

## **Energy Tax Credits Fact Sheet** ***Home Energy Efficiency Upgrades***

Did you make an energy conservation upgrade to your home in 2015 or plan to in 2016 if so; you may be eligible for certain tax credits that come right off the bottom line of taxes owed.

### **State Credits**

The Montana Energy Conservation tax credit offers 25 percent of the costs (material and labor) to improve insulation levels, air tightness, windows, doors, and heating equipment for existing homes. Restrictions do apply. For example, an eligible furnace must be rated at an Annual Fuel Utilization Efficiency (AFUE) rating of 95, meaning it's 95 percent efficient or better. The ceiling on the credit is \$500 per taxpayer per year.

In order to qualify for the credit window and door improvements to existing homes must feature efficiency ratings of at least U-.30 (Energy Star-certified). Window U-value is a measurement of heat loss – therefore, the lower the U- value the better. If the combined costs for eligible windows, doors, extra insulation and/or an eligible furnace amounts to \$4,000 or more, a couple could claim the \$1,000 Montana maximum tax credit.

The Montana tax credits can be used every year new energy efficiency investments have been made. For houses built in recent decades, the home's base efficiency level, including window U-value and heating system efficiency, should be listed on the blue energy component label installed by the builder in or on the main electrical panel box. Homeowners should note additional investments in energy efficiency there as well.

Many new home buyers may be eligible for the maximum credit of \$500 per taxpayer, or \$1,000 for a couple. This is because new homes today often feature highly efficient windows, doors, and furnaces and have high levels of insulation. For example, certified Energy Star or Montana Green Building homes (above Bronze level with an Energy Star-rated heating system) receive a \$500 Montana tax credit. A couple is eligible for \$1,000 if the qualifying heating (and ventilation and air conditioning) equipment and the extra cost above code for windows, doors and insulation is documented to be at least \$4,000.

To claim the credit taxpayers should use form ENRG-C available at <https://revenue.mt.gov/home/individuals>

### **Federal Credits**

Generally, labor costs are not included and only main homes are eligible. Installation costs are allowed for new heating and water heating systems that meet the requirements, however. The federal credit is limited to \$500 over the lifetime of the home for most improvements. Windows are limited to no more than \$200 in total credits.

There is no federal energy conservation tax credit for buyers of new houses. However there is a \$2000 federal credit available to the builder of qualified and certified homes.

Owners of existing homes may take the federal tax credit worth 10 percent of the cost of upgrading the efficiency of the building's envelope. Installation (labor) costs are not included and the credit is capped at \$500 for all improvements. To be eligible for the credit, the improvement must meet requirements established under the 2009 International Energy Conservation Code. The following are some improvements that are eligible for the tax credit:

- Insulation materials and systems designed to reduce a home's heat loss or gain.
- Exterior windows (including skylights) Energy Star-certified – no more than \$200 in total credits can be claimed for windows in years 2006 through 2016.

Additional information about federal credits go to;  
[https://www.energystar.gov/about/federal\\_tax\\_credits](https://www.energystar.gov/about/federal_tax_credits)

To claim the federal credits taxpayers should use form 5695.

### **Space Heating and Water Heating**

Homeowners who purchase qualified space heating and water heating appliances may be eligible for a federal tax credit against the full cost of the equipment. However, the maximum cap varies by product type.

- For natural gas, propane, or oil furnaces or hot water boilers rated 95 percent efficient or better for space heating, the cap is \$150.
- Qualified natural gas, propane, or oil water heaters rated 90 percent efficient or better are capped at \$300.
- Qualified electric heat pump systems are capped at \$300.

The tax credits for the State of Montana are the similar to the federal requirements for space and water heating, except the threshold for boilers is 90 percent efficient. For additional information go to [www.energizemontana.com](http://www.energizemontana.com) or call the Department of Environmental Quality at 406-444- 6697.

For a full listing of investments that qualify for State energy conservation credits go to;  
[https://revenue.mt.gov/home/individuals/taxrelief\\_energy](https://revenue.mt.gov/home/individuals/taxrelief_energy)