Montana

**Deduction Name:** Child and Dependent Care Expense

**Tax Deduction**

**Type of Provision:** Deduction

**Calculation:** For families who are itemizing deductions, child and dependent care expenses are deducted from Montana Adjusted Gross Income (AGI). Expenses must be for the care of a child under age 15, or dependents or a spouse who are physically or mentally incapable or caring for themselves. The amount of expenses that can be claimed is limited to $2,400 for one child or dependent, $3,600 for two children or dependents, or $4,800 for three or more children or dependents. For families with AGI exceeding $18,000, the amount of eligible expenses is reduced by one-half the amount of income over $18,000. The amount of tax savings from the deduction is worth the amount of expenses multiplied by the taxpayer’s Montana income tax rate. The top Montana income tax rate is 6.9%.

**Maximum Value:**
- One Child/Dependent: $120
- Two Children/Dependents: $180
- Three or More Children/Dependents: $192

**Income Cutoff:** none

**Family Illustrations:**

A woman who has an income of $30,000, is raising an infant on her own, and pays $7,440 in child care expenses could receive a maximum of $99.36 in tax savings.

A married couple with both parents employed full-time in low-wage jobs (paying $11.50/hour) that has an income of $47,840, has an infant and a four-year-old, and pays $14,328 in child care expenses would not be able to receive a deduction.

*Access the methodology for these calculations [here](#).

**While there are numerous options to improve this provision, impactful changes would include:**

Turning the deduction into a refundable tax credit that families can claim regardless of whether they had federal tax liability and received the federal credit, so that low-income families with little or no federal or state income tax liability can receive tax assistance with their child and dependent care expenses.