

Worksheet IX – Tax Benefit Rule for Recoveries of Itemized Deductions

If you recovered amounts from more than one year, such as a federal income tax refund from 2004 and a casualty loss reimbursement from 2003, complete a separate worksheet for each year. Use the information from Form 2, Itemized Deductions, for the year the expense was deducted.

For example: You claimed a casualty loss as an itemized deduction on your 2004 Montana income tax return. In 2008 your insurance company reimbursed you for the casualty loss. In order for you to determine if any of this reimbursement is taxable in 2008, you will need to use your 2004 Montana income tax return and Table 4 "Standard Deduction" on page 2 of this worksheet.

A recovery is included in income only to the extent the deduction reduced your Montana tax liability in the year deducted.

	Column A (for single, joint, separate, or head of household)	Column B (for spouse when filing separately using filing status 3a)
1. Enter the total of your federal income tax refunds received in 2008 for which a deduction was taken in a prior year. Do not include refundable federal credits or more than the amount of federal income tax deducted on Schedule III.1.		1.
2. Enter the total of all other itemized deductions refunded or reimbursed to you in 2008 that are not included above and for which a deduction was taken in a prior year.2.		2.
<p>Example: In 2005 you deducted medical expenses not covered by insurance. In 2008 your insurance company determined that they should have paid a portion of the denied expenses. They sent you a check. This amount may be taxable because you claimed it as an expense paid by you in 2005.</p>		
3. Add lines 1 and 2 above and enter result here.....3.		3.
4. Enter the total Montana allowable itemized deductions for the year that you claimed this deduction. If you took the standard deduction, stop here; your refund(s) is not taxable.....4.		4.
5. Enter any amount previously refunded to you. Do not enter any amount from line 1 or 2.....5.		5.
6. Subtract line 5 from line 4 and enter the result here.....6.		6.
7. Montana adjusted gross income for the year you claimed the deduction7.		7.
8. Enter the standard deduction for the year that this deduction was claimed. (The standard deduction amounts for 2007, 2006, 2005, 2004, 2003, and 2002 are shown in Tables 1 through 6 found on page 2 of this worksheet)8.		8.
9. Subtract line 8 from line 6 and enter the result here. If the result is zero or less, stop here, the amount on line 3 is not taxable.....9.		9.
10. Enter the smaller of line 3 or line 9.....10.		10.
11. Enter your Montana taxable income for the year the deduction was claimed 11.		11.
12. This is your recovery amount to be included in income for 2008.12.		12.
<ul style="list-style-type: none"> • If line 11 is zero or more, enter the amount from line 10. • If line 11 is a negative amount, add lines 10 and 11 and enter the result, but not less than zero. • If line 12 equals line 3: <ul style="list-style-type: none"> • Enter the amount from line 1 on Form 2, Schedule I, line 3. • Enter the amount from line 2 on Form 2, Schedule I, line 4. • If line 12 is less than line 3, and either line 1 or line 2 is zero: <ul style="list-style-type: none"> • If there is an amount on line 1, enter the amount from line 12 on Form 2, Schedule I, line 3. • If there is an amount on line 2, enter the amount from line 12 on Form 2, Schedule I, line 4. • If line 12 is less than line 3 and there are amounts on both lines 1 and 2, complete lines A, B and C below. 		
A. Divide the amount on line 1 by the amount on line 3. Enter the percentage here..... A.		A.
B. Multiply the amount on line 12 by the percentage on line A. Enter the result here and on Form 2, Schedule I, line 3..... B.		B.
C. Subtract the amount on line B from the amount on line 12. Enter the result here and on Form 2, Schedule I, line 4..... C.		C.

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Standard Deduction Rates

Multiply the amount on Worksheet IX, line 7 by .20 (20%) and enter this amount on Worksheet IX, line 8, but not more than the maximum amount reported below, or at least the minimum amount reported below that corresponds with the tax year that you are calculating your tax benefit rule recovery amount.

	Filing Status	Montana Adjusted Gross Income	Minimum	Maximum
Table 1: 2007 Standard Deduction	Single, married filing separately	20%	\$1,690	\$3,810
	Married filing a joint return, head of household	20%	\$3,380	\$7,620
Table 2: 2006 Standard Deduction	Single, married filing separately	20%	\$1,650	\$3,710
	Married filing a joint return, head of household	20%	\$3,300	\$7,420
Table 3: 2005 Standard Deduction	Single, married filing separately	20%	\$1,580	\$3,560
	Married filing a joint return, head of household	20%	\$3,160	\$7,120
Table 4: 2004 Standard Deduction	Single, married filing separately	20%	\$1,530	\$3,440
	Married filing a joint return, head of household	20%	\$3,060	\$6,880
Table 5: 2003 Standard Deduction	Single, married filing separately	20%	\$1,480	\$3,330
	Married filing a joint return, head of household	20%	\$2,960	\$6,660
Table 6: 2002 Standard Deduction	Single, married filing separately	20%	\$1,450	\$3,260
	Married filing a joint return, head of household	20%	\$2,900	\$6,520