payments.

There are two ways you can receive the information that mineral royalty withholding tax was withheld on the amount of royalties you received: on a Form 1099-MISC or on a Montana Schedule K-1.

Form 1099-MISC. If you received a Form 1099-MISC reporting Montana mineral royalty income, the mineral royalty withholding will be reported in Box 16.

TIP: Make sure that Box 16 shows only Montana withholding before claiming the credit. If Box 16 shows the sum of withholding amounts from mineral royalty interests located in several states, you must obtain a breakdown of Box 16 from the remitter.

Montana Schedule K-1 (PTE). If you received a Montana Schedule K-1 (PTE) from a pass-through entity, a trust, or an estate, mineral royalty withholding may be reported in Part 5.

Treatment by Individuals, Estates, or Trusts

If you are an individual, an estate, or trust, report the mineral royalty withholding from Form 1099-MISC or Montana Schedule K-1 on your income tax return as indicated in the form's instructions.

This amount is fully creditable against your income tax liability. The excess payment is refundable.

TIP: In some circumstances, when tax was required to be withheld from a distributive share of Montana source income from a pass-through entity, the mineral royalty withholding may have already been applied against pass-through entity tax or pass-through withholding. When this is the case, mineral royalty income may be reported on your Montana Schedule K-1, but no mineral royalty withholding is reported in Part 5.

Treatment by Pass-Through Entities

When a pass-through entity receives a Form 1099-MISC or a Montana Schedule K-1, it must allocate any mineral royalty withholding to its owners according to their distributive share of Montana source income. Special allocation in partnerships may apply.

Generally, if the owner is an individual, estate, or trust, or has a waiver of pass-through withholding in place, the mineral royalty withholding is distributed to the owner on its Montana Schedule K-1 (PTE).

If the owner is subject to pass-through entity tax, pass-through withholding, or elects to pay composite tax, the mineral royalty withholding is applied against the applicable tax. Any mineral royalty withholding in excess of pass-through entity tax, pass-through withholding, or composite tax may be refunded to the entity.

When a pass-through entity uses mineral royalty withholding as a credit against any taxes it owes, it will not be reported on the Montana Schedule K-1 issued to the owner.

Note that if the pass-through withholding calculated for an owner is zero, the owner's entire share of mineral royalty withholding must be distributed and reported on the owner's Montana Schedule K-1 (PTE).

Estimated Tax Payments

Quarterly estimated tax payments are the second part of the pay-as-you-go system. The quarterly payments are based on either an estimation of the taxes owed for the current tax year or 100 percent of the tax liability reported on the return of the previous tax year.

Who Must Pay Estimated Tax

Estimated tax payments must be made when the amount of annual estimated taxes owed by a taxpayer, after any withholding and nonrefundable credits, is more than \$500. This is generally the case if you receive income not subject to withholding, such as dividends, interest, capital gains, rental income, certain royalties, or business income from self-employment.

The same rules apply for all individuals, whether they are residents, nonresidents, or part-year residents.

You are not required to make estimated tax payments, even if you owe more than \$500, if you meet one of the following criteria:

- You were not required to file a Montana income tax return in the previous tax year.
- Your previous tax period covered 12 months and your Montana tax liability was zero.
- You retired and were at least 62 years of age at the end of the previous tax year. (This exception applies only in the year you retire and for one additional year following the year of retirement.)
- You became disabled in the previous or current tax year.
- At least two-thirds of your gross income is derived from farming and ranching operations. (Montana does not apply a "lookback" provision in determining farming and ranching gross income.)

Estates and trusts must pay estimated taxes based on their own Montana tax obligations. When the estate or trust distributes all their income, no estimated tax is due.

Pass-through entities that elect to pay pass-through entity tax or composite tax are required to make quarterly estimated tax payments for the following year. For composite elections, estimated payments are required if the entity paid

composite tax in the previous tax year and the entity filed a return with a period of 12 months. If a pass-through entity elects to pay pass-through entity tax in the preceding tax year, estimated tax payments are required for the current tax year.

Pass-through entities are not required to make estimated tax payments for pass-through withholding.

Interest on Underpayment of Estimated Tax

When there is an underpayment of quarterly estimated tax payments, interest must be assessed using the rate of the calendar year in which the income tax return for the tax year is due. For example, interest on underpayment of estimated taxes for Tax Year 2024 will be calculated using the interest rate effective for 2025, because the 2024 income tax return is due in 2025.

Estimated Tax Payment Due Dates

Estimated tax payments must be made in four installments. Payments are due on the 15th day of the 4th month, 6th month, and 9th month following the beginning of the tax year, and of the first month following the end of the tax year. For taxpayers with a tax year beginning on January 1, estimated tax payments are due April 15, June 15, and September 15 of that year, and January 15 of the next calendar year. If any of these dates fall on a weekend or a holiday, your payment is due on the next business day.

Pass-through entity tax and composite tax estimated tax payments are due on the 15th day of the 4th month, 6th month, and 9th month following the beginning of the tax year, and the first month following the end of the tax year. For pass-through entities with a tax year beginning on January 1, estimated tax payments are due April 15, June 15, and September 15 of that year, and January 15 of the next calendar year. If any of these dates fall on a weekend or a holiday, your payment is due on the next business day.

To determine the amount of estimated taxes owed for each installment, you may use one of the following three methods. All methods require that you deduct withholdings and expected credits before determining the installment amounts.

100 percent of the Prior Year Tax Method

If you use this first method, you do not need to estimate your tax for the year, and you automatically avoid interest on underpayment.

You may only use this method if you filed a return for the preceding tax year. You cannot use this method if your preceding return was a short year.

For example: to calculate your estimated tax for 2024, you must use your tax liability reported on your 2023 income tax return.

To calculate your estimated tax payments using this method:

1. Identify your tax liability reported on the return from the preceding year.
2. Deduct any overpayment you carried over from the prior year.
3. Deduct the wage withholding taxes you know will be paid on your behalf.
4. If the result is more than \$500, divide it by four.
5. Make payments following the quarterly installment schedule.

Tax Estimation Methods

If you do not want to use your tax liability from the prior year, you must first estimate your tax for the year and pay 90 percent of this amount with a combination of withholding and estimated taxes to avoid interest on underpayment of estimated taxes.

Two additional methods for individuals, estates, and trusts are available: the income estimation method and the annualization method. Both methods require you to reduce your amount of estimated taxes by the amount of your required withholding tax.

To determine your Montana taxable income using this method, you must estimate your Federal Adjusted Gross Income, net-long term capital gain (if any), federal standard or itemized deductions, Montana adjustments, and Montana tax credits for the year.

Pass-through entity tax is 5.9 percent of the distributive share of Montana source income of all affected owners. To determine the amount of estimated tax, multiply the expected Montana source distributive share of all affected owners by 5.9 percent (0.059) and divide that amount by four.

Estimated taxes for composite tax is figured on Worksheet PTE-C.

Federal standard and itemized deductions.

For Tax Year 2024, the standard deduction for each filing status is as follows:

Filing status	Standard Deduction Amount
Single, married filing separately, and owners included in a composite tax election	\$14,600
Married filing jointly and qualifying widower	\$29,200
Head of household	\$21,900

Estates and trusts do not have a standard deduction. Instead, enter the total deductions. This includes all the deductions that would normally be reported on the estate’s or trust’s Form 1041, line 22.

Pass-through entities filing a composite return include the federal standard deduction for all owners included in the election. Pass-through entities making a pass-through entity tax election leave this line blank.

See the federal Schedule A instructions for information on how to determine your federal itemized deductions if you plan to itemize.

Do not include the federal qualified business income deduction in determining your federal taxable income.

Montana additions. Certain items of income that are not taxable for federal purposes, are taxable for Montana purposes. The following items must be added back to your federal taxable income to determine your Montana tax.

- Interest and mutual fund dividends from state, county, or municipal bonds from other states
- Recoveries of amounts deducted in earlier years that reduced Montana taxable income
- Expenses or deductions included in federal taxable income used to claim a Montana tax credit
- Nonqualified distributions from a Montana Medical Savings Account or First-Time Homebuyers Account
- State income tax deductions included in federal taxable income, including any pass-through entity tax or composite tax
- Farm and ranch risk management account distributions
- Federal taxes paid by an S corporation
- Title plant amortization and depreciation

State income tax deductions included in federal itemized deductions are added back to federal taxable income to the extent that it does not reduce the taxpayer’s federal itemized deduction below the amount for a standard deduction.

In addition to the Montana additions above, estates and trusts add back the qualified business income deduction.

Montana Subtractions. Certain items that are taxed federally are subtracted from federal taxable income to determine Montana taxable income. The following items may be subtracted from your federal taxable income.

- State income tax refunds included in federal taxable income
- Interest and mutual fund dividends from federal bonds, notes, and obligations
- Recoveries of amounts deducted in earlier years included in federal taxable income that did not reduce Montana income tax
- Exempt tribal income
- Military wages of active-duty servicemember
- Wages of nonresident spouse of active-duty military servicemember
- Interest earned on the principal of a Montana First-Time Homebuyer Account from before January 1, 2024
- Contributions to and interest from a Montana Medical Savings Account
- Contributions to a Family Education Savings Account (529 plan) (\$3,000 for single, married filing separately, head of household, and qualifying widower filers; \$6,000 for married filing jointly filers)
- Contributions to an Achieving a Better Life Experience Account (ABLE) (\$3,000 for single, married filing separately, head of household, and qualifying widower filers; \$6,000 for married filing jointly filers)
- Business-related expenses for purchasing recycled materials
- Business expenses not included in federal taxable income because a federal tax credit was taken
- Certain business expenses incurred by marijuana businesses
- Sales of land to beginning farmers
- Capital gains and dividends from Montana small business investment companies
- Certain gains recognized by liquidating corporations
- Capital gains on the eligible sale of a mobile home park

- Federal taxable Tier I and II Railroad Retirement benefits paid by the Railroad Retirement Board
- A subtraction of \$5,500 for taxpayers 65 and older
- An exemption of the lesser of 50% of military retirement benefits or 100% of Montana-source wage income for working military retirees that are Montana residents

Montana Long-Term Capital Gain Tax Rates.

Beginning in Tax Year 2024, the net long-term capital gains of individual, estates, and trusts are taxed at lower rates. A long-term capital gain is the income realized from the sale of assets such as stocks, bonds, and real-estate owned for more than a year. The rate only applies to long-term capital gains. Qualified dividends are taxed at the ordinary tax rate.

Long-term capital gains are taxed at two rates unless Montana ordinary income is greater than the amount for the filing status. Montana ordinary income is Montana taxable income that is not considered a long-term capital gain.

To determine your long-term capital gains tax rate, calculate your total Montana ordinary income by subtracting your long-term capital gains from your Montana taxable income. Use this amount to determine the rate for your long-term capital gain, up to the top of the first bracket of 3 percent. The portion of your long-term capital gain that exceeds the first bracket will be taxed at 4.1 percent.

For Montana ordinary income above the amounts below, all net long-term capital gains are taxed at 4.1 percent.

Filing status	Montana ordinary income
Single, married filing separately, estates, and trusts	\$20,500
Married filing jointly and qualifying widowers	\$41,000
Head of household	\$30,750

Pass-through entities cannot use these rates against net long-term capital gains to calculate tax at the entity level.

If you have a long-term capital gain, use Worksheet LTCG to determine your long-term capital gain tax rate.

Montana Nonrefundable Tax Credits.

Individuals, estates, and trusts may use the anticipated amount of a nonrefundable tax credit to reduce their estimated tax liability. Pass-through entities may not claim any nonrefundable tax credit against any tax it may owe.

This chart includes all of the nonrefundable tax credits currently available along with where to find more information about the qualifications for each credit. Several tax credits were repealed beginning with Tax Year 2021 that had carryover provisions. If you incurred a carryover from a repealed tax credit, include that amount as a nonrefundable tax credit on Worksheet ESW, line 8, and Worksheet ESA, line 9.

Tax Credit	Form/Instructions
Credit for income taxes paid to another state or country	Form 2 or FID-3 instructions
Qualified Endowment Credit	Form QEC
Recycle Credit	Form RCYL
Apprenticeship Credit	Form 2 instructions
Trades Education and Training Credit	Form TETC
Innovative Educational Program and Student Scholarship Organization Tax Credits	Tax Credits For Qualified Education Contributions Guide
Contractor’s Gross Receipts Tax Credit	Montana Business Tax Guide For The Public Contractor’s 1% Gross Receipts Tax
Historic Property Preservation Tax Credit	Form 2 instructions
Infrastructure Users Fee Credit	Form IUFC
Media Tax Credit	Form MEDIA-CLAIM
Jobs Growth Incentive Credit	Form JGI

Estimated withholding taxes and refundable tax credits. Apply any tax payments made on your behalf and Montana refundable tax credits when estimating your Montana tax, including:

- Wage withholding
- Mineral royalty withholding
- Pass-through withholding or pass-through entity taxes paid on your behalf
- Loan-out withholding from a loan-out company for purposes of the Media Credit

In addition to payments, include any of these Montana refundable tax credits that you anticipate taking.

Tax Credit	Forms/Instructions
Elderly Homeowner/ Renter Credit	Form 2 instructions
Adoption Tax Credit	Form ADPT
Unlocking Public Lands Credit	Form 2 instructions

Montana Estimated Tax Worksheet, Worksheet ESW

To figure your estimated tax by estimating your annual income, use the Worksheet ESW. Worksheet ESW will help you calculate 90 percent of your estimated tax after credits and withholding taxes.

If you miss a payment or if you start paying estimated tax after the first quarterly payment is due because your situation has changed during the year, the worksheet will include any necessary catch-up payment automatically.

If your tax situation changes during the year, you must recalculate your estimated tax using lines 1 through 12 of a new Worksheet ESW and then enter the figured percentages on the column for the quarters in which you have not yet made payments.

The installments are presented on an aggregate basis to show the amount that should have been paid by each installment.

Example: You estimated a Montana taxable income of \$50,000. Your estimated tax was initially \$2,000. You paid \$500 on April 15. You received an unexpected item of income of \$10,000 during the second quarter. Your Montana taxable income is now \$60,000, and your estimated tax is now \$2,700.

Your installments are now \$675 each. However, for the second quarter, you must pay \$850 (\$675 + \$175 not paid with your first installment).

If your federal taxable income (without regards to the qualified business deduction) decreases, Worksheet ESW will allow for the payments already made in the determination of your installment payment amount.

In addition, if the 100 percent of your prior year tax liability method results in less estimated taxes to pay, Worksheet ESW will automatically use this lesser amount to calculate your payments.

To estimate your amount of withholding on line 11, you can use the paycheck or pension check stubs that you have received before April 15. Multiply the amount of Montana withholding by the number of times you are paid throughout the year. For example, if you receive a paycheck every two weeks, multiply your Montana withholding by 26.

In addition to the income tax withholding on your wages or other payments, remember to reduce your estimated tax by any pass-through entity tax, pass-through withholding, mineral royalty withholding, or any estimated refundable credits.

Estimated Tax Annualization Worksheet – Worksheet ESA

Use Worksheet ESA if your income varies during the year because, for example, you operate your business on a seasonal basis. This method may allow you to lower or eliminate the amount of one or more required installments by using the annualized income installment method. The annualization method allows you to calculate your estimated tax and each installment based on the total amount of income you received since the beginning of the year, and up until the end of the quarter.

This method is particularly suited for taxpayers with fluctuating or seasonal income because it allows you to both adjust your estimated tax and your quarterly payments, based on the income you received during the quarter.

You may still have to estimate withholding on other types of income.

Before completing Worksheet ESA, complete Worksheet ESW, lines 1 through 10.

Keep Worksheet ESA in your records.

The department may ask you to provide a copy and/or other documents showing when you received your income.

Moving from One Method to the Other

You can move from one method to the other freely. However, we recommend that if you choose the annualization method, you continue using this method for the rest of the year. In case of underpayment of estimated tax, the annualization method may reduce the amount of interest you will have to pay.

Long-Term Capital Gains Tax Worksheet – Worksheet LTCG

If you are expecting to receive a net long-term capital gain during the year, figure your Montana taxable income on Worksheet ESW or Worksheet ESA, then use that amount to determine your ordinary tax rate and long-term capital gain tax rate on Worksheet LTCG.

Penalties for Underpayment of Estimated Tax

When withholding taxes and tax credits are not sufficient to cover at least 100 percent of the tax liability from the previous year or 90 percent of the amount owed for the current year, interest is owed on the amount that you were required to pay regardless of the method you used to calculate your installments.

Note: You must indicate you are using the annualization method on your Montana individual income tax return to avoid interest based on irregular installments.

Interest is calculated daily based on the rate of the calendar year in which the return for the tax year is due. Beginning January 1, 2024, the interest rate is 7 percent.

How can I make estimated tax payments?

You can pay electronically at <https://tap.dor.mt.gov>. Click on “Make a Payment.”

You can also make estimated tax payments by check using the individual income tax payment voucher found at MTRevenue.gov. Click on “Forms” and enter “Voucher” in the search box. Select the voucher for your tax type.

Legal References

Montana Code Annotated:

[15-30-2501 through 15-30-2547](#) and
[15-30-3301 through 15-30-3321](#)

Administrative Rules of Montana:

[42.17.304 through 42.17.317](#), and
[42.9.101 through 42.9.540](#)

Questions? Call us at (406) 444-6900, or Montana Relay at 711 for the hearing impaired.

2024 Montana Tax Tables

Single, Married Filing Separately, Estates, Trusts, and Composite* Tax Rates			
Ordinary Tax Rates			
If your taxable income without long-term capital gains is	But less than	Then your tax rate is	Less
\$0	\$20,500	4.7%	\$0
\$20,500 or greater		5.9%	\$246
Long-Term Capital Gains Rates			
For net long-term capital gains above	But less than	The following tax rate applies	
\$0	\$20,500 minus ordinary income	3.0%	
\$20,500 minus ordinary income		4.1%	
If ordinary income exceeds \$20,500		4.1%	
*Pass-through entities are not eligible for the long-term capital gain tax rate			

Married Filing Jointly and Qualifying Widower			
Ordinary Tax Rates			
If your taxable income without long-term capital gains is	But less than	Then your tax rate is	Less
\$0	\$41,000	4.7%	\$0
\$41,000 or greater		5.9%	\$492
Long-Term Capital Gains Rates			
For net long-term capital gains above	But less than	The following tax rate applies	
\$0	41,000 minus ordinary income	3.0%	
41,000 minus ordinary income		4.1%	
If ordinary income exceeds \$41,000		4.1%	

Head of Household			
Ordinary Tax Rates			
If your taxable income without long-term capital gains is	But less than	Then your tax rate is	Less
\$0	\$30,750	4.7%	\$0
\$30,750 or greater		5.9%	\$369
Long-Term Capital Gains Rates			
For net long-term capital gains above	But less than	The following tax rate applies	
\$0	\$30,750 minus ordinary income	3.0%	
\$30,750 minus ordinary income		4.1%	
If ordinary income exceeds \$30,750		4.1%	

Worksheet ESW – Montana Estimated Tax – 2024

Estimation of Tax	1.	Enter your estimated federal adjusted gross income for the year. Estates and trusts enter the estimated total income	1.			
	2.	Enter your federal standard or itemized deductions. Estates and trusts enter total allowable deductions	2.			
	3.	Subtract line 2 from line 1. This is your estimated federal taxable income for Montana purposes.	3.			
	4.	Enter your Montana additions to federal taxable income	4.			
	5.	Enter your Montana subtractions from federal taxable income	5.			
	6.	Add lines 3 and 4. Then, subtract line 5. This is your estimated Montana taxable income.	6.			
	7.	Tax. Figure your tax on the amount on line 6 using the 2024 Ordinary Tax Table. If you will receive a net long-term capital gain, complete Worksheet LTCG	7.			
	8.	Enter your estimated nonrefundable tax credits for the year	8.			
	9.	Subtract line 8 from line 7 and add any recapture or lump sum taxes you expect to owe. If the result is less than \$500, stop here. You do not need to make estimated payments.	9.			
	10.	Enter 90 percent (0.90) of line 9 or your tax liability from the previous tax year, whichever is lesser	10.			
	11.	Enter the amount of your estimated withholding taxes and refundable tax credits	11.			
	12.	Subtract line 11 from line 10. If the result is less than \$500, stop here. You do not need to make estimated payments. This is your estimated tax for tax year 2024.	12.			
Installments			Quarters			
			1	2	3	4
	13.	Enter 25 percent of line 12 in Column 1; 50 percent of line 12 in Column 2; 75 percent of line 12 in Column 3; and 100 percent of line 12 in Column 4. If your estimated Montana taxable income increases during the year, recalculate your estimated tax (lines 1 through 12) on a new worksheet and enter the updated results in the column for the quarters in which you have not yet made payments.	13.			
	14.	Enter any overpayment from prior years in Column 1 or report the total amount of estimated tax paid since the beginning of the tax year including any carryover payments from last year in Columns 2, 3, and 4.	14.			
15.	Subtract line 14 from line 13. If less than zero, enter zero. These are your required 2024 estimated payments.	15.				

Worksheet ESA – Estimated Tax Annualization – 2024

		Period	Jan 1 – Mar 31	Jan 1 – May 31	Jan 1 – Aug 31	Jan 1 – Dec 31
Estimation of Annualized Tax	1. Annualization amounts	1.	4	2.4	1.5	1
	2. Federal adjusted gross income for the period. Estates and trusts enter total income for the period.	2.				
	3. Multiply line 2 by line 1. This is your annualized income.	3.				
	4. Individuals: If you itemize your deductions on your Form 1040, enter your itemized deductions for the period shown in the column headings. If you do not itemize, enter zero and skip to line 6. Estates and trusts: Enter the allowable federal total deductions for the period shown in the column headings	4.				
	5. Multiply line 4 by line 1	5.				
	6. Individuals enter the standard deduction for your filing status in each column Estates and trusts enter zero	6.				
	7. Enter the larger of line 5 or line 6	7.				
	8. Subtract line 7 from line 3. This is your estimated annualized federal taxable income for Montana.	8.				
	9. Enter your Montana additions to federal taxable income	9.				
	10. Multiply line 9 by line 1.	10.				
	11. Enter your Montana subtractions to federal taxable income.	11.				
	12. Multiply line 11 by line 1.	12.				
	13. Add lines 8 and 10, then subtract line 12. This is your annualized Montana taxable income.	13.				
	14. Figure tax on the amount on line 13 in each column. If you have long-term capital gains, use Worksheet LTCG	14.				
	15. Nonrefundable tax credits expected for the period	15.				
	16. Subtract line 15 from line 14.	16.				
Installments	17. Applicable percentage	17.	22.5%	45%	67.5%	90%
	18. Multiply line 17 by line 16	18.				
	19. Enter the total of the amounts in all previous columns of line 24	19.				
	20. Subtract line 19 from line 18. If zero or less, enter 0.	20.				
	21. Divide Worksheet ESW, line 10 by 4 and enter in each column	21.				
	22. Subtract line 24 of the previous column from line 23 of that column	22.				
	23. Add lines 21 and 22	23.				
	24. Enter the smaller of line 20 or line 23 here. These are your required installments for each quarter.	24.				

Worksheet LTCG – Long-Term Capital Gains Tax – 2024

Estimation of Income	1.	Enter your estimated Montana taxable income from Worksheet ESW, line 6	1.	
	2.	Enter your net long-term capital gain expected for 2024	2.	
	3.	Enter the smaller of line 1 or line 2	3.	
	4.	Subtract line 3 from line 1	4.	
Estimation of Tax	5.	Enter the amount that corresponds with your filing status <ul style="list-style-type: none"> • \$20,500 if single, married filing separately, estate, or trust • \$41,000 if married filing jointly or qualifying widower • \$30,750 if head of household 	5.	
	6.	Subtract line 4 from line 5. If zero or less, enter zero	6.	
	7.	Enter the smaller of line 3 or line 6	7.	
	8.	Multiply line 7 by 3% (0.03)	8.	
	9.	Subtract line 6 from line 3. If zero or less, enter zero	9.	
	10.	Multiply line 9 by 4.1% (0.041)	10.	
	11.	Figure your tax on the amount on line 4 using the 2024 Ordinary Tax Table.	11.	
	12.	Add lines 8, 10, and 11. Enter here and on Worksheet ESW, line 7 This is your 2024 estimated tax	12.	

Worksheet PTE-C – Estimated Composite Tax – 2024

Estimation of Tax	1.	Enter the federal income from all sources allocated to composite tax participants	1.				
	2.	Enter the Montana source income allocated to composite tax participants	2.				
	3.	Divide line 2 by line 1. Do not enter more than 1.00000	3.				
	4.	Enter the number of composite participants	4.				
	5.	The standard deduction is entered here for you	5.	\$14,600			
	6.	Multiply line 4 by line 5. Do not enter more than line 1	6.				
	7.	Subtract line 6 from line 1. This is your Montana taxable income	7.				
	8.	Figure your tax on the amount on line 6 using the 2024 Ordinary Tax Table.	8.				
	9.	Multiply line 8 by line 3. This is your 2024 estimated composite tax	9.				
Installments		Quarters	1	2	3	4	
	10.	Enter 25 percent of line 9 in Column 1; 50 percent of line 9 in Column 2; 75 percent of line 9 in Column 3; and 100 percent of line 9 in Column 4. If your estimated Montana taxable income increases during the year, recalculate your estimated tax (lines 1 through 9) on a new worksheet and enter the updated results in the column for the quarters in which you have not yet made payments.	10.				
	11.	Enter any overpayment from prior years in Column 1 or report the total amount of estimated tax paid since the beginning of the tax year including any carryover payments from last year in Columns 2, 3, and 4.	11.				
	12.	Subtract line 11 from line 10. If less than zero, enter zero. These are your required 2024 estimated payments	12.				