

Worksheet IX – Tax Benefit Rule for Recoveries of Itemized Deductions

If in the current tax year you recovered amounts from more than one year, such as a federal income tax refund from 2013 and a casualty loss reimbursement from 2014, complete a separate worksheet for each year. Use the information from Form 2 or 2M, Itemized Deductions, for the year the expense was deducted.

Example: You claimed a casualty loss as an itemized deduction on your 2013 Montana income tax return. In 2016 your insurance company reimbursed you for the casualty loss. In order for you to determine if any of this reimbursement is taxable in 2016, you will need to use your 2013 Montana income tax return and the 2013 standard deduction on page 2 of this worksheet.

Include a recovery 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 2016 for which you took a deduction in a prior year. Do not include refundable federal credits or more than the amount of federal income tax deducted on Schedule III1.		1.
2. Enter the total of all other itemized deductions refunded or reimbursed to you in 2016 that are not included above and for which you took a deduction in a prior year2.		2.
<p>Example: In 2013 you deducted medical expenses not covered by insurance. In 2016 your insurance company determined that it should have paid a portion of the denied expenses. The company sent you a check. This amount may be taxable because you claimed it as an expense you paid in 2013.</p>		
3. Add lines 1 and 2.....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 federal income tax refund or other itemized deductions refunded to you prior to 2016. Do not enter any amount from line 1 or 2.....5.		5.
6. Subtract line 5 from line 4.....6.		6.
7. Montana adjusted gross income for the year you claimed the deduction7.		7.
8. Enter the standard deduction for the year you claimed this deduction. (The standard deduction amounts for 2015, 2014, 2013, 2012, 2011 and 2010 are shown in the tables found on page 2 of this worksheet.).....8.		8.
9. Subtract line 8 from line 6. 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 you claimed the deduction.....11.		11.
12. This is your recovery amount. Include this amount in income for 2016.12.		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.

Worksheet IX - Tax Benefit Rule for Recoveries of Itemized Deductions, Page 2**Standard Deduction Rates**

Multiply the amount on Worksheet IX, line 7 by 0.20 (20%). Enter this amount on Worksheet IX, line 8, but not more than the maximum amount, or less than the minimum amount reported below that corresponds with the tax year for which you are calculating your tax benefit rule recovery amount.

Tax Year	Filing Status	Montana Adjusted Gross Income	Minimum	Maximum
2015	Single or married filing separately	20%	\$1,940	\$4,370
	Married filing a joint return or head of household	20%	\$3,880	\$8,740
2014	Single or married filing separately	20%	\$1,940	\$4,370
	Married filing a joint return or head of household	20%	\$3,880	\$8,740
2013	Single or married filing separately	20%	\$1,900	\$4,270
	Married filing a joint return or head of household	20%	\$3,800	\$8,540
2012	Single or married filing separately	20%	\$1,860	\$4,200
	Married filing a joint return or head of household	20%	\$3,720	\$8,400
2011	Single or married filing separately	20%	\$1,820	\$4,110
	Married filing a joint return or head of household	20%	\$3,640	\$8,220
2010	Single or married filing separately	20%	\$1,770	\$3,990
	Married filing a joint return or head of household	20%	\$3,540	\$7,980