



Alternative Energy Production Credit

Tax Year _____

Instructions on back

15-32-401 through 407, MCA

Name as shown on return _____

Federal ID Number _____ Social Security Number _____

- 1. Enter location of alternative energy producing assets 1. _____
2. Enter amount of eligible alternative energy equipment investment 2. _____
3. Enter amount of federal wind energy credit claimed 3. _____
4. Montana taxable income (Individuals Form 2, line 42; Corporations Form CLT-4, line 9) 4. _____
5. Enter either adjusted gross income attributable to eligible alternative energy equipment (if filing a Montana individual income tax return) or net income attributable to eligible alternative energy equipment (if filing Montana corporation license tax return).
*If the alternative energy production income is from a business, a portion of which qualifies and a portion which does not, the allocation schedule below must be used to calculate this line. 5. _____
6. Subtract line 5 from line 4. 6. _____
7. Enter total tax as shown on return (Individuals Form 2, line 43; Corporations Form CLT-4, line 10) 7. _____
8. Calculate tax amount on line 6, (Individuals use tax table; Corporations use 6.75%) 8. _____
9. Subtract line 8 from line 7 to calculate income tax attributable to alternative energy production 9. _____
10. Enter 35% (.35) of line 2 to calculate Montana alternative energy system credit; include carryforward amount \$ _____ from previous years in line 10 total.
See instructions for further carryforward information 10. _____
11. Enter 60% (.60) of line 2 11. _____
12. Enter amount of federal wind energy credit from line 3 above 12. _____
13. Subtract line 12 from line 11 13. _____
14. Allowable credit for this tax year - the lesser of line 9, line 10 or line 13. Enter here and on Form 2A, Schedule II for individuals; Form CLT-4, Schedule C for corporations. *See instructions for definition of certain taxpayers whose credit is the lesser of line 9 or 10 14. _____

Income Allocation Schedule

Table with 3 columns: a. Total, b. Montana, c. Factor. Rows include Business property, Business payroll, Business sales, Sum of factors, One-third of line 18, and Allocated alternative energy production income.

Mail to:
Montana Department of Revenue
PO Box 5805
Helena, MT 59604-5805

When you file your Montana income tax return electronically you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

Instructions For Alternative Energy Production Credit

The purpose of the Alternative Energy Producers Act is to encourage the development of the alternative energy industry in Montana without adversely affecting tax revenues. The credit is allowed for individuals, partnerships, small business corporations and regular corporations.

To qualify, the investment must be:

- \$5,000 or more,
- Property depreciable under IRC for a commercial system or net metering system
- located in Montana, and
- Generates energy by means of an alternative energy source.

The credit is 35% (.35) of eligible costs. The eligible costs are those that are associated with the purchase, installation, or upgrading of:

- generating equipment,
- safety devices and storage equipment,
- transmission lines necessary to connect with existing transmission facilities, and transmission lines necessary to connect directly to the purchaser of the electricity when no other transmission facilities are available.

The credit is to be taken against taxes due as a consequence of taxable or net income produced by the following:

- Montana manufacturing plant that produces alternative energy generating equipment,
- new business facility or expanded portion of business facility which uses alternative energy as a basic energy source, or
- alternative energy generating equipment.

In the case of a business, a portion of which qualifies for this credit and a portion of which does not qualify, taxes due from each portion must be separated by using the three-factor formula provided in 15-31-305, MCA.

Limitation on credit. If the taxpayer claims a federal credit under I.R.C. section 48 (1) the state credit must be reduced so that the sum of the credit, federal and state does not exceed 60% (.60) of the eligible costs. The limitation does not apply to a taxpayer who meets the criteria set forth under the following two scenarios:

Scenario 1

- (a) Invests in a commercial system located on state trust land;
- (b) Signs a lease agreement with the state to make annual lease payments to the permanent school trust fund; and
- (c) Offers contracts with a duration of at least 5 years to sell at least 33% of the net generating output at the cost of production plus a rate of return not to exceed 12%.

Scenario 2

- (a) Invests in a commercial system located within the exterior boundaries of a Montana Indian reservation and which is 5 megawatts or larger;
- (b) Signs an employment agreement with the tribal government of the reservation where the commercial system would be constructed regarding the training and employment of tribal members in the construction, operation and maintenance of the commercial system; and
- (c) Offers contracts with a duration of at least 5 years to sell at least 33% of the net generating output at the cost of production plus a reasonable rate of return as designated by the Public Service Commission to customers for use within the State of Montana.

*Attach copies of the contracts referred to (b) and (c) of scenarios 1 and 2.

If a state credit is claimed under this act, no other state energy credit or state investment tax credit may be claimed for the investment. You also may not claim the property tax exemption for nonfossil energy property, allowed under 15-6-201(4) MCA, on property for which the alternative energy generation credit is claimed.

Carryovers of credits. The unused portion of the tax credit, which exceeds the tax liability generated by the asset, may be carried over up to seven years. Taxpayers that meet criteria (a) and (b) of scenario 2 above may carry over the unused portion of the tax credit up to fifteen years. The credit must first be claimed in the year the asset is placed in service.

The alternative energy system equipment must be placed in service after December 31, 2001 to be eligible.

Questions? Please call (406) 444-6900 or TDD (406) 444-2830 for hearing impaired. 📞