

Energy Efficiency Tax Credits

Furnaces, Boilers and Air Conditioners

The state of Montana credit is 25 percent, up to \$500 per taxpayer. Look for other Fact Sheets in this series that focus on investments in conservation and renewable energy. Now we turn our attention to the utility room: home furnaces and boilers and air conditioning units. Many products are eligible. Some utilities and electric co-ops offer rebates on these appliances that can make the decision even easier.

The Montana tax credit is available for both existing and new residences and buildings.

Most homes in Montana are heated with natural gas. The federal Department of Energy (DOE) recognizes several classes of home heating units. In general, they can be divided into those that heat water or other fluids — boilers. Home heating units that heat and distribute air are classified as furnaces. A third class embraces air-source heat pumps that provide space heating and in some instances cooling as well.

The state tax credit is available for investments in furnaces and boilers fueled by natural gas, but also those fired by propane or fuel oil. Restrictions apply and they relate largely to threshold energy efficiency of the home heating unit to claim the federal credit. The requirements are so high that not all Energy Star-labeled products meet the federal tax credit requirements.

Energy Star is a reliable guide for natural gas and propane furnaces to capture the Montana state credit. However, for boilers and oil furnaces, carefully review the manufacturer's certification label. Taxpayers should keep a copy of the certification statement for their records, but do not have to submit a copy.

Furnaces

The Montana credit for a furnace is 25 percent of the investment, inclusive of installation costs, up to \$500 per taxpayer. The furnace must be a central system; portable heaters or space heaters are ineligible. The unit may be installed in a second home or other building. Efficiency rating must be 95 percent for natural gas or propane and 90 percent for those burning fuel oil. Use state form ENRG-C to claim the credit.

Boilers

As previously mentioned, boilers heat fluids. The fluid (or in some instances steam) is then distributed through a network of piping to radiators that heat spaces.

The Montana credit for a boiler is 25 percent of the investment, inclusive of installation costs, up to \$500 per taxpayer. To claim the credit, a boiler must have an AFUE efficiency of 90 percent or higher. The unit may be installed in a second home or other building. Use state form ENRG-C to claim the credit.

Homeowners who have purchased a boiler or furnace should keep the energy efficiency certification label on file, even though there's no requirement to submit a copy to claim the credit for state taxes.

Air-Source Heating and Conditioning

Don't confuse air-source heat pumps with ground-source heat pumps. Ground-source systems warrant a separate set of state and federal credits and a separate advisory has been prepared.

Consumers investigating ground-source systems should research those areas.

A split-system will feature coils for the refrigerant evaporator unit in an outdoor location, while the condenser coil and compressor are inside the house. This is a common configuration for residential applications. Integrated or packaged systems are more common for larger buildings and commercial applications.

Residential air-source heat pumps may be configured to run in reverse — cooling the house in summer as well as providing heat in winter. For certain climates, a combined system that both heats and cools spaces is highly desirable.

The tax credit issues surrounding air conditioning require the system to be central and it may be split — having components outdoors and indoors — or packaged. Specific information to capture the federal credit is available below.

The Montana credit for air conditioning is 25 percent of the qualified investment, inclusive of installation costs, up to \$500 per taxpayer. The unit must be a central system and feature an EER of at least 13 and a SEER of at least 16 (split system) and EER of at least 12 and SEER of at least 14 (packaged system).

Note that for new systems or for new homes, the cost of distribution systems, (ductwork, and registers) is not eligible. Use state form ENRG-C to claim the credit.

SEER and EER

A Seasonal Energy Efficiency Rating (SEER) expresses — as the name suggests — the efficiency of electrical consumption over an entire heating (or cooling) season. The SEER rating applies to the cooling efficiency of combined heating and cooling systems. To capture the federal credit, the SEER must be at least 15. The Energy Efficiency Ratio (EER) measures how

a unit performs at a given air temperature. This second operating mode must be at least 12.5. The higher the number, the better the rating.

Resources

The Tax Incentive Assistance Project (TIAP) is a coalition of public interest nonprofit groups, government agencies, and other organizations in the energy efficiency field. Its website is designed to give consumers and businesses the information needed to make use of the federal income tax incentives for energy efficient products and technologies. The TIAP website can be accessed at: <http://energytaxincentives.org/>

The Database for State Incentives for Renewables and Incentives (DSIRE) offers good descriptions of state and federal incentives at its national website: www.dsireusa.org/

The Montana Department of Revenue offers a website for state and federal energy tax credits at: <http://revenue.mt.gov/home.aspx> The site offers links for additional information about state and federal conservation tax credits. You can also access the Montana tax form ENRG-B, which is used for alternative energy projects such as ground-source heating systems. The form ENRG-C is used for energy conservation work. The forms include questions and answers on the back.