



## 2011 Alternative Energy Production Credit

15-32-401 through 406, MCA

Name (as it appears on your Montana tax return) \_\_\_\_\_

Social Security Number -- **OR** Federal Employer Identification Number -

If this credit is passed through to you from a partnership or S corporation, enter the entity's name, FEIN and the percentage used to report the corporation's or partnership's income or loss for Montana income tax purposes.

Name \_\_\_\_\_ FEIN - Percentage \_\_\_\_\_ %

Location of your alternative energy producing assets \_\_\_\_\_

### Credit Calculation

1. Enter the amount of your eligible alternative energy equipment investment.....	1.	<input type="text"/>
2. Enter your Montana taxable income (Individuals, Form 2, line 45; C corporations, Form CLT-4, line 9).....	2.	<input type="text"/>
3. Enter the net income attributable to eligible alternative energy equipment. ▶ If the alternative energy production income is part of a business with both qualifying and nonqualifying income sources, the Income Allocation Schedule below must be used to calculate the amount on this line.....	3.	<input type="text"/>
4. Subtract the amount on line 3 from the amount on line 2 and enter the result here .....	4.	<input type="text"/>
5. Enter the total tax as shown on your return (Individuals, Form 2, line 48; C corporations, Form CLT-4, line 10.).....	5.	<input type="text"/>
6. Calculate the tax due for the income reported on line 4 (Individuals use 6.9%; C corporations use 6.75%.).....	6.	<input type="text"/>
7. Subtract line 6 from line 5 to calculate income tax attributable to alternative energy production and enter the result here. (The amount of credit applied may not exceed this amount.) .....	7.	<input type="text"/>
8. Enter 35% (0.35) of line 1 to calculate your Montana alternative energy production credit; include your carryforward amount \$_____ from previous years in your line 8 total. <b>This is your allowable alternative energy production credit.</b> .....	8.	<input type="text"/>

### Where to Report Your Credit

- ▶ Individuals: Form 2, Schedule V
- ▶ S corporations: Form CLT-4S, Schedule II
- ▶ C corporations: Form CLT-4, Schedule C
- ▶ Partnerships: Form PR-1, Schedule II

### Income Allocation Schedule

	a. Total Factors		b. Montana Factors		c. Factor (b) divided by (a) = (c)
9. Business property	\$ <input type="text"/>	Alternative energy related property	\$ <input type="text"/>	9.	<input type="text"/> %
10. Business payroll	\$ <input type="text"/>	Alternative energy related payroll	\$ <input type="text"/>	10.	<input type="text"/> %
11. Business sales	\$ <input type="text"/>	Alternative energy related sales	\$ <input type="text"/>	11.	<input type="text"/> %
12. Enter the sum of the factors from lines 9, 10 and 11 .....				12.	<input type="text"/> %
13. Divide the amount from line 12 by 3 and enter the result here.....				13.	<input type="text"/> %
14. Enter the amount from line 2 above .....				14.	<input type="text"/>
15. Multiply the amount on line 14 by the amount on line 13. This is your net income attributable to eligible alternative energy equipment. Enter here and on line 3 above.....				15.	<input type="text"/>

If you file your Montana tax return electronically, you do not need to mail this form to us unless we ask you for a copy. When you file electronically, you represent that you have retained the required documents in your tax records and will provide them upon the department's request.



## Form AEPC Instructions

### What is the purpose of the Alternative Energy Production Credit?

The purpose of the Alternative Energy Production Credit is to encourage the development of the alternative energy industry in Montana without adversely affecting tax revenues. Because of the alternative energy potential in Montana, it is desirable to encourage alternative energy generation for the purpose of attracting alternative energy manufacturing industries to Montana. It is also desirable for a new or expanded industry to secure alternatively generated electricity on a direct contract sales basis without adversely affecting rates charged to other electricity users.

### How do I qualify for this credit?

To qualify for the alternative energy production credit you must invest \$5,000 or more in a commercial system or a net metering system. Your investment has to be in property that:

- is depreciable under the Internal Revenue Code;
- located in Montana; and
- that generates energy by means of an alternative renewable energy source, as defined in 15-6-225(2)(a), MCA.

### If I qualify for this credit, what amount can I claim?

Your alternative energy production credit is equal to 35% (0.35) of your eligible costs.

Your credit is applied only against taxes due as a consequence of taxable or net income produced by one of the following:

- a manufacturing plant that is located in Montana and that produces alternative energy generating equipment;
- a new business facility or the expanded portion of an existing business facility for which the alternative energy generating equipment supplies, on a direct contract sales basis, the basic energy needed; or
- the alternative energy generating equipment in which the investment was made.

If a portion of your business's taxable or net income qualifies for this credit and a portion does not qualify, you must pro-rate your income and associated taxes that qualify for this credit by using the three-factor formula provided in 15-31-305, MCA.

### What are my eligible costs?

Your eligible costs include only those costs that are associated with the purchase, installation, or upgrade of:

- generating equipment,
- safety devices and storage components,
- transmission lines that are necessary to connect with existing transmission facilities, and
- transmission lines that are necessary to connect directly to the purchaser of the electricity when no other transmission facilities are available.

Eligible costs must be reduced by the amount of any grants provided by the state or federal government for the system.

### Am I eligible for other state energy incentives on my investment if I am claiming this credit?

If you claim this credit, you cannot claim any other state energy credit or state investment tax credit for this investment. In addition, you cannot claim the property tax exemption for nonfossil energy property, allowed under 15-6-224, MCA, for the same property used to generate this credit.

### Can I carry my unused credit forward to another tax year?

Yes. If the credit is not fully used against your tax liability in the year the assets are placed in service, you can carry forward any unused portion of your tax credit up to seven years. You can carry forward up to fifteen years if:

- You invest in a 5 megawatt or larger commercial system located within the exterior boundaries of a Montana Indian reservation, and
- You sign 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.

### What information do I have to include with my return when I claim this credit?

Please include a copy of Montana Form AEPC with your individual income tax or corporate license tax return for the year you place the assets in service and any carryforward year. S corporations and partnerships filing paper information returns must, in addition to including a completed Form AEPC, include a separate statement identifying each owner and his or her proportionate share. If you file electronically, you do not need to mail this form to us unless we contact you for a copy.

### How do I claim my alternative energy production credit when I am a partner or shareholder in a partnership or S corporation?

When a partnership or S corporation invests in a commercial system or a net metering system, the entity will report the credit on its information tax return and provide you with information about your share of the credit on a Montana Schedule K-1.

Your share of the alternative energy production credit that is passed through to you by the S corporation or partnership is based on the same proportion used by you to report your income and loss for Montana purposes.

Remember to complete the information at the top of the form that identifies the entity's name, federal employer identification number and your percentage of ownership.

**Questions?** Please call us toll free at (866) 859-2254 (in Helena, 444-6900).