**Here is an update to the Montana 2EC Instructions. The original instructions did not encompass all the possibilities.**

Here are the current instructions:

“Add lines 4a and 5a, then subtract lines 4b and 5b for each member of the household. Then combine the results on this line.”

**Here are the updated instructions that would fix the calculation.**

**Line 3 – Any Amount on Lines 4a and 5a not included in 4b and 5b from Forms 2 or federal Forms 1040 Filed by the household**

Your federal AGI only includes the taxable amount of the income reported on lines 4b, IRAs, pensions and annuities, and 5b, taxable Social Security benefits.

Enter on this line the sum of the following two amounts:

Amount 1:

Reduce Form 2, line 4a, by any after-tax contributions or any rolled-over tax-free distribution that you included on that line. If what remains is more than the amount on line 4b, subtract line 4b.

Otherwise, Amount 1 is zero.

Amount 2:

Subtract Form 2, line 5b, from Form 2, line 5a.

For this calculation, it is not just a matter of calculating the amount differently. It may require some information from the 1099 Forms a taxpayer received. Tax software should have already identified the after-tax contributions and tax-free rollover distributions.

Important additional notes:

1. For pensions of household members that are not reported on the return, any additional pension income can be reported on line 7 of the Elderly Homeowner/Renter Credit Schedule.
2. Qualified charitable deductions (QCD) directly from IRAs constitute non-taxable income and must be included in gross household income. QCDs must be reported on line 4a of the return. Our formula does not always capture the entire amount of QCD, so any residual amount not added back to line 3 would have to be add back on line 7.

Please send any inquiries to dore-services@mt.gov.

Thank you,

Tim

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