



Alternative Energy Production Credit

MONTANA
AEPC
Rev. 12-02

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 _____

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 41; 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 42; Corporations Form CLT-4, Line 10)..... 7. _____

8. Calculate tax amount on line 6, (Individual 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

a. Total

b. Montana

c. Factor
(b) divided by (a) = (c)

a. Business Property \$ _____ Alternative Energy Related Property \$ _____ %

b. Business Payroll \$ _____ Alternative Energy Related Payroll \$ _____ %

c. Business Sales \$ _____ Alternative Energy Related Sales \$ _____ %

d. Sum of Factors (Lines 1, 2, & 3)..... %

e. One third of line 4..... %

f. For Individuals enter adjusted gross income from business; Corporations enter the net income from line 9, Form CLT-4..... \$ _____

g. Allocated alternative energy production income (Line f times line e. Enter here and on line 5 above. \$ _____

Attach this form to your return

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.
- In order to qualify the investment must be:
 - \$5,000 or more
 - depreciable under I.R.C. section 38
 - located in Montana
- 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.
 - 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 section 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

- Invests in a commercial system located on state trust land;
- Signs a lease agreement with the state to make annual lease payments to the permanent school trust fund; and
- 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

- Invests in a commercial system located within the exterior boundaries of a Montana Indian reservation and which is 5 megawatts or larger;
- 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
- 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(3) 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 in order to be eligible.

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