



# 2007 Montana Form 2EZ Individual Income Tax Forms and Instructions

Inside this booklet...

- Form 2EZ

If you need help...



[mt.gov/revenue](http://mt.gov/revenue)



(866) 859-2254 (toll free), or



(406) 444-6900 (Helena area)



(406) 444-2830 TDD

- ★ *Tax Filing Deadline is April 15, 2008*
- ★ *Need to check the status of your refund?  
Refer to Where's My Refund? information on the  
back cover.*

*This year, make it  
easy on yourself.*

- ▶ **File early.**  
The earlier you file, the better service we can provide in getting your tax return processed.
- ▶ **File electronically.**  
It's simple, secure and convenient. Last year, more than half of all Montanans filed their tax returns electronically.
- ▶ **If you expect a refund, choose direct deposit.**  
This simple option will reduce the time it takes for you to receive your refund.
- ▶ **If you owe taxes, choose direct debit.**  
When you file your tax return electronically, you can authorize us to withdraw the tax due from your bank account on a date you choose, up to the due date for the return.
- ▶ **Find the answers you need.**  
Please take some time to visit our website at [mt.gov/revenue](http://mt.gov/revenue), where you'll find tax season updates, frequently asked questions and other helpful filing information.

Dear Montana Taxpayers:

Thank you, Montanans, for filing your individual income tax returns—you do a great job! By working together, you help make Montana a great place to live, work and raise a family.

Your Montana Department of Revenue is committed to providing the best possible tax services to the citizens of our great state. We've worked hard to make filing and paying your individual income taxes even more convenient than in past years.

- We've created three separate income tax booklets for Forms 2EZ, 2M, and 2. We think you'll benefit from using only the form and instructions that meet your personal needs.
- Last year, we introduced you to the free electronic filing of Form 2EZ. We're pleased to announce that this option will be available again for taxpayers who have income from wages only and do not itemize deductions.
- We're expanding our free electronic filing program this year to include two more forms, Form 2M (our medium tax form) and Form 2EC (elderly homeowner/renter tax credit). Free electronic filing of these forms will be available on our website at [mt.gov/revenue](http://mt.gov/revenue) in mid-January 2008. In the future, we hope to expand our online filing options to all Montanans.
- When you use our free electronic filing program, you'll have the option to request direct deposit if you have a refund due, or make an electronic payment if you have a tax obligation. Now, that's a convenient way to file your individual income taxes!
- We've compiled a list of "What's New" on page 1 of this booklet, so you'll be aware of tax law changes, filing updates and new tax credits, including the refundable \$140 Montana homeowner income tax credit for property taxes. Please review this information before you file your tax return.

We strongly encourage you to file and pay electronically, if possible. Visit our website at [mt.gov/revenue](http://mt.gov/revenue) to learn more about the convenient options available to you. If you are expecting a refund, please consider having your refund directly deposited into your bank account. It's the no-hassle way to receive your tax refund.

As always, we promise to do the best we can to provide you with the most accurate and timely assistance to help you file your tax returns, and to ensure that all citizens and businesses pay their fair share of Montana taxes—no more and no less. Together, we're making our tax system work for all Montanans!

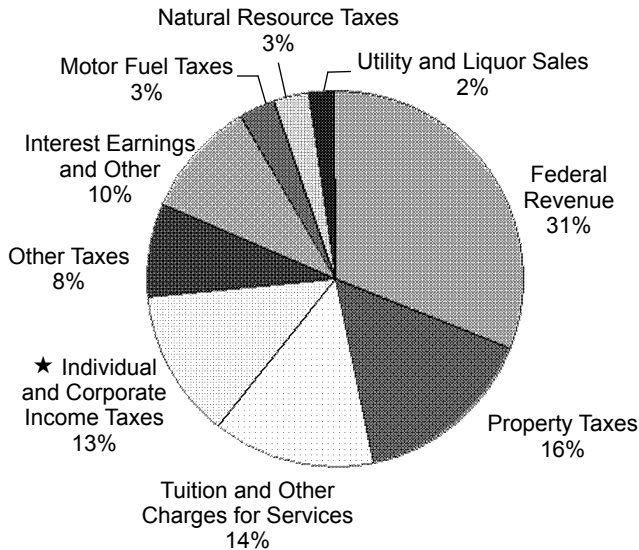
Best regards,

Dan Bucks  
Director, Montana Department of Revenue

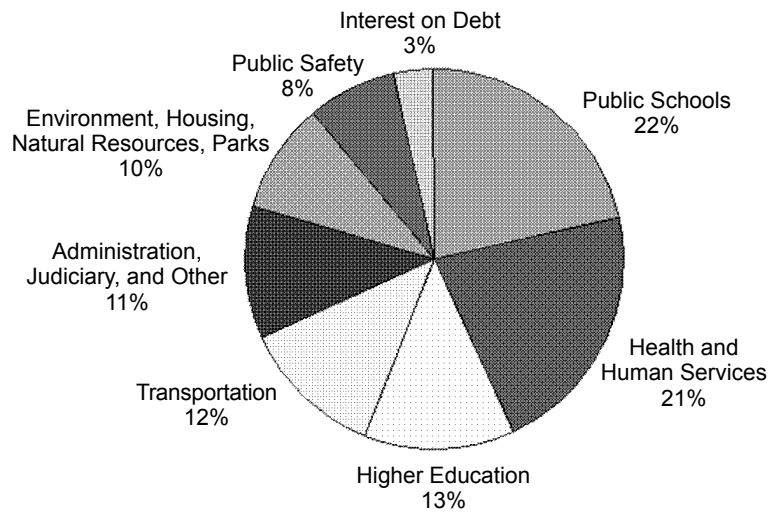
## Your Tax Dollars at Work

The first chart shows the sources of revenue for both state and local governments in Montana for 2005, the most recent year for which totals are compiled. The second chart shows state and local spending.

### What are Montana's Public Revenues?



### Where Do Your Public Dollars Go?



#### ★ Where Your Income Tax Dollar Goes

Education .....	49%
Health and Human Services .....	21%
Public Safety and Corrections .....	11%
Transfers to Local Governments .....	7%
General Government Operations .....	7%
Other .....	5%
Total Spending .....	100%

The table above shows where your individual and corporate income tax dollars—about 13% of total state and local revenues—were spent in 2006.

#### Important Numbers

These are not toll free numbers

Help Line .....	(406) 444-6900
Forms Request .....	(406) 444-6900
For the Hearing Impaired .....	(406) 444-2830

**We encourage you to file your Montana income tax return electronically....**

#### The benefits to you are:

- **Faster Refunds.** The typical wait for e-filed refunds is 5-10 days. Taxpayers who file paper returns wait as long as 6-10 weeks for their refunds.
- **Fewer Errors.** Computer calculations are automatic and virtually error-proof.
- **Direct Deposits.** Refunds can be deposited directly into your bank account.
- **Avoid Post Office Lines.** No more last-minute postal runs or doubt about correct postage.
- **Immediate Verification of Receipt.** Returns can't be lost in the mail.
- **File Now, Pay Later.** E-file accepts both refund and tax due returns. Payments on balance due returns are to be made by April 15, 2008. Check out your electronic payment options on our web site at [mt.gov/revenue/](http://mt.gov/revenue/) and click on *Income Tax Express*.

#### Ways to file your return electronically:

- **E-file from your own computer.** Use our web site at [mt.gov/revenue/](http://mt.gov/revenue/) and click on *For Individuals*, and then *Electronic Filing*, for services available at no cost to eligible taxpayers and the commercial preparation software that is available for a fee.

#### Pay your Income Tax Online!

##### Payment Options:

- Credit Card
- eCheck

with *Income Tax Express*

<http://app.mt.gov/ite>

### Individual Income Tax Forms Available Upon Request

These forms may be available at local banks, courthouses, libraries and post offices.  
Or, order your forms by calling us at (406) 444-6900, or by visiting our website at [mt.gov/revenue/](http://mt.gov/revenue/).

Form Name	Description	Form Name	Description
2EZ Booklet.....	2007 Individual Income Tax Form 2EZ with Instructions	FTB-P .....	First-Time Home Buyer Savings Account Penalty
2M Booklet.....	2007 Individual Income Tax Form 2M with Instructions	FRM.....	Farm and Ranch Risk Management Account
2 Booklet.....	2007 Individual Income Tax Form 2 with Instructions	HI .....	Health Insurance for Uninsured Montanans Credit
2EC.....	Montana Elderly Homeowner/Renter Credit	IND .....	Indian Certification
2101.....	W-2 Withholding Declaration	IT-EST .....	Estimated Individual Income Tax Booklet
2441-M .....	Child and Dependent Care Expense Deduction	MINE-CRED .....	Mineral Exploration Incentive Credit
AEPC.....	Alternative Energy Production Credit	MSA.....	Medical Care Savings Account
AFCR.....	Alternative Fuel Credit	MSA-P .....	Medical Care Savings Account Penalty
BBSC.....	Biodiesel Blending and Storage Credit	NOL .....	Montana Net Operating Loss Worksheet (1999 and subsequent years)
CC .....	College Contribution Credit	NOL-Pre 99 .....	Montana Net Operating Loss Worksheet (1998 and prior years)
DCAC .....	Dependent Care Assistance Credit	NR1 .....	North Dakota Reciprocal Affidavit
DS-1 .....	Disability Income Exclusion Calculation	NR2 .....	Employee Certificate of North Dakota Residence
ECC.....	Elderly Care Credit	OSC.....	Oilseed Crushing and Biodiesel/ Biolubricant Production Facility Credit
ENRG-A.....	Geothermal Systems Credit	PTC .....	Montana Homeowner Income Tax Credit for Property Taxes <b>NEW</b>
ENRG-B.....	Alternative Energy Systems Credit	QEC.....	Qualified Endowment Credit
ENRG-C .....	Energy Conservation Installation Credit	RSCH .....	Increase Research and Development Activities Credit
ESA.....	Estimated Tax Annualization Worksheet	RCYL.....	Recycle Credit
EST-I.....	Interest on Underpayment of Estimated Tax	VT .....	Veteran's Contribution
ESW .....	Estimated Individual Income Tax Worksheet	Worksheet VIII ...	Taxable Social Security Benefits
EXT-07.....	Extension Payment Worksheet	Worksheet IX.....	Tax Benefit Rule for Recoveries of Itemized Deductions
FPC .....	Film Employment Production and Qualified Expenditures Credit		
FTB.....	First-Time Home Buyer Savings Account		

### Table of Contents

<b>WHAT'S NEW FOR 2007 .....</b>	<b>1</b>
<b>GETTING STARTED .....</b>	<b>1</b>
<b>GENERAL INFORMATION .....</b>	<b>1</b>
<b>FORM 2EZ INSTRUCTIONS .....</b>	<b>4</b>
Exemptions .....	5
Federal Adjusted Gross Income.....	5
Subtractions from Federal Adjusted Gross Income .....	5
Tax Computation .....	5
Montana Check-offs.....	6
Your Refund .....	7

## What's New for 2007

### Homeowner Income Tax Credit for Property Taxes -

A refundable tax credit of \$140 is available for property taxes paid in 2007 for your principal residence, if you meet certain qualifications. Although there are similarities regarding who may qualify, this state income tax credit should not be confused with the \$400 property tax refund issued to eligible homeowners in 2007 for property taxes paid in 2006 or an earlier year. Please see instructions for line 18 on page 5, for additional information.

**Penalty for Late Payment of Taxes** - Effective for tax years beginning on or after January 1, 2007, the penalty for not paying a tax when due decreases from 1.5% to 1.2% per month, or a fraction of a month, with a maximum penalty of 12% (formerly 18%).

**Adoption Tax Credit** - If you finalized the adoption of a child in 2007 that qualifies for the federal adoption credit, you are now eligible for a state income tax credit. The credit is equal to \$1,000 in the tax year that the adoption is final. You cannot use Form 2EZ to claim this credit. Please refer to Form 2M or Form 2 for more information.

### Please Note As Well...

**Direct Filing Service** - Direct electronic filing is again available for Form 2EZ, at [mt.gov/revenue/](http://mt.gov/revenue/). This allows you to file your Montana form only; you may still have a filing obligation for federal purposes. You can direct deposit your refund, or pay electronically when using this free service.

### Interest on Unpaid Individual Income Tax Liabilities -

The 8% interest rate which became effective January 1, 2007 will continue to be in effect through December 31, 2008. The daily accrual interest rate for all unpaid individual income taxes depends on the rate set by the Internal Revenue Service and may fluctuate each year, but will never be less than 8%.

**Amended Tax Return** - If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. In order to receive the waiver, simply check the "Amended Return" box on the top left-hand corner of the tax form and pay the tax and applicable interest in full. By checking this box, you are requesting a waiver of the late payment penalty.

## Getting Started

These simple steps will help you to complete and file your Montana individual income tax return.

- Complete your federal income tax return.
- Determine if Montana Form 2EZ is right for you. See General Information.
- Decide if you will file electronically or use a paper tax return.
- File your Montana tax return or request an extension (include your payment, if taxes are due) by April 15, 2008.

- Remember to sign your tax return.
- When finished, please accept our thanks for a job well done!

## General Information

### Am I required to file a Montana individual income tax return?

If you are a resident, nonresident or a part-year resident, you have to file a Montana individual income tax return when you have Montana source income and your federal gross income, excluding unemployment compensation, is equal to or greater than the corresponding amounts that are identified in the following chart.

IF your filing status is...	AND at the end of 2007 you were...	THEN you should file a tax return if your federal gross income, excluding unemployment compensation was at least...
Single	Under 65	\$3,730
Married filing jointly with your spouse	Both under 65	\$7,460
If your filing status is neither single nor married filing jointly, you cannot use Form 2EZ.		

### I am required to file a Montana individual income tax return. Is the Form 2EZ appropriate for me and my situation?

To use Montana Form 2EZ, you should be able to answer yes to all of the following:

- I was a Montana resident for all of 2007.
- I am filing as a single person or as a married person filing a joint tax return.
- My spouse and I were under 65 and not blind at the end of 2007.
- I am claiming no dependents.
- My only income is from wages, interest, dividends, or unemployment.
- I am claiming the standard deduction rather than itemizing deductions.
- The only tax credit I may be claiming is the Homeowner Income Tax Credit for Property Taxes.

If you answered *no* to any question above, the Form 2EZ is not appropriate for you. Please visit our website at [mt.gov/revenue](http://mt.gov/revenue) or contact us to help determine which form best fits your situation.

### How do I determine whether I am a full-year resident, nonresident or a part-year resident of Montana for individual income tax purposes?

You are a resident of Montana for individual income tax purposes if you live in Montana or if you maintain a permanent home in Montana. You will not lose your Montana residency if you left the state temporarily with

the intention of returning. Your Montana residency is lost, or changed, when you establish a permanent residence outside of Montana with no intention of returning. Unless there is a specific statutory exception, if you establish Montana residency for any other purpose, you are considered a Montana resident for income tax purposes.

You are a nonresident of Montana if you did not consider Montana your home at any time during the tax year even though you may have lived and worked in Montana temporarily during the tax year.

You are a part-year resident of Montana if you moved to or from Montana during the tax year with the intention of establishing a permanent residence in your new state.

### **How do I determine my legal residence for Montana income tax purposes?**

Your legal residence is generally the place where you maintain your most important family, social, economic, political and religious ties. It is a place where you remain when you are not called elsewhere for work or for other temporary purposes. Your change in residency is not accomplished by being away from your home temporarily or for a prolonged period of time. Your change of residency is established when you leave your home and do not intend to return, but instead, intend to establish a new home elsewhere.

### **When do I have to file my Montana income tax return?**

Your 2007 Form 2EZ tax return has to be filed by April 15, 2008.

### **How can I get an extension of time to file my Montana income tax return?**

First of all, it should be clear that any extension of time to file your Montana income tax return is *not* an extension of time to pay your income tax liability. If you have a valid Montana extension but have not paid your complete income tax liability by April 15, 2008, you are relieved of late file penalties but you are not relieved of late payment penalties and interest on your outstanding Montana income tax liability.

You can be granted an extension of time for filing your Montana income tax return if you meet *both* of the following requirements:

1. By April 15, 2008, you have applied to the Internal Revenue Service by filing federal Form 4868 for an automatic six-month extension to file your federal income tax return.
2. You have paid 90% of your 2007 Montana income tax liability or 100% of your 2006 Montana income tax liability through your estimated tax payments, your withholding tax, or a combination of both your estimated and withholding tax payments.

Even though you have applied for an automatic six-month federal extension, this does not guarantee that you have a Montana extension unless you have met one of the requirements listed in number 2 above on or before April

15, 2008. Please use the Montana EXT-07, 2007 Extension Payment Worksheet, in order to determine if you have a Montana extension payment requirement. You can get a copy of this form by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or calling (406) 444-6900. If you are required to make an extension payment, please use the tax payment coupon found on this worksheet.

In order to complete your Montana extension, you have to check the extension indicator box found on the bottom right hand corner of Montana Form 2EZ and attach a copy of your federal Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, to your Montana income tax return. Please do not send us a copy of your federal Form 4868 prior to filing your Montana income tax return.

It is important that you follow the requirements stated above, or your extension will be denied and a late file penalty will be applied.

### **I am on active duty in the regular armed forces and currently serving in an area designated as a combat zone or contingency operations. I am unable to file my Montana individual income tax return by April 15, 2008. Can I (and my spouse) obtain an extension to file my 2007 Montana individual income tax return?**

Yes, you can—but you must use Form 2. Montana state law conforms to federal law and references the Servicemembers Civil Relief Act, which provides for the same extension of time for you to file your Montana individual income tax return that is provided on your federal income tax return. If you are serving in a combat zone or in a contingency operation, you (and/or your spouse) can extend the filing of your Montana income tax return for up to 180 days after the time you (and/or your spouse) are discharged from service.

If you are filing your return that is allowed to be extended by the Servicemembers Civil Relief Act, clearly write on the top of Montana Form 2, using red ink, “combat zone or contingency operations extension,” and file your tax return within 180 days after being discharged from service. In addition, if you file within 180 days of being discharged, you are not assessed any penalties or interest.

### **What happens if I'm late in filing my Montana individual income tax return?**

If you file your tax return late, you will be assessed a late file penalty of \$50 or the amount of tax due, whichever is less. If you file a late tax return for which you are receiving a refund, you will not be charged a late fee.

### **What happens if my payment is late?**

If you do not pay the full amount of your tax liability on or before April 15, 2008, you will be charged a late payment penalty. This penalty is 1.2% per month or fraction of a calendar month on the unpaid tax. This penalty cannot exceed 12% of the tax due.

If you do not pay your tax liability by April 15, 2008, you will also be charged interest at a rate of 8% per year accrued

2007

Montana Individual Income Tax Return

MONTANA Form 2EZ

Income tax return for a Montana resident filing as single or married filing jointly with no dependents

Amended Return checkbox, name and social security number fields for individual and spouse, mailing address, city, state, zip+4.

Filing Status (check only one box) 1. Single 2. Married filing jointly

Exemptions section with 3a, 3b, and 3c rows and a grid for exemption counts.

Enter amounts corresponding to your federal tax return.Round to nearest dollar. If no entry, leave blank.

Income

Income section with lines 4 through 11 for wages, interest, unemployment, and adjusted gross income.

Tax, Payments and Refund

Tax, Payments and Refund section with lines 12 through 21 for deductions, tax liability, and payments.

Table for voluntary contributions: Nongame wildlife program, Child abuse prevention, Agriculture in schools, End-stage renal disease program.

22. If the amount on line 19 is a net tax due, add lines 19, 20 and 21 and enter the result here. This is the amount you owe.

Visit our website at mt.gov/revenue to pay by credit card or E-check or make a check payable to MONTANA DEPARTMENT OF REVENUE

23. If the amount on line 19 is an overpayment of tax, add lines 20 and 21 and subtract this amount from line 19. Enter the result here. This is your refund.

RTN# and ACCT# fields with checkboxes for Checking and Savings.

Preparer information section with checkboxes for need forms and attach federal Form 4868, and fields for name, address, SSN, FEIN or PTIN.

May the DOR discuss this return with your tax preparer? Yes No Questions? Call (406) 444-6900 or TDD (406) 444-2830 for hearing impaired.

Signature and date lines for taxpayer and spouse.

I declare under penalty of false swearing that the information in this tax return and attachments is true, correct and complete.

### Standard Deduction Worksheet

1. Enter your Montana adjusted gross income from Form 2EZ, line 11 here .....	1.	
2. Multiply the amount on line 1 by 0.20 (20%) and enter the result here .....	2.	
3. Enter the amount below that corresponds to your filing status here .....	3.	
<ul style="list-style-type: none"> <li>• If your filing status is single (filing status 1) enter \$3,810. This is your maximum standard deduction.</li> <li>• If your filing status is joint (filing status 2) enter \$7,620. This is your maximum standard deduction.</li> </ul>		
4. Enter the amount from line 2 or 3, whichever is smaller .....	4.	
5. Enter the amount below that corresponds to your filing status .....	5.	
<ul style="list-style-type: none"> <li>• If your filing status is single (filing status 1) enter \$1,690. This is your minimum standard deduction.</li> <li>• If your filing status is joint (filing status 2) enter \$3,380. This is your minimum standard deduction.</li> </ul>		
6. Enter here and on Form 2EZ, line 12, the amount from lines 4 or 5, whichever is larger. <b>This is your standard deduction.</b> .....	6.	

### Calculation of Interest on Underpayment of Estimated Taxes – Short Method

You are required to pay your income tax liability throughout the year. You can make your payments through employer withholding, through installment payments of estimated taxes, or through a combination of employer withholding and estimated tax payments.

You are not required to make estimated tax payments if one of the following conditions apply to you:

- Your combined tax liability after you applied your withholding and estimated tax payments is less than \$500.
- You did not have a 2006 income tax liability and you were a citizen or resident of the United States the entire year.
- Your underpayment was due to a casualty, disaster or another unusual circumstance.
- You retired in either 2006 or 2007 after reaching the age of 62.
- You became disabled in either 2006 or 2007.
- You are a farmer or rancher and 66-2/3% of your 2007 gross income is derived from your farming and ranching operation. Your 66-2/3% farming and ranching income is determined annually and is based on your 2007 gross income. Please note that Montana does not use the same “look back” period that the Internal Revenue Service uses to determine the percentage of your farming and ranching income for federal income tax purposes.

If you did not pay in advance at least 90% of your 2007 income tax liability (after applying your credits) or 100% of your 2006 income tax liability (after applying your credits), you may have to pay interest on the underpayment of your estimated taxes.

If you are required to pay interest on your underpayment, you can use this short method to determine your interest, but you can use this short method only if:

- You made non-estimated tax payments or your payments were only Montana withholding, or,
- You made four equal estimated payments by the required due date.

If you are not eligible to use this short method to calculate your interest on your underpayment, use Montana Form EST-I, “Interest on Underpayment of Estimated Tax Payments.” You can access this form by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or by calling us at (406) 444-6900.

1. Enter here your 2007 total tax liability as reported on Form 2EZ, line 16. ....	1.	
2. Multiply line 1 by 0.90 (90%) and enter the result here. ....	2.	
3. Combine the amounts on Form 2EZ, line 17 and line 18. Enter the result here. ....	3.	
4. Subtract line 3 from line 1 and enter the result here. If your result is \$500 or less, stop here; you do not owe interest on your underpayment. ....	4.	
5. Enter here the 2006 income tax liability that you reported on your 2006 Form 2, line 59, Form 2M, line 47 or Form 2EZ, line 16. ....	5.	
6. Enter the smaller of line 2 or line 5 here. If the result is zero or less, stop here; you do not owe interest on your underpayment. <b>This is your total underpayment for 2007.</b> ....	6.	
7. Multiply line 6 by 0.05320 and enter the result here. ....	7.	
8. If you paid the amount on line 6 on or after April 15, 2008, enter zero. If you paid the amount on line 6 before April 15, multiply the amount on line 6 by the number of days you paid before April 15 by 0.0002192 and enter the amount here. ....	8.	
9. Subtract line 8 from line 7 and enter the result here and on Form 2EZ, line 20. <b>This is your interest on underpayment of estimated taxes.</b> ....	9.	

### 2007 Montana Individual Income Tax Table

If your taxable income is over	but not over	multiply your taxable income by	and subtract	equals your tax	If your taxable income is over	but not over	multiply your taxable income by	and subtract	equals your tax
\$0	\$2,500	0.010	\$0		\$9,000	\$11,600	0.050	\$225	
\$2,500	\$4,400	0.020	\$25		\$11,600	\$14,900	0.060	\$341	
\$4,400	\$6,600	0.030	\$69		\$14,900	or more	0.069	\$475	
\$6,600	\$9,000	0.040	\$135						

For example: Taxable income \$4,500 X 0.030 (3%) = \$135. \$135 minus \$69 = \$66 tax.



daily. If you can't pay your tax in full, you should file your tax return by the due date and pay as much as you can with your tax return. If you wish to set up a payment plan, please call us at (406) 444-6900 as soon as possible to discuss payment options and make arrangements.

If you pay your tax late or have established a payment plan with us, be sure to report clearly on your payment your name, social security number and the tax year for which the payment is to be applied. If you intend to have one payment applied to more than one social security number or tax year, please include a statement with your payment that indicates how you want your payment to be allocated.

### **Where do I file my Montana individual income tax return?**

If you choose not to file electronically, we have two different addresses for individual income tax returns. We do this so that if you are asking for a refund, we can get your refund processed and to you more quickly and efficiently.

If you are filing a tax return that includes no payment or if you are due a refund, mail your tax return to: Montana Department of Revenue, PO Box 6577, Helena, MT 59604-6577.

If you are filing a tax return that includes a payment, mail your tax return and check to: Montana Department of Revenue, PO Box 6308, Helena, MT 59604-6308.

### **Can I file my Montana individual income tax return electronically?**

Yes, you can—and we encourage you to do so. If Form 2EZ is appropriate for your situation, you can file it electronically for free directly through our website at [mt.gov/revenue/](http://mt.gov/revenue/).

Additionally, Montana participates in the joint Federal/State Electronic Filing Program and also in the Free Filing Alliance Program. This provides all taxpayers the opportunity to participate in electronic filing. If you file your tax return electronically, you will receive confirmation that the department has received your tax return. If you are expecting an income tax refund and have requested that this refund be electronically deposited into your checking or savings account at your financial institution, you will generally receive this refund within five to ten business days.

### **If I file electronically, do I have to send a copy of my income tax return, supporting schedules, copies of my W-2s and 1099s or signature verification to the department?**

No you do not. If you file electronically, you don't have to mail in a paper copy of your tax return, or any accompanying federal W-2s or 1099s, or any Montana supplemental forms. When you file your tax return electronically, you represent that you have kept all of the documents required as your tax record and that you will provide copies of these to the department if we ask for them.

You also don't have to sign a copy of your tax return and submit it to the department. The act of completing and filing your income tax return electronically is considered an authorized signature.

### **How can I check on my refund?**

If you are expecting a refund, you can check the status of this refund by calling our 24-hour service at (406) 444-9840. We will be glad to tell you the status of your refund once it has been entered into the department's computer system. Remember, if you file your tax return electronically, generally we will send you confirmation that your tax return was accepted within 48 hours after we receive your electronically filed income tax return. Also, when you file electronically, your refund is generally issued within five to ten business days.

You can also check the status of your refund online. Visit our website at [mt.gov/revenue](http://mt.gov/revenue) and go to the "Where's My Refund?" section.

To check the status of your refund either by phone or online, you will need to provide the following information:

- The social security number of the first name on your income tax return.
- The amount of the refund requested as shown on your tax return.

### **What do I do if I made an error on my income tax return and I now want to correct it?**

If you discover that your income tax return was incorrect, you have five years from the due date of the original tax return to file an amended Montana income tax return and to correct any mistake on your previous tax return. When you file this amended tax return, you will need to complete a new Montana form that reflects the corrections that you are making to your previously filed tax return. For tax years 2004 and earlier, you will also need to clearly write the words "Amended Return" on the face of your tax return. For tax years 2005 and later you should check the "Amended Return" box found in the upper left hand corner of your Montana forms. Include copies of any schedules submitted with the original filing even if none of the amounts previously reported have changed. Please note that the Form 2EZ cannot be used to amend years prior to tax year 2006.

Montana Form AMD is available to assist you in reconciling the amendments to the original tax return. This form is for your information and records. You do not need to send this to the department. The Form AMD can be found on our website at [mt.gov/revenue](http://mt.gov/revenue) under "Downloadable Forms."

If you file an amended tax return that reflects an increased tax liability, you may have the late payment penalty waived. In order to receive the waiver, simply check the "Amended Return" box on the top left-hand corner of the tax form and pay the tax and applicable interest in full. By checking this box, you are requesting a waiver of the late payment penalty.

**I have filed an amended federal tax return with the Internal Revenue Service, or they have adjusted my federal tax return. How do I report this change on my Montana income tax return?**

If the Internal Revenue Service changes your federal taxable income or if you voluntarily change your federal taxable income, you will need to file an amended Montana income tax return within 90 days of receiving notification of the change from the Internal Revenue Service or when you have filed your amended federal income tax return. If you do not notify us within 90 days of the change to your federal taxable income, we have five years from the date that the changes become final on your federal tax return to adjust your Montana income tax return to reflect the changes made on your federal income tax return.

**My tax return is prepared by a tax professional. If the department has any questions concerning my tax return, can I give you authorization to talk to my tax professional about my tax return?**

Yes, you can. We have included a place on your tax return for you to authorize this. Place an "X" in the box marked "Yes" next to, "May the DOR discuss this return with your tax preparer?" It appears at the bottom of all forms near the signature block on the tax return. If you check this box, we may contact your tax preparer or you for additional information for this year only. You, not the tax preparer, will be informed of any formal tax adjustments that we make.

**How do I file if I've earned wages in North Dakota and I am a Montana resident?**

Montana has a reciprocity agreement with North Dakota that exempts a Montana resident who earns wages in North Dakota from paying North Dakota income tax on these wages. However, this agreement does not extend to other types of income earned in North Dakota and you may have to file an income tax return and pay an income tax to North Dakota on this other income. If you are earning wages in North Dakota and you are a Montana resident, you can be exempt from North Dakota withholding tax on these wages. Complete North Dakota Form NDW-R and submit it to your North Dakota employer to be exempt from North Dakota withholding. You can get this form from your employer, from the Office of State Tax Commissioner, State Capitol, Bismarck, ND 58505, or visit their website at [nd.gov/tax/](http://nd.gov/tax/).

**I am a North Dakota resident earning wages in Montana. How do I file a Montana income tax return?**

Montana has a reciprocity agreement with North Dakota that exempts a North Dakota resident who earns wages in Montana from paying Montana income tax on these wages. However, this agreement does not extend to other types of income earned in Montana and you may have to file an income tax return and pay an income tax to the State of Montana on this other income. If you are earning wages in Montana and you are a North Dakota resident, you can be exempt from Montana withholding on these wages. To be exempt from Montana withholding, complete Montana Form NR-2 annually, submit it to your employer and provide a copy to the Montana Department of Revenue. You

can get this form from your employer, from the Montana Department of Revenue, PO Box 5805, Helena, MT 59604-5805, or you can download our form at [mt.gov/revenue/](http://mt.gov/revenue/).

If your Montana employer has withheld Montana income tax from your wages and you wish to get a refund for it, you should file a Montana income tax return Form 2, attaching Montana Form NR-1, North Dakota Reciprocal Affidavit, along with a copy of your North Dakota income tax return and mail these to the Montana Department of Revenue by April 15, 2008.

**My spouse has a past child support obligation and I don't want my refund to be applied to this obligation. What can I do?**

You are considered an "injured spouse" if you are a taxpayer who does not owe a child support obligation but who has reported income on a joint tax return with a taxpayer who does owe a past due child support obligation. If you do not want your refund to be applied against your spouse's child support obligation, you will have to file your Montana income tax return using filing status 3b, married filing separate tax returns on separate forms. In order to use this status, you must use Form 2. When filing under this filing status, each spouse claims his or her own income/loss, deductions, expenses and exemptions.

If you have filed a joint return with your spouse and you are considered an injured spouse, as defined above, you need to contact us within 30 days after you and/or your spouse have received notice of the offset. We will then work with you to have the correct tax return(s) filed.

**A mental or physical disability prevents me from completing and submitting a tax return. What can I do?**

If you have a filing obligation but are unable to complete and submit a tax return because of a mental or physical disability, the tax return can be prepared by your authorized agent, guardian or person responsible for your care and property.

**How long do I need to maintain my tax records after I have filed my state income tax return?**

You should keep all your records for at least five years from the date that you filed your Montana income tax return. This is called the *statute of limitations*. The statute of limitations for Montana income tax purposes is five years, whereas the statute of limitations for federal income tax purposes is three years. You should keep your records of property and carryovers even longer.

## Form 2EZ Instructions

**Heading** – Print your name, mailing address and social security number in the spaces provided. If you are married, enter your spouse's name and social security number.

If either the primary taxpayer or the spouse passed away during the tax year, check the appropriate box in the heading of the tax return.

**Filing Status – (Check only one box).**

**Box 1 – Single.** You can claim this filing status if on December 31, 2007, you:

- were single,
- were legally separated according to your state law under a decree of divorce or separate maintenance, or
- were widowed before January 1, 2007 and you did not remarry in 2007.

If you are married you cannot file separate Form 2EZ forms. You will have to file a joint tax return with your spouse on Form 2M or 2EZ or file separately using Form 2.

**Box 2 – Married Filing Jointly.** You can claim this filing status if:

- you were married as of December 31, 2007, even if you did not live with your spouse at the end of 2007; or
- you were married as of December 31, 2007 and your spouse died in 2008 before filing a 2007 tax return.

You and your spouse can file a joint tax return even though one of you has no income but please note that both spouses have to sign the tax return.

**Exemptions**

**Line 3a – Yourself.** Since you are allowed one exemption for yourself, we have placed an “X” in the first box on line 3a for you. Even if you are claimed as a dependent on another person’s income tax return, you are still entitled to your one personal exemption.

**Line 3b – Spouse.** If you are married and are filing jointly with your spouse, your spouse is entitled to one exemption.

**Federal Adjusted Gross Income**

**Lines 4 through 6 –** Your income on your Montana individual income tax return begins with your federal adjusted gross income. On lines 4 through 6, enter the amount corresponding to your federal individual income tax return Form 1040, 1040A or 1040EZ.

**Line 7 – Federal Adjusted Gross Income.** Add lines 4 through 6 and enter the result here. This is your federal adjusted gross income.

**Subtractions from Federal Adjusted Gross Income**

**Line 8 – Exempt Unemployment Compensation.** If you have received unemployment benefits from Montana or from another state, these benefits are not taxable to Montana. If you reported taxable unemployment benefits on your Form 2EZ, line 6, enter the amount of these benefits on line 8.

**Line 9 – Exemption for Certain Taxed Tips and Gratuities.** You can subtract from your federal adjusted gross income any tips and gratuities that you have received from patrons while you worked in the food, beverage or lodging industry. These should be reported as part of your federal adjusted gross income. All other tips and gratuities

that you received for providing services in other business industries are not excluded from your federal adjusted gross income in arriving at your Montana adjusted gross income.

**Line 10 – Total Subtractions.** Add lines 8 and 9 and enter the result here. This is your total subtractions.

**Line 11 – Montana Adjusted Gross Income.** Subtract line 10 from line 7 and enter the result on line 11. This is your Montana adjusted gross income.

**Line 12 – Standard Deduction.** To calculate your standard deduction, complete the worksheet found on the back of the Form 2EZ and enter the result on line 12.

**Line 13 – Exemption Amount.** Multiply \$2,040 by the number of exemptions on line 3c and enter the result on line 13.

**Line 14 – Total Deductions and Exemptions.** Add lines 12 and 13 and enter the result on line 14. This is your total deductions and exemptions.

**Line 15 – Montana Taxable Income.** Subtract line 14 from line 11 and enter the result on line 15. Do not enter less than zero. This is your Montana taxable income.

**Tax Computation**

**Line 16 –** Compute your tax using the table below. The tax table is also found on the back of Form 2EZ.

<b>2007 Tax Brackets and Table</b>			
If your taxable income on Form 2EZ, line 15 is:			
At least	But less than	Then your tax is	Less:
\$0	\$2,500	1% of your taxable income	
\$2,500	\$4,400	2% of your taxable income	(\$25)
\$4,400	\$6,600	3% of your taxable income	(\$69)
\$6,600	\$9,000	4% of your taxable income	(\$135)
\$9,000	\$11,600	5% of your taxable income	(\$225)
\$11,600	\$14,900	6% of your taxable income	(\$341)
\$14,900 or more		6.9% of your taxable income	(\$475)

For example: Taxable income \$4,500 X 0.03(3%) = \$135. \$135 minus \$69 = \$66 tax

**Line 17 – Montana Income Tax Withheld.** Enter on Form 2EZ, line 17 the amount of the Montana income tax withheld from your income and reported in Box 17 of your federal Form W-2. When you claim Montana income tax withheld, you are required to attach to your tax return a copy of your withholding statement(s) (federal Forms W-2).

**NEW** **Line 18 – Homeowner Income Tax Credit for Property Taxes.** The Montana Legislature enacted a law providing for a refundable \$140 individual income tax credit for residential property taxes paid in 2007. In order to claim the credit, you must answer yes to all of the following:

- The property for which the credit is claimed is a single-family dwelling, unit of a multiple-unit dwelling, manufactured home, or mobile home.

- I occupied the property as the owner for at least seven months in 2007.
- I paid property taxes in 2007 on the listed property.

The \$140 Homeowner Income Tax Credit for Property Taxes (*credit*) is based on property taxes you paid in 2007 on a principal residence you occupied as the owner for at least seven months in 2007. If you moved during the year, you are still eligible for the credit as long as the total amount of time you owned and occupied a Montana residence was at least seven months.

**Please note:** You must have been the direct owner of the residence in order to be eligible for the credit. If your residence was owned by a partnership, corporation or other legal entity, the credit cannot be claimed even if you own interest in the entity. Also, only one claim can be made with respect to any property.

This tax *credit* is similar to the Homeowner Property Tax Refund of up to \$400 (*refund*) many Montanans received in 2007 but there are reasons an individual would qualify for the *refund* but not the *credit* and vice versa. For instance, an individual who owned 20% or more of the entity that owned the residence could claim the *refund* as long as they met all the other qualifications but they cannot claim the *credit*. Additionally, the ownership and residency tests apply to separate years. For example, if you purchased and moved into a home December 15, 2006 and owned and occupied it as your residence for all of 2007, you are eligible for the \$140 *credit* but you were not eligible for the *refund*. Conversely, if you owned your residence for 25 years until you sold it and moved into a rental unit in March 2007, you were eligible for the *refund* but you are not eligible for the \$140 *credit*.

When you sign your tax return, you are declaring that you can answer yes to the three statements above and are eligible for the credit.

Qualified individuals who are 62 or older may also be eligible to claim the Elderly Homeowner/Renter credit on Form 2EC in addition to this credit.

**Line 19 – Net Tax Due or Overpayment.** Add lines 17 and 18 and subtract the result from line 16. If this amount is \$500 or more, complete the calculation of interest on underpayment of estimated taxes worksheet on the back of Form 2EZ. Although it is not common for taxpayers who file form 2EZ, some people send in estimated or extension payments before they file their tax returns.

If you submitted payments prior to April 15, 2008, do not change the amount shown on line 19 but subtract the payment amount when calculating penalties and interest.

**Line 20 – Late File, Late Payment Penalties and Interest.**

- **Late File Penalty.** If you file your tax return after April 15, 2008, or October 15, 2008 if you have a valid extension, you will be assessed a late file penalty if the amount on line 19 is a tax due. The penalty is equal to the lesser of \$50 or the amount of tax you owe. If you

are filing your tax return late and you have a refund, you are not assessed a late file penalty.

To calculate your late file penalty, compare the amount on line 19 to \$50. Your late file penalty is the lesser of these amounts.

- **Late Payment Penalty.** If you have not paid 100% of your income tax liability by April 15, 2008, you are liable for a late payment penalty. Your late payment penalty is equal to 1.2% per month or fraction of a calendar month on the unpaid balance from April 15, 2008 until it is paid. For example, if you do not pay your tax due until May 10, 2008, your late payment penalty will be 2.4% (two months or fractions of a month x 1.2%) of the unpaid tax. Please remember that an extension to file your tax return does not give you an extension to pay your tax. To calculate your late payment penalty, multiply the amount on line 19 by 1.2% per month or fraction of a calendar month your payment is late. In no instance will your late payment penalty exceed 12% (10 months x 1.2%).
- **Interest.** If you have not paid 100% of your income tax liability by April 15, 2008 you will have to pay 8% annual interest, computed daily, on your unpaid balance. As with the late payment penalty, an extension of time to file your tax return does not extend the due date for paying your income tax so interest accrues from the original due date. To calculate your interest, multiply the amount on line 19 by 0.0002192 (0.02192%) times the number of days after April 15, 2008 that your payment is received. If you owe more than one of the items listed above, enter each applicable amount in the worksheet below.

If you owe more than one of the items listed above, enter each applicable amount in the worksheet below.

Type	Amount
Late file penalty	_____
Late payment penalty	_____
Interest	_____
Total	_____

Enter the total on Form 2EZ, line 20. (You may wish to keep this information as part of your records for future reference.)

**Montana Check-offs**

**Line 21 – Montana Check-off Programs.** Montana’s tax law provides you with the opportunity to contribute, via your income tax return, to the following programs. You can contribute any amount to any one of these four programs. Your contribution will increase the amount you owe or reduce the amount of your refund.



- **Line 21a – Nongame Wildlife Program.** Your contributions to this program are used to ensure the well-being of Montana’s watchable wildlife species, such as eagles, herons, bluebirds, great horned owls, loons, chipmunks, pikas, flying squirrels and painted turtles.



- Line 21b – Child Abuse Prevention Program.** Your contributions to this program fund services and activities related to the prevention of child abuse and neglect. In addition, if you enclose a separate check with your timely filed tax return you are allowed to take an itemized deduction for the amount of the contribution on the tax return you are filing with this contribution.



- Line 21c – Agriculture in Montana Schools Program.** Your contributions to this program fund the development and presentation of educational programs. This program ensures Montana's young people have a better understanding of agriculture in our state and how it relates to the rest of the world.



- Line 21d – End-stage Renal Disease Program.** Your contributions fund a program for persons suffering from end-stage renal disease. This program assists persons suffering from chronic renal disease in obtaining the medical, nursing, pharmaceutical, and technical services necessary to care for the disease.

**Line 22 – Amount You Owe.** If the amount on line 19 is a net tax due, add lines 19, 20 and 21 and enter the result on this line. This is the amount you owe.

You can pay the amount you owe by personal check, money order, cashier's check, credit card or E-check. When you send your payment, make it payable to the Montana Department of Revenue and use the coupon that we have provided to you with this income tax booklet. When you pay by personal check, money order, or cashier's check, please write your social security number and the tax year 2007 on the memo line of your check.

If you wish to pay the amount that you owe by credit card or e-check, visit our website at [mt.gov/revenue](http://mt.gov/revenue) and access Income Tax Express. We accept only Visa or Mastercard when you use a credit card.

If you cannot pay the entire amount that you owe with your tax return, we encourage you to file your tax return timely and pay as much as you can. By filing and paying as much as you can by April 15, 2008, you will not be assessed a late file penalty and you can reduce the amount of your late payment penalties and interest that is assessed against your outstanding balance. If you need to establish a payment plan, call us at (406) 444-6900 as soon as possible to discuss your options and make payment arrangements.

### Your Refund

**Line 23 –** If the amount on line 19 is an overpayment of tax, add lines 20 and 21 and then subtract this amount from the amount on line 19. This is the amount of your refund. Only refunds greater than \$1.00 will be issued.

If you wish to use direct deposit, in the space provided enter your financial institution's routing number (RTN#), your account number (ACCT#) and whether this account is your checking or savings account. Your routing number will be nine- digits and your account can be up to 17 characters (both numeric and alpha). Your direct deposit will be rejected if the routing number or account number is incorrectly listed. If your direct deposit is rejected, we will mail you a check instead. A sample of a personal check is provided for your convenience.

The image shows a sample personal check form with the following details:

- Payor Information:** John Taxpayer, Jane Taxpayer, 23 Main Street, Anyplace, MT 59000.
- Payee:** Pay to the Order of \_\_\_\_\_
- Amount:** \$ 1234 Dollars.
- Bank Information:** Anyplace Bank, Anyplace, MT 59000.
- Routing Number:** I(250000000) I(20000000) 86 1234. A callout points to the first nine digits (250000000) labeled "Routing Number".
- Account Number:** A callout points to the next digits (20000000) labeled "Account Number".
- Warning:** A callout points to the last four digits (861234) with the text "Do not include the check number in the account number".

## Important Reminders

### If you file your tax return by mail, be sure to:

- ▶ Check the appropriate box or boxes indicating your exemption(s).
- ▶ Sign the tax return. If you are filing a joint tax return, your spouse must also sign the tax return.
- ▶ Sign your check or money order if you have included a payment. Do not send cash.
- ▶ Include all W-2s and 1099s you were issued for 2007.
- ▶ Attach all state and federal schedules that support figures on your tax return. You do not need to attach worksheets. You also do not need to include schedules that are blank.
- ▶ Keep a copy of your tax return with all schedules, worksheets, receipts and other supporting documents.

- ▶ We have two different addresses to mail your individual income tax return.

### **If you have a refund or no payment due:**

Montana Department of Revenue, PO Box 6577, Helena, MT 59604-6577.

### **If you are sending a payment and voucher:**

Montana Department of Revenue, PO Box 6308, Helena, MT 59604-6308.

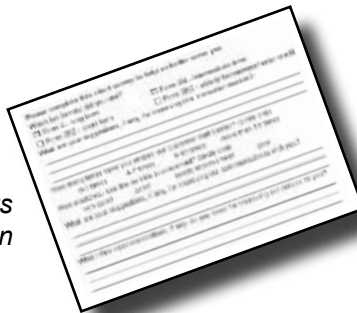
### If you file your tax return electronically, be sure to:

- ▶ Receive confirmation that your tax return was accepted by the Montana Department of Revenue.
- ▶ Make an electronic payment or remember to send a check or money order before April 15, 2008 if you owe.
- ▶ Keep a copy of your tax return with all schedules, worksheets, receipts and other supporting documents.

## We value your comments and suggestions.

### **The Montana Department of Revenue works for you.**

*That's why we look forward to hearing what you have to say. Please let us know how we are doing by completing the improvement survey attached to this instruction booklet. Your comments and suggestions will help us do an even better job for you. And that makes our tax system work for all Montanans!*



## Where's My Refund?



[mt.gov/revenue](http://mt.gov/revenue)  
- click on Where's My Refund icon



(406) 444-9840

Montana Department of Revenue  
Post Office Box 5805  
Helena, MT 59604-5805

PRSRT STD  
U.S. POSTAGE  
PAID  
MONTANA DEPARTMENT  
OF REVENUE

No Return