2026 Montana Publication 1

A Guide to Montana Tax Withholding and Estimated Payments with Worksheets ESW, ESA, and ESW-TMSI

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Contents

What's New?

House Bill 845, passed in 2025, increased the maximum subtraction a taxpayer may take for contributions to a 529 plan. The bill also provides for annual inflationary adjustments to the amount of the subtraction. For tax year 2025, the maximum contribution amount has increased from $3,000 to $4,500 (up to $9,000 if filing jointly).

The following bills, passed during the 2025 Montana Legislative Session go into effect beginning with tax year 2026.

House Bill 129 created a subtraction from federal taxable income for qualified volunteer firefighters and volunteer emergency care providers. The subtraction is equal to $3,000 and is adjusted annually for inflation.

House Bill 337 lowered the top marginal tax rate and increased the income brackets for tax year 2026. Beginning in tax year 2027, the bill lowers the top marginal ordinary income tax rate and increases the income brackets even further. The bill also increases the Montana earned income tax credit to 20% of the federal earned income tax credit beginning in tax year 2026. The 2026 and 2027 tax tables are located at the end of this guide.

Introduction

Montana's income tax system is a pay-as-you-go tax system. You must pay your tax as you earn or receive income throughout the year. There are two methods to pay your Montana income tax.

- Have tax withheld from your income
- 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

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.

TIP: Montana's income tax system changed in 2024, and your employer may not be withholding enough tax from your paycheck. If you have not updated your wage withholding since 2023, consider submitting a new Form MW-4 to your employer.

Calculating wage withholding. Your employer calculates Montana wage withholding using the Montana withholding tax tables based on the length of the payroll period, your net taxable earnings, 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.

TIP: If you expect to receive income outside of your employment and do not want to pay estimated taxes for that income, you may elect to have more tax withheld from your paycheck. Mark the box for your filing status on line 1 or line 2 of your Form MW-4. Then enter the additional amount you want withheld from your paycheck on line 3.

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.

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. However, they are still subject to Montana tax. If you are an agricultural laborer, your wages will not be withheld upon and you may need to pay estimated taxes.

Wages Not Subject to Montana Tax

Some wages earned in Montana are not subject to Montana tax under either federal law or Montana law. If you receive any of the following types of wages, your employer does not have to withhold Montana taxes from them. To request an exemption from withholding, the employee must complete a Form MW-4 and provide it to the employer.

While these wages are not taxable in Montana, you may still need to file a Montana Individual Income Tax Return (Form 2), even if the employer did not withhold on them. See the Form 2 instructions for more information.

If you forget to claim an exemption from wage withholding on your Form MW-4, you may be entitled to a refund of it. You will need to file a Form 2 to obtain a refund of your wage withholding.

Form MW-4 Filing Requirement

The following types of wages are exempt from tax in Montana, but the employee must file a Form MW-4 with the employer to declare the wages are exempt from Montana 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 tax.

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

Consequently, even if the wages earned within the reservation are exempt from Montana tax, tribal members must complete the Form MW-4 each year.

> *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.

In addition to filing the Form MW-4 annually, tribal members with exempt tribal income must file the Form ETM with the Form 2 to report this exempt income. If all of the income is exempt, the tribal member can file Form ETM on its own, without the Form 2.

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 tax in Montana. You may claim an exemption from wage withholding on this income 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.

Nonresident spouse of military service person. If you are the spouse of a military service person, your wages earned in Montana are not subject to tax 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. To claim an exemption from wage withholding, you must file a Form MW-4 each year.

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, your wages will become taxable in Montana.

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 tax. 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.

Form MW-4 Not Required

The following types of income are not subject to Montana tax. Additionally, employees do not have to request an exemption from Montana wage withholding on the following types of income.

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 tax 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 tax. Only nonresidents are eligible for this exemption. Residents' wages are subject to Montana tax and must be withheld upon.

Thirty-Day Nonresident Worker Filing Exclusion. There is a filing exclusion for certain nonresidents. Nonresidents who earned only wages for services performed in Montana for 30 days or less and worked in more than one state during the tax year do not have to file a tax return or pay tax to Montana on that income. The exclusion does not apply to the following types of employees: professional athletes, entertainers, persons that perform services for compensation on a per-event basis, construction workers, employees with annual salaries of more than $500,000, and qualified production employees for the purposes of the MEDIA Credit.

If a nonresident employee worked in Montana for more than 30 days or only worked in Montana, then all income earned while working in the state is taxable to Montana and the employee must follow the general filing requirement. Additionally, this exclusion does not apply to nonresident employees who have other Montana source income. For example, a nonresident employee worked in Montana for 15 days. The nonresident also has a rental property located in Montana. This nonresident's wages and rental income are taxable to Montana.

This exclusion does not apply to self-employed taxpayers, such as sole proprietors or owners of pass-through entities, or any other Montana source income.

If you are a nonresident and expect to work in Montana for more than 30 days or only work in Montana, 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

Generally, pensions and annuities are taxable in Montana. If you receive pension or annuity payments, you may choose to pay estimated taxes on the amount or have the remitter withhold a flat amount of taxes every distribution period. You can enter this flat amount on line 4 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 payer of the pension or annuity, with a change of amount on line 4.

The payer 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 expected taxable pension and annuity distributions for the year.
- Multiply the result by 5.65 percent (0.0565) 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.

Subtraction for working military retirees and military survivor benefits. Montana resident working military retirees may be eligible to subtract a portion of their military retirement income from Montana taxable income. The subtraction is also available to resident beneficiaries receiving military survivor benefits. For military retirees, the subtraction is equal to the lesser of:

- 50% of the taxpayer's military retirement income received from service in the U.S. Armed Forces, Army National Guard, Air National Guard, or U.S. Reserve Component, or
- The amount of Montana source income on the return from:
    - Wages, salary, and tips from compensation performed in Montana
    - Net income from a trade or business in Montana
    - Net income from farming activities in Montana

Beneficiaries receiving military survivor benefits under the U.S. Department of Defense's Survivor Benefit Plan can exempt up to 50% of their military survivor benefits. Eligible beneficiaries include spouses, eligible children, or an "insurable interest" as defined by the U.S. Department of Defense.

Retirees and beneficiaries must meet certain residency requirements to claim this subtraction.

The exemption is for taxpayers that became a Montana resident after June 30, 2023, or for a Montana resident that was a resident before receiving military retirement income or survivor benefits and remained a resident thereafter.

The exemption is not available to retirees or beneficiaries that were nonresidents when they began receiving military retirement if they became a resident before June 30, 2023, or if they were previously qualified to claim the exemption but become nonresidents after receiving the exemption in a future tax year.

The deduction can only be claimed for five consecutive years after meeting the eligibility requirements.

See Form WMRE for more information.

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, line 3. 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 5.56 percent on any winnings that exceed $5,000.

Unemployment Compensation

Unemployment compensation is taxable in Montana. You may need to pay estimated taxes if you receive unemployment compensation.

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.

Composite Tax

A pass-through entity can elect to file a composite tax return and pay composite tax on behalf of eligible participants.

Owners can elect to be a participant in a composite return if they:

- are a nonresident individual, nonresident estate, nonresident trust, foreign C corporation, tax-exempt entity, or a second-tier pass-through entity;
- have no other Montana source income (other than Montana source income from another pass-through entity that is also electing to file a composite return on the owner's behalf); and
- consent to be included in the return by providing the entity with a written power of attorney, authorizing the entity to file and act on their behalf.

Owners who are nonresidents, foreign C corporations, tax-exempt entities, or second-tier pass-through entities and who properly elect to participate in the composite tax return do not file a Montana income tax return. However, if the owner has Montana source income from a different source in the same tax year, the owner is not eligible to participate unless that other income is from pass-through entities that file composite returns on behalf of the owner.

Composite tax is a tax paid in lieu of an owner filing its own income tax return. If you are an eligible participant in a composite tax return and Part V of your Montana Schedule K-1 (PTE) reports composite tax paid on your behalf, do not file a Montana income tax return.

Pass-Through Entity Tax

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 5.65 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 PTET 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 V 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 or S corporation, the entity may be required to withhold tax on your behalf. If this applies to you, it will be reported on Part V of your Montana Schedule K-1 (PTE).

Pass-through withholding is 5.65 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 or the owner is included in a pass-through entity tax election or composite tax return. 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 estates or trusts, 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.

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 5.65 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.

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.

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.

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

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

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 V.

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 to determine farming and ranching gross income.)

Estates and trusts must pay estimated taxes based on their own Montana tax obligations.

The estate or trust is not required to pay estimated tax if it distributes all of its income to its beneficiaries.

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.

Estimated Tax Payment Amounts

The amount of estimated taxes owed for each installment, is the lesser of four equal installments of the amount of tax you owed in the prior year or four equal installments of 90 percent of the tax you will owe in the current year.

Prior Year Tax Method

You do not need to estimate 90 percent of your tax for the current year if you pay the full amount of tax you owed in the previous year. For individuals this is the amount on the 2025 Form 2, line 10, and for estates and trusts, this is the amount on the 2025 Form FID-3, page 3, line 16. This also allows you to 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 2026, you must use your tax liability reported on your 2025 income tax return.

To calculate your estimated tax payments using this method:

1. Identify your tax liability after nonrefundable credits reported on the return from the preceding year. (For individuals this is the amount on the 2025 Form 2, line 10, and for estates and trusts, this is the amount on 2025 Form FID-3, page 3, line 16.)
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.

Current Year Tax Method

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.

To estimate your Montana taxable income using this method, you must first 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. You may use the Worksheet ESW to do this.

If your income varies during the year because, for example, you operate your business on a seasonal basis you may use the annualization method to estimate 90 percent of your current year tax liability. This method may allow you to lower or eliminate the amount of one or more required installments by using the annualization 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. You may use the Worksheet ESA to estimate your income for the year if you choose to use this method.

Estimating Taxable Income for the Current Tax Year

To estimate your Montana taxable income and tax for the current year, begin by estimating your anticipated federal adjusted gross income for the year.

Federal standard and itemized deductions. Individuals are allowed the federal standard deduction or the itemized deductions to estimate the Montana taxable income. You must use the same type of deduction you will take on your federal return to determine Montana taxable income. For example, if you use the federal standard deduction to determine federal taxable income, the federal standard deduction must also be used to determine Montana taxable income.

The standard deduction amount used is the same as the federal amount.

If you plan to itemize your deductions, you must add back any state income taxes you take as an itemized deduction only to the extent that it does not reduce your deduction below your federal standard deduction.

See the Montana Additions section later for more information.

Line 5. If you are using the annualization method, report this amount on the Worksheet ESA, line 4.

Estates and trusts do not complete this worksheet. Instead, use the total estimated deductions on the applicable worksheet. This includes all the deductions that would normally be reported on the estate's or trust's Form 1041, line 22, except for the state income tax deduction and the qualified business income deduction.

Important: Do not include the federal qualified business income deduction to determine your federal taxable income for Montana purposes.

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 state income taxes included in itemized deductions and pass-through entity tax or composite tax paid by your business
- Farm and ranch risk management account distributions
- Federal taxes paid by an S corporation
- Title plant amortization and depreciation

State income tax addition. You must add back any state income tax deducted from your federal taxable income. This includes the state income tax deduction included in itemized deductions and any amount taken as a deduction to calculate your business income. State income taxes included in itemized deductions are only added back to the extent that it does not reduce your standard deduction below your federal standard.

The Tax Cuts and Jobs Act of 2017 limits the total amount of state and local taxes an individual may deduct on their federal return to $10,000 ($5,000 for married filing separately). In July 2025, H.R. 1 was passed, which temporarily increases the cap starting in 2026 to $40,000 ($20,000 for married filing separately) with a phaseout starting at modified adjusted gross income of $500,000 ($250,000 for married filing separately).

If your deduction is limited to the cap, the amount of the deduction added to income is reduced after considering all state and local taxes, other than state income tax.

Examples of state income taxes that may have been deducted from your business income included in your federal taxable income include:

- Pass-through entity taxes paid in another state or in Montana
- Pass-through entity composite taxes paid in another state
- Mineral royalty withholding taken as an expense on your Form 1040, Schedule E.

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 an active duty servicemember
- Contributions to and 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) ($4,500 per individual or $9,000 if married filing jointly)
- Contributions to an Achieving a Better Life Experience Account (ABLE) ($3,000 per individual or $6,000 if married filing jointly)
- 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 $5,660 for taxpayers 65 and older
- An exemption for certain military retirees of the lesser of 50% of military retirement benefits or 100% of Montana source income of wages, business income, and farming income reported on the return (see Form WMRE)
- An exemption of 50% of military survivor benefits for certain beneficiaries (see Form WMRE)
- A subtraction from federal taxable income for qualified volunteer firefighters and volunteer emergency care providers of $3,000.

Montana Tax Rates. The net long-term capital gains of individual, estates, and trusts are taxed at lower rates than Montana Ordinary Income. 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 net long-term capital gains. Montana Ordinary Income is defined as all taxable income that is not considered a net long-term capital gain and includes qualified dividends.

Long-term capital gains are taxed at two rates unless Montana Ordinary Income is greater than the amount for the filing status.

To determine your net long-term capital gains tax rate, calculate your total Montana Ordinary Income by subtracting your net long-term capital gains from your total 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 net 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	$47,500
Married filing jointly and qualifying surviving spouses	$95,000
Head of household	$71,250

The Montana Ordinary Tax Tables are on page 16.

Montana Nonrefundable Tax Credits. Individuals, estates, and trusts may use the anticipated amount of a nonrefundable tax credit to reduce their estimated tax liability.

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. See the Form 2 instructions for more information about these credits.

Tax Credit	Form/Instructions
Credit for income taxes paid to another state or country	Form 2 or Form 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

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 26 of a new Worksheet ESW and then enter the refigured 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 federal qualified business income deduction) decreases, Worksheet ESW will allow for the payments already made in the determination of your installment payment amount.

In addition, if the 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 25, 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.

Worksheet ESW-TMSI

Use Estimated Payments for Nonresidents, Part-Year Residents, and Montana Residents with Nonresident or Part-Year Resident Spouses, (Worksheet ESW-TMSI) if you are a nonresident, part-year resident, or a Montana resident filing jointly with a nonresident or part-year resident spouse. Complete the Worksheet ESW before completing this (ESW-TMSI) worksheet.

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 annualization 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.

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.

Line 1. Line 1 reports the annualization amounts used to determine the amounts for estimated tax. These are the amounts required by law to be used in determining your annualized income and tax using when using this method (15-30-2512(4), MCA).

Line 2. Report the amount of estimated federal adjusted gross income for each period. You will report the amount cumulatively. For example, if you earn $55,000 from January 1 to March 31, and $25,000 from April 1 to May 31, you will report $55,000 in Column 1 and $80,000 in Column 2.

Line 4. If you plan to itemize your deductions on your federal return enter the amount of deductions you plan to have in each period. Report this amount cumulatively just as you reported your income. Skip this line if you will not itemize your federal deductions.

Estates and trusts report the amount of allowable deductions for each period. Do not include the deduction for state income taxes or federal qualified business income deduction.

Line 6. If you do not plan to itemize your deductions on your federal return report the standard deduction for your filing status in each column.

Estates and trusts leave this line blank.

Line 9. Report your Montana additions for each period cumulatively. See page 8 for the list of Montana additions.

Line 11. Report your Montana subtractions for each period cumulatively. See page 9 for the list of Montana subtractions.

Line 14. Use the amount on line 13 in each column to determine your tax. To do this, complete Worksheet ESW for the period in each column. If any part of the amount on Worksheet ESA, line 13, includes a long-term capital gain be sure to report that amount on Worksheet ESW, line 7, to determine your Montana Net Long-Term Capital Gains Tax.

Line 15. Enter your anticipated amount of a nonrefundable tax credit in the period of the column you expect to incur the credit.

Line 21. Complete Worksheet ESW using the total estimated income for the entire tax year (January 1 through December 31 for calendar year filers) to determine the amount of estimated tax to report on line 21. Divide the total estimated tax amount on Worksheet ESW, line 22, by four and enter that amount in each column.

Line 24. This line reports the lesser of the estimated payment determined on the Worksheet ESW or the amount determined under the annualization method. These are your quarterly estimated payments for the tax year if you choose to use this method. When you file your Form 2 mark the “Estimated payments made using the annualization method” box on Schedule IV, line 2.

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.

Interest on the Underpayment of Estimated Tax

When there is an underpayment of quarterly estimated tax payments, interest is assessed on the amount that you were required to pay regardless of the method you used to calculate your installments.

Interest is calculated daily based on the rate of the calendar year in which the return for the tax year is due. For example, interest on underpayment of estimated taxes for tax year 2026 will be calculated using the interest rate effective for 2027, because the 2026 income tax return is due in 2027.

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

How to Make Estimated Payments

You can pay electronically at by logging into or creating a TAP account 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 42.17.314, and
42.9.101 through 42.9.540

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

2026 Worksheet ESW – Montana Estimated Tax

1	Individuals: estimated federal adjusted gross income for the year. Estates and trusts: estimated total income	1	
2	Individuals: federal standard or adjusted itemized deductions (See instructions) Estates and trusts: total allowable deductions (Do not include deductions for state income tax or the federal qualified business income deduction)	2	
3	Subtract line 2 from line 1. If zero or less, enter 0.	3	
4	Montana additions to federal taxable income	4	
5	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	Estimated net long-term capital gain for 2026. If you will not have a net long-term capital gain, enter 0.	7	
8	Enter the lesser of line 6 or line 7	8	
9	Subtract line 8 from line 6	9	
10	Filing status limit for net long-term capital gains tax ● Single, married filing separately, estates, and trusts: $47,500 ● Married filing jointly and qualifying surviving spouse: $95,000 ● Head of household: $71,250	10	
11	Subtract line 9 from line 10. If zero or less, enter zero.	11	
12	Enter the lesser of line 8 or line 11	12	
13	Multiply line 12 by 3% (0.03)	13	
14	Subtract line 11 from line 8. If zero or less, enter zero	14	
15	Multiply line 14 by 4.1% (0.041)	15	
16	Add lines 13 and 15. **This is your estimated Montana net long-term capital gains tax.**	16	
17	Figure your tax on the amount on line 9 using the Montana Ordinary Income Tax Table. **This is your estimated Montana ordinary income tax.**	17	
18	Add lines 16 and 17. **This is your total estimated Montana resident tax.**	18	
19	Estimated nonrefundable tax credits for the year	19	
20	Recapture or lump sum taxes you expect to owe	20	
21	Add lines 19 and 20, then subtract from line 18. If the result is less than $500, stop here. You do not need to make estimated payments.	21	
22	Enter 90 percent (0.90) of line 21	22	
23	Individuals: tax liability from 2025 Form 2, line 10. Estates and trusts: tax liability from 2025 Form FID-3, page 3, line 16	23	
24	Enter the lesser of line 22 or line 23	24	
25	Estimated withholding taxes and refundable tax credits	25	
26	Subtract line 25 from line 24. 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 2026.**	26	

	Quarters		**1**	**2**	**3**	**4**
27	Enter 25 percent of line 26 in Column 1; 50 percent of line 26 in Column 2; 75 percent of line 26 in Column 3; and 100 percent of line 26 in Column 4. If your estimated Montana taxable income increases during the year, recalculate your estimated tax (lines 1 through 26) on a new worksheet and enter the updated results in the column for the quarters in which you have not yet made payments.	27				
28	Enter any overpayment from prior years in Column 1 or report the total amount of estimated tax required to be paid since the beginning of the tax year including any carryover payments from last year in Columns 2, 3, and 4.	28				
29	Subtract line 28 from line 27. If less than zero, enter zero. **These are your required 2026 estimated payments.**	29				

2026 Worksheet ESA – Estimated Tax Annualization

Estimation of Annualized Tax		Period	Jan 1 – Mar 31	Jan 1 – May 31	Jan 1 – Aug 31	Jan 1 – Dec 31
1	Annualization amounts	1				
2	**Individuals:** federal adjusted gross income for the period. **Estates and trusts:** 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	Use Worksheet ESW to figure tax on the amount on line 13 in each column.	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 22 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				

2026 Worksheet ESW-TMSI – Tax on Montana Source Income

1	Montana resident ordinary income tax from Worksheet ESW, line 17	1	
2	Montana resident long-term capital gains tax from Worksheet ESW, line 16	2	
3	Total estimated income from all sources, excluding any net long-term capital gains	3	
4	Estimated Montana source income, excluding any net long-term capital gains	4	
5	Divide line 4 by line 3. **This is your Montana ordinary income ratio.**	5	
6	Multiply line 5 by line 1. **This is your estimated Montana source ordinary income tax.**	6	
7	Total estimated net long-term capital gains from all sources	7	
8	Estimated Montana source net long-term capital gains	8	
9	Divide line 8 by line 7. **This is your Montana source net long-term capital gains ratio.**	9	
10	Multiply line 9 by line 2. **This is your Montana source net long-term capital gains tax.**	10	
11	Add lines 6 and 10. **This is your total tax on Montana source income.**	11	
12	Estimated nonrefundable tax credits for the year	12	
13	Enter any recapture or lump sum taxes you expect to owe	13	
14	Add lines 12 and 13, then subtract from line 11. If the result is less than $500, stop here. You do not need to make estimated payments.	14	
15	Enter 90 percent (0.90) of line 14	15	
16	Individuals: 2025 Montana tax liability from Form 2, line 10 Estates and trusts: 2025 Montana tax liability from Form FID-3, page 3, line 16	16	
17	Enter the lesser of line 15 or line 16	17	
18	Estimated withholding taxes and refundable tax credits	18	
19	Subtract line 18 from line 17. 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 2025.**	19	

	Quarters		1	2	3	4
20	Enter 25 percent of line 19 in Column 1; 50 percent of line 19 in Column 2; 75 percent of line 19 in Column 3; and 100 percent of line 19 in Column 4. If your estimated Montana taxable income increases during the year, recalculate your estimated tax (lines 1 through 19) on a new worksheet and enter the updated results in the column for the quarters in which you have not yet made payments.	20				
21	Enter any overpayment from prior years in Column 1 or report the total amount of estimated tax required to be paid since the beginning of the tax year including any carryover payments from last year in Columns 2, 3, and 4.	21				
22	Subtract line 28 from line 27. If less than zero, enter zero. **These are your required 2026 estimated payments.**	22				

2026 Tax Tables

Single and Married Filing Separately
Estates and Trusts

Ordinary Income Tax Rates

If your taxable income without net long-term capital gains is	But less than	Then your tax rate is
$0	$47,500	4.7%
$47,500 or greater		5.65%

Net Long-Term Capital Gains Rate

For net long-term capital gains above	But less than	Then your tax rate is
$0	$47,500 minus ordinary income	3%
$47,500 minus ordinary income		4.1%
If ordinary income exceeds $47,500		4.1%

Married Filing Jointly and Qualifying Surviving Spouse

Ordinary Income Tax Rates

If your taxable income without net long-term capital gains is	But less than	Then your tax rate is
$0	$95,000	4.7%
$95,000 or greater		5.65%

Net Long-Term Capital Gains Rate

For net long-term capital gains above	But less than	Then your tax rate is
$0	$95,000 minus ordinary income	3%
$95,000 minus ordinary income		4.1%
If ordinary income exceeds $95,000		4.1%

Head of Household

Ordinary Income Tax Rates

If your taxable income without net long-term capital gains is	But less than	Then your tax rate is
$0	$71,250	4.7%
$71,250 or greater		5.65%

Net Long-Term Capital Gains Rate

For net long-term capital gains above	But less than	Then your tax rate is
$0	$71,250 minus ordinary income	3%
$71,250 minus ordinary income		4.1%
If ordinary income exceeds $71,250		4.1%

2027 Tax Tables

Single and Married Filing Separately
Estates and Trusts

Ordinary Income Tax Rates

If your taxable income without net long-term capital gains is	But less than	Then your tax rate is
$0	$65,000	4.7%
$65,000 or greater		5.4%

Net Long-Term Capital Gains Rate

For net long-term capital gains above	But less than	Then your tax rate is
$0	$65,000 minus ordinary income	3%
$65,000 minus ordinary income		4.1%
If ordinary income exceeds $65,000		4.1%

Married Filing Jointly and Qualifying Surviving Spouse

Ordinary Income Tax Rates

If your taxable income without net long-term capital gains is	But less than	Then your tax rate is
$0	$130,000	4.7%
$130,000 or greater		5.4%

Net Long-Term Capital Gains Rate

For net long-term capital gains above	But less than	Then your tax rate is
$0	$130,000 minus ordinary income	3%
$130,000 minus ordinary income		4.1%
If ordinary income exceeds $130,000		4.1%

Head of Household

Ordinary Income Tax Rates

If your taxable income without net long-term capital gains is	But less than	Then your tax rate is
$0	$97,500	4.7%
$97,500 or greater		5.4%

Net Long-Term Capital Gains Rate

For net long-term capital gains above	But less than	Then your tax rate is
$0	$97,500 minus ordinary income	3%
$97,500 minus ordinary income		4.1%
If ordinary income exceeds $97,500		4.1%