

Energy Conservation Credit – General Instructions

A direct credit against your individual income tax liability is allowed for the cost of a capital investment installed in a building or for the installation of a water, heating, or cooling system for energy conservation purposes. An investment for energy conservation purposes means the installed cost of materials and equipment that reduce the waste or dissipation of energy or reduce the amount of energy required to accomplish a given amount of work. The term "building" includes single or multiple dwellings (including mobile homes) and buildings used for commercial, industrial or agricultural purposes, enclosed with walls and a roof. In the case of a building under construction, no deduction is allowable with respect to the cost of materials and equipment installed for energy conservation purposes if compliance with established standards of construction necessitates the installation. However, when energy conservation materials and equipment exceeding established standards of construction are installed, the additional cost qualifies for the credit. The investment must be made to a building located in Montana.

The energy conservation credit is limited to \$500 and may not exceed your tax liability for the tax year the expenditure is made. Excess credit over your tax liability cannot be carried back or carried forward.

The Department of Revenue has determined that the following investments qualify for the credit.

- Insulation in the floors, walls, ceilings and roofs of existing buildings
- Insulation in the floors, walls, ceilings and roofs of new buildings to the extent it produces an insulating factor in excess of established standards of construction
- Insulation of pipes and ducts located in non-heated areas and of hot water heaters and tanks
- Installation of new heating or cooling systems and domestic hot water heating systems, so long as the replacement or installation of the new system reduces the waste or dissipation of energy or reduces the amount of energy required
- Special insulating siding with a certified insulating factor substantially in excess of that of normal siding
- Storm windows, storm doors (except with a wood entry door), windows that result in reduction of energy consumption in existing buildings
- Insulating exterior doors
- Caulking and weather stripping
- Devices that limit the flow of hot water from shower heads and lavatories
- Waste heat recovery devices
- Glass fireplace doors
- Exhaust fans used to reduce air conditioning requirements
- Replacement of incandescent light fixtures with light fixtures of a more efficient type
- Lighting controls with cut-off switches to permit selective use of lights
- Clock regulated thermostats

The above is not to be considered an exhaustive list of qualifying investments.

Purchases of appliances such as a refrigerator or stove do not qualify you for this credit.