

Individual Income Tax Incentives

All Forms mentioned below are located in the “Forms” tab on the Individual Income Taxes page, or you can file online with Taxpayer Access Point (TAP)

The following information provides the tax credit incentives available to individuals. See Form 2, Schedule V, and its instructions. Credits can be either refundable, meaning they can be paid to taxpayers if the amount of credit exceeds the amount of taxes due, or non-refundable, which means that they can only offset the amount of tax liabilities. Some non-refundable credits have a carryover provision, meaning that the excess of credit over the tax due can be used in the following tax years, with some limitation.

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Welfare Credits

Adoption Credit

Code section: 15-30-2364, MCA

Eligibility: Individual who finalizes the adoption of an eligible child. They must qualify for the credit for adoption expenses under section 23 of the Internal Revenue Code.

Benefit: The amount of the credit is \$1,000 per child. If the amount of the credit exceeds your tax liability, you can carry it forward to the five succeeding tax years.

Form: Include federal Form 8839

Elderly Care Credit

Code Section: 15-30-2366, MCA

Eligibility: An individual may be eligible to receive a credit for paying certain expenses of an elderly family member who is 65 or has been determined disabled for Social Security purposes and who has a family income of \$15,000 or less if not married, or \$30,000 or less if married.

Benefit: The credit is limited to \$5,000 for a single family member and \$10,000 total for two or more family members. No carry back or carry forward of the credit is allowed.

Form: ECC

Elderly Homeowner/Renter Credit

Code Sections: 15-30-2337, MCA through 15-30-2341, MCA

Eligibility: An eligible individual is someone who during the tax year:

- reached age 62 or older;
- resided in Montana for 9 months or more of the period;
- occupied one or more dwellings in Montana as an owner, renter, or lessee for 6 months or more; and
- had less than \$45,000 of gross household income.

Qualifications: An individual may qualify for the elderly homeowner/renter credit by owning or renting a residence. For property owners, the credit is computed on the amount of property tax assessed against your home. For renters, the credit is computed on the rent equivalent tax paid.

Benefits: The credit may not exceed \$1,000. This credit is refundable. The credit may be claimed even though the individual has no income tax filing responsibility.

Form: 2EC

Energy Credits

Geothermal System Credit – ENRG-A

Code Section: 15-32-115, MCA

Eligibility: Resident individuals

Qualifying Expenditures: Installation cost including such cost, but not limited to, trenching, well drilling, casing, ground source pumps, ductwork, and design and labor.

Benefits: The maximum credit for the installation of a geothermal system in a taxpayer's principal dwelling cannot exceed \$1,500. The unused amount may be carried forward for seven succeeding tax years.

Form: ENRG-A

Alternative Energy System Credit – ENRG-B

Code Sections: 15-32-201, MCA through 15-32-203, MCA

Eligibility: Resident individuals

Qualifying Expenditures:

- Non-fossil form of energy generation system such as wind energy, solar energy, solid waste, and decomposed organic waste in your principal home.
- Low emission wood or biomass combustion device, such as a pellet or wood stove in your principal home.
- Certain outdoor hydronic heaters or masonry heaters.

Benefits: The credit for the installation of a recognized non-fossil form of energy generation system in the taxpayer's principal dwelling is the cost of the system, including installation costs, less grants received, not to exceed \$500 per taxpayer against the income tax liability imposed. Any excess credit not claimed in the year of installation may be carried forward for four succeeding tax years.

Form: ENRG-B

Energy Conservation Installation Credit – ENRG-C

Code Sections: 15-30-2319, MCA and 15-32-109, MCA

Eligibility: Individual Montana residents can claim the credit for energy conservation investments made to a home or other building.

Qualifying Expenditures: Montana law defines an eligible expense as "the installed cost of materials and equipment which reduce the waste or dissipation of energy, or reduce the amount of energy required to accomplish a given amount of work."

Benefit: The credit is equal to 25% of expenses up to a maximum credit of \$500. Two or more people may each qualify for the credit, as long as the building in which the investment is made is owned by all of the people claiming the credit. For example, a married couple who jointly own their home may each claim a credit up to \$500 each or \$1,000 for the couple.

Form: ENRG-C

Alternative Energy Production Credit

Code Sections: 15-32-401, MCA through 15-32-407, MCA [Alternative Energy Generation Credit]

Eligibility: Individual, corporation, partnership or small business corporation

Qualifying Expenditures: Investment of \$5,000 or more in depreciable property under the Internal Revenue Code for a commercial system or a net metering system located in Montana that generates energy by means of an alternative renewable energy source.

Benefit: The credit is 35% of the eligible costs. The credit must first be claimed in the year in which the asset was placed in service; any excess credit may be carried over up to 7 years. For wind energy investments 5 megawatts or larger, which are located within the exterior boundaries of a Montana Indian reservation, the credit may be carried over up to 15 years. (Please refer to MCA 15-32-402 and 404 for additional qualifications necessary regarding investments located on a Montana Indian reservation).

Form: AEPC

Alternative Fuel Conversion Credit

Code Sections: 15-30-2320, MCA and 15-31-137, MCA

Eligibility: Individual, corporation, partnership or small business corporation

Qualifying Expenditures: Equipment and labor costs incurred to convert a motor vehicle licensed in Montana to operate on alternative fuel.

Benefit: 50% of equipment and labor costs up to \$500 for a vehicle less than 10,000 pounds or \$1,000 for a vehicle weighing more than 10,000 pounds. No carry back or carry forward is permitted.

Form: AFCR

Biodiesel Blending and Storage Credit

Code Section: 15-32-703, MCA

Eligibility: Individual, corporation, partnership or small business corporation

Qualifying Expenditures: The cost of investments in depreciable property used for storing or blending biodiesel made from Montana products with petroleum diesel for sale.

Benefit: The amount of the credit that may be claimed is:

Special fuel distributors: 15% of the costs, up to a total of \$52,500.

Owner or operator of a motor fuel outlet: 15% of the costs, up to a total of \$7,500.

Any unused credit may be carried forward for seven succeeding tax years.

Form: BBSC

Patronage and Philanthropy Credits

Historical Property Preservation Credit

Code Sections: 15-30-2342, MCA and 15-31-151, MCA

Eligibility: Individual, corporation, small business corporation, partnership, trust or estate

Qualifying Expenditures: Qualified rehabilitation expenditures, as provided in 26 U.S.C 47(a)(2) and as it may be amended.

Benefit: For individuals or businesses, 25% of the federal credit allowed. This is a nonrefundable credit and has carry forward provisions for seven succeeding years.

The credit previously allowed for creating a conservation easement, which was an alternative to the credit described above, expired on December 31, 2011. Therefore, no credit can be claimed for a conservation easement created after 2011. Unused amounts from a credit for an easement claimed prior to January 1, 2012 can be carried forward up to six years after the easement was created.

Form: Include Federal Form 3468

Qualified Endowment Credit

Code Sections: 15-30-2327, MCA through 15-30-2329, MCA, 15-31-161, MCA and 15-31-162, MCA

[Governor's Task Force on Endowments and Philanthropy](#)

Eligibility: Individual, corporation, small business corporation, partnership, trust or estate. This "allowable contribution" for the purposes of the qualified endowment credit is a charitable gift made to a qualified endowment. The contribution from an individual to a qualified endowment must be by means of a planned gift as defined in 15-30-2327, MCA. A contribution from a corporation, small business corporation, estate, trust, partnership, or limited liability company may be made by means of a planned gift or may be made directly to a qualified endowment.

Benefit for planned gift:

Gift Date	% of Present Value	Maximum Credit
8-28-02 through 6-30-03	30 %	\$ 6, 600
7-1-03 through 12-31-13	40%	\$10,000

Unlocking Public Lands Credit

Code section: 15-30-2380, MCA

Eligibility: individual, corporation, partnership, small business corporation, trust or estate providing a qualified access to public land (state or federal) pursuant to 87-1-294, MCA.

Benefit: The credit amounts to \$750 for each qualified access. A taxpayer may not claim more than \$3,000 a year under this section. This credit is refundable.

College Contribution Credit

Code Section: 15-30-2326, MCA, 15-31-135, MCA through 15-31-136, MCA

Eligibility: Individual, corporation, partnership, small business corporation trust or estate.

Qualifying Expenditures: Contributions to general endowment funds of the Montana University System foundations, Montana private college, a community college, a tribal college, or one of their foundations.

Benefit: The credit is equal to 10% of the aggregate amount of charitable contributions made by the taxpayer during the tax year. The maximum credit that a taxpayer may claim in a year is \$500. No carry back or carry forward is permitted.

In addition to this credit, your contribution may also be claimed as an itemized deduction.

Form: CC

Innovative Educational Program Credit

Code Section: 15-30-2334, MCA; 15-30-3110, MCA; 15-31-158, MCA

Eligibility: Individual, corporation, partnership, small business corporation, trust or estate qualify for the credit when donation is made to an education improvement account provided in 20-9-905, MCA

Benefit: The credit is equal to the amount of the donation. It cannot exceed \$150. The aggregate amount of tax credit available at the beginning of the 2016 tax year is \$3million. Credits are available on a first come first serve basis until the tax year threshold is met. The credit is not refundable and does not have a carry-over provision.

Procedure: Taxpayers that would like to make a contribution and claim the credit must make a donation to the following education donation portal:

<http://svc.mt.gov/dor/educationdonations/>

Student Scholarship Organization Credit

Code Section: 15-30-2335, MCA; 15-30-3111, MCA; 15-31-159, MCA

Eligibility: Individual, corporation, partnership, small business corporation, trust or estate qualify for the credit when donation is made to student scholarship organization.

Benefit: The credit is equal to the amount of the donation. It cannot exceed \$150. The aggregate amount of tax credit available at the beginning of the 2016 tax year is \$3 million. Credits are available on a first come first serve basis until the tax year threshold is met. The credit is not refundable and does not have a carry-over provision.

Procedure: Taxpayers that would like to pledge a donation and claim the credit must make their pledge to the following education donation portal:

<http://svc.mt.gov/dor/educationdonations/>

Temporary Emergency Lodging Credit

Code sections: 15-30-2381, MCA and 15-31-171, MCA

Eligibility: Licensed establishments that provide short-term emergency lodging under the Temporary Emergency Lodging Program may claim a refundable tax credit.

The program helps provide lodging for individuals or families who have been displaced from their residence and have been referred to the establishment by a charitable organization approved by the Montana Department of Public Health and Human Services. For additional information about the temporary emergency lodging program, please visit their website.

Benefit: The credit is \$30 for each day of lodging provided by the establishment with a maximum of five nights' lodging for each individual. No carryforward or carryback is allowed.

Form: TELC

Business and Employer Credits

Contractors Gross Receipts Tax Credit

Code Section: 15-50-207, MCA

Eligibility: Contractors, and some sub-contractors, performing public construction work under a federal, state or local government contract

Qualifying Expenditures: An additional license fee equal to 1% of the gross receipts for government contracts is paid.

Benefit: The credit can be used to offset the tax liability of individual, corporate license or corporate income taxes.

Unused Contractors Gross Receipts Tax Credit can be carried forward for up to five subsequent tax years.

Increasing Research Activities Credit

Code sections: 15-30-2358, MCA and 15-31-150, MCA

Eligibility: Individual, corporation, small business corporation, partnership, limited liability partnership or limited liability company.

Qualifying Expenditures: The Increasing Research and Development activities credit expired on December 31, 2010. Therefore, a current year credit cannot be claimed for periods beginning after that date. Any unused credit from a prior period can be carried forward for up to 15 tax years. If you are claiming unused credit carryforward, you will have to include a detailed schedule of the credit carryforward with your tax return.

Benefit: The credit is nonrefundable but may be carried forward 15 years.

Infrastructure Users Fee Credit

Code Section: 17-6-316, MCA

Eligibility: Businesses using infrastructure improvements financed through Board of Investment grants to local government. The local government may charge a fee for use of the infrastructure.

Qualifying Expenditures: The business may take a credit against the tax liability for the fee charged by a local government unit.

Benefit: The credit may be carried back three years and forward seven years.

Form: IUFC

Mineral Exploration Incentive Credit

Code Sections: 15-32-501, MCA through 15-32-510, MCA

Eligibility: Individual, corporation, partnership, small business corporation or limited liability company engaged in mineral exploration in the state.

Qualifying Expenditures: Certified expenditures for mining exploration activities, which represent costs incurred for activities in direct support of exploration activity conducted at a specific exploration site for the purpose of determining the existence, location, extent or quality of a mineral or coal deposit. The credit applies to activities associated with both new mines and mines that are being reopened. These expenditures must receive prior certification (Form MINE-CERT) by the department in order to qualify for the credit.

Benefit: A credit may be claimed for certified expenditures of mining exploration activities not to exceed 50% of the tax liability for the tax year that is related to production from the mining operation at which the exploration activities occurred. If a portion of the credit is not applied during a tax year, it may be carried forward and applied during a subsequent tax year.

Forms: MINE-CRED

Empowerment Zone Credit

Code Sections: 7-21-3710, MCA, 15-30-2356, MCA and 15-31-134, MCA

Eligibility: An employer carrying on a business, trade, occupation or profession in Montana

Qualifying Expenditures:

Business must be located in a facility within the empowerment zone.

Less than 10% of the business is from retail sales of tangible personal property, other than that manufactured in the facility.

Shall increase employment within the empowerment zone from employees who:

- Work at least 1,750 hours per year in permanent employment intended to last at least 3 years.
- Were not employed in the business within the 12 preceding months.
- At least 35% are residents of the county at the time of their employment.
- Are provided a health benefit plan of which at least 50% of the premium is paid by the business.
- Are paid for job duties performed at the empowerment zone location.

Benefit: The credit for each qualifying employee is \$500 for the first year of employment; \$1,000 for the second year of employment and \$1,500 for the third year of employment. The credit may be carried forward seven years and carried back three years.

Health Insurance for Uninsured Montanans Credit

Code Sections: 15-30-2367, MCA and 15-31-132, MCA

Eligibility: Montana employers who

- Have been in business in Montana for at least 12 months
- Employ 20 or fewer employees working at least 20 hours per week

Qualifying Expenditures: Premiums for health insurance on behalf of employees if at least 50% of each employee's premium is paid by the employer.

Benefit: The credit is equal to \$25 a month for each employee (up to 10 employees maximum) if the employer pays 100% of an employee's premium, or a proportionate amount of \$25 if the employer pays less than 100% of an employee's premium. The credit may not exceed 50% of the premium cost for each employer. The credit may not be claimed for a period of more than 36 consecutive months. A tax credit may not be granted to an employer or its successor within 10 years of the last consecutive credit claimed. The credit is nonrefundable and may not be carried forward or back.

If you are using insurance premiums to calculate the Insure Montana small business health credit (which is a separate credit), these premium payments cannot be used to calculate this credit.

Form: HI

Dependent Care Assistance Credits

Code Section: 15-30-2365, MCA, 15-31-133, MCA, 15-30-2373, MCA, and 15-31-131, MCA

Eligibility: An employer carrying on a business, trade, occupation or profession in Montana

Qualifying Expenditures: (1) Amounts paid or incurred for dependent care assistance actually provided to or on behalf of an employee. A registered or licensed day-care provider must have furnished the assistance; (2) amounts paid or incurred for providing daycare information and referral services; or (3) for daycare facilities acquired by an employer and placed in operation before January 1, 2006.

Benefit: (1) The credit is 25% of the amount paid or incurred by the employer for dependent care assistance during the taxable year with a limit of \$1,575 per employee. (Any unused credit may be carried forward five years) (2) The credit is 25% of the amount paid or incurred for providing dependent information and referral services, or (3) the amount of daycare facility credit is the lesser of (a) \$2,500 multiplied by the number of dependents the daycare facility is designed to accommodate at the end of the first tax year for which the credit is claimed, (b) 15% of the cost

of the acquisition, construction, reconstruction, renovation or other improvement, or (c) \$50,000 (any unused credit may be carried forward for nine succeeding years).

Form: DCAC

Recycling Credit

Code Sections: 15-32-601, MCA through 15-32-604, MCA

Eligibility: Individual, corporation, partnership or small business corporation

Qualifying Expenditures: Investments in depreciable equipment or machinery used to collect, process or manufacture a product from reclaimed material or depreciable property that treats soil contaminated by hazardous wastes.

Benefit: A percentage (5% to 25%) of the cost of the property used in Montana. No carry forward or carry back is allowed.

Form: RCYL