

Energy Tax Credit Fact Sheet – Home Energy Efficiency Upgrades

Did you make an energy conservation upgrade to your home in 2021? If so, you may be eligible for certain State and Federal tax credit that come right off the bottom line of taxes owed.

State Credits

For existing homes, the tax credit is 25 percent of the cost of labor and materials for eligible improvements. Eligible improvements include adding roof, ceiling, wall or floor insulation; installing programmable thermostats, lighting controls with cutoff switches to permit selective use of lights, low-flow showerheads, or glass fireplace doors; replacing incandescent lights with a more efficient fixture; caulking and weather stripping; insulating and sealing heating and air conditioning ducts and pipes; and items listed below.

⇒ Windows and doors with a U-factor of .30 or less. See restriction for new homes.

⇒ Storm windows and storm doors with a U-factor of .30 or less when measured in combination with the exterior window or door over which it is installed.

⇒ Central air conditioning split system with EER of at least 13 and SEER of at least 16.

⇒ Central air conditioning packaged system with EER of at least 12 and SEER of at least 14.

⇒ Air source heat pumps split system with HSPF of at least 8.5, EER of at least 12.5 and SEER of at least 15.

⇒ Air source heat pump packaged system with HSPF of at least 8, EER of at least 12.5 and SEER of at least 14.

⇒ Furnace using natural gas or propane with AFUE of at least 95; using oil with an AFUE of at least 90.

⇒ Boiler with an AFUE of at least 90.

⇒ Water heater using natural gas, propane, or oil with an energy factor (EF) of at least .82 or thermal efficiency of at least 90.

⇒ Electric heat pump water heater with an energy factor of at least 2.

⇒ Advanced furnace fan using no more than 2 percent of the total furnace energy use.

⇒ Heat recovery ventilators (HRV) meeting the CSA C439-00 standard.

The Montana tax credits can be used every year new energy efficiency investments are made.

New Homes:

For new homes, the tax credit is 25 percent of the cost of labor and materials for the eligible improvements listed above. These may include air conditioners, heat pumps, furnaces, boilers, fans, HRVs, water heaters, and the extra cost of windows, doors, and insulation levels exceeding the statewide energy code (2018 International Energy Conservation Code – 2018 IECC).

New home restriction: Only the extra amount spent for above-code windows and doors (U-.30 rating) is eligible for the credit. The extra cost is the amount spent on the qualifying product with at least a U-.30 rating compared to the cost of a code level product of similar material and style.

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 are documented.

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.

Link to tax credit brochure -

http://deq.mt.gov/Portals/112/Energy/Documents/Tax_Credits/Tax_Credit_Brochure_Final%20-%20NEW.pdf

Federal Credits

The federal tax credit for home energy efficiency upgrades for qualifying windows, doors, insulation, roofs, and equipment.

The credits for building improvements for your existing primary residence are calculated at 10 percent of the cost (material only) for installation of insulation, air sealing measures, ENERGY STAR windows, doors and roofs with a \$200 limit on windows and a \$500 limit on the building. New construction and rentals are not eligible.

Certain HVAC equipment and building improvements are eligible for a federal tax credit. For HVAC equipment the credit is \$150 for furnaces and boilers with at least a 95 AFUE rating, \$300 qualifying high efficiency water heaters, central air and heat pumps.

Link to Federal Tax Credit information.

https://www.energystar.gov/about/federal_tax_credits

Resources

For additional information go to <http://deq.mt.gov/energy> or call the Department of Environmental Quality at 406-444-0281

For a full listing of investments that qualify for the Montana Energy Conservation Tax Credit, go to <https://www.mtrevenue.gov/taxes/tax-incentives/>