



2014 Alternative Energy Production Credit

15-32-401 through 15-32-407, MCA

Name (as it appears on your Montana tax return)

Social Security
Number

- -

OR

Federal Employer
Identification Number

-

**Before you begin,
please review this
chart to determine
which parts of this
form you need to
complete.**

| If you are: | Then you need to complete: | | | |
|---|----------------------------|---------|----------|---------|
| | Part I | Part II | Part III | Part IV |
| Receiving the credit from a partnership or S corporation | | | X | X |
| An individual | X | X | | X |
| A C corporation | X | X | | X |
| A partnership | X | X | | * |
| An S corporation | X | X | | * |
| * A partnership or S corporation with income from both qualifying and nonqualifying sources will have to complete the Income Allocation Worksheet, lines 18 through 24, in Part IV. | | | | |

Part I. Qualifications (C corporations, S corporations, partnerships and individuals)

You must answer yes to questions 1 and 2 in order to qualify for this credit.

- I made at least a \$5,000 investment in depreciable property that is a commercial or net metering system located in Montana that generates energy by means of an alternate renewable energy source. ☐ Yes ☐ No
- I have taxes due as a consequence of taxable or net income produced by at least one of the following (mark whichever applies to you): ☐ Yes ☐ No
 - Manufacturing plant(s) located in Montana that produces alternative energy generating equipment; or
 - 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 for the facility (please include a copy of the contract); or
 - The alternative energy generating equipment in which the investment for which a credit is being claimed was made.

Part II. Credit Calculation (C corporations, S corporations, partnerships and individuals)

Please provide the location of your alternative energy producing assets _____

- | | | |
|---|----|----------------------|
| 3. Enter the amount of your eligible alternative energy equipment investment..... | 3. | <input type="text"/> |
| 4. Enter the amount of any grants you received..... | 4. | <input type="text"/> |
| 5. Subtract line 4 from line 3..... | 5. | <input type="text"/> |
| 6. Multiply line 5 by 35% (0.35) | 6. | <input type="text"/> |
| 7. Enter any remaining alternative energy production credit carryforward amount from previous years..... | 7. | <input type="text"/> |
| 8. Add lines 6 and 7, and enter the result here. This is your total alternative energy production credit for 2014 before limitation. Continue to Part IV..... | 8. | <input type="text"/> |

Part III. Credit Calculation (Partners in a partnership and shareholders of an S corporation)

Business Name of Partnership or S Corporation _____

Federal Employer Identification Number _____

| | | |
|---|-----|----------------------|
| 9. Enter your portion of your Montana alternative energy production credit..... | 9. | <input type="text"/> |
| 10. Enter any remaining alternative energy production credit carryforward amount from previous years..... | 10. | <input type="text"/> |
| 11. Add lines 9 and 10, and enter the result here. This is your total alternative energy production credit for 2014 before limitation. Continue to Part IV..... | 11. | <input type="text"/> |

Part IV. Credit Limitation (C corporations, individuals, partners in a partnership, and shareholders of an S corporation)

| | | |
|---|-----|----------------------|
| 12. 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 Worksheet below must be used to calculate the amount for this line | 12. | <input type="text"/> |
| 13. Enter your Montana taxable income (see instructions) | 13. | <input type="text"/> |
| 14. Divide line 12 by line 13. Do not enter more than 1.0000 | 14. | <input type="text"/> |
| 15. Enter the total tax as shown on your return (see instructions) | 15. | <input type="text"/> |
| 16. Multiply line 14 by line 15. This is the maximum alternative energy product credit you are allowed for 2014 | 16. | <input type="text"/> |
| 17. Enter here, and on your return, the smaller of either line 16 or line 8 from Part II; or the smaller of either line 16 and line 11 from Part III (depending on which Part you were required to complete). This is your alternative energy production credit for 2014. | 17. | <input type="text"/> |

Income Allocation Worksheet

| | a. Total Factors | | b. Montana Factors | | c. Factor (b) divided by (a)=(c) |
|--|----------------------|-------------------------------------|----------------------|-----|----------------------------------|
| 18. Business property | <input type="text"/> | Alternative energy related property | <input type="text"/> | 18. | <input type="text"/> |
| 19. Business payroll | <input type="text"/> | Alternative energy related payroll | <input type="text"/> | 19. | <input type="text"/> |
| 20. Business sales | <input type="text"/> | Alternative energy related sales | <input type="text"/> | 20. | <input type="text"/> |
| 21. Enter the sum of the factors from lines 18, 19 and 20..... | | | | 21. | <input type="text"/> |
| 22. Divide line 21 by the number of factors entered in column a, lines 18, 19 and 20 | | | | 22. | <input type="text"/> |
| 23. Enter the net income of the business (see instructions)..... | | | | 23. | <input type="text"/> |
| 24. Multiply the amount on line 23 by the amount on line 22. This is your net income attributable to eligible alternative energy equipment | | | | 24. | <input type="text"/> |

- *C corporations and individuals.* Enter this amount on line 12 of Part IV.
- *S corporations and partnerships.* Each owner's distributive share of this amount should be reported on Montana Schedule K-1. Do not complete lines 12 through 17 of Part IV.

Where to Report Your Credit

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

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.

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.

Which parts of Form AEPC do I have to complete?

| If you are: | Then you need to complete: | | | |
|--|----------------------------|---------|----------|---------|
| | Part I | Part II | Part III | Part IV |
| Receiving the credit from a partnership or S corporation | | | X | X |
| An individual | X | X | | X |
| A C corporation | X | X | | X |
| A partnership | X | X | | * |
| An S corporation | X | X | | * |

* A partnership or S corporation with income from both qualifying and nonqualifying sources will have to complete the Income Allocation Worksheet, lines 18 through 24, in Part IV.

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

Individuals. If you are filing a paper return, include a copy of Form AEPC with your individual income tax return.

C corporations. If you are filing a paper return, include a copy of Form AEPC with your corporate income tax return.

S corporations and partnerships. If you are filing a paper return, include Form AEPC with your Montana information return Form CLT-4S or PR-1 and include a separate statement identifying each owner and their proportionate share.

You will need to complete a separate Form AEPC for each source you are receiving the credit from. For example, if you are a partner in one partnership that qualified for this credit, and you, as an individual, also qualify for this credit, you would need to complete two forms.

If you file electronically, you do not need to mail this form to us unless we contact you for a copy.

Part I. Qualifications

In order to qualify for this credit, you must have made at least a \$5,000 investment in depreciable property that is a commercial or net metering system located in Montana that generates energy by means of an alternate renewable energy source, as defined in 15-6-225(2)(a), MCA. You must also have taxes due as a consequence of taxable or net income produced by one of the following:

- manufacturing plants located in Montana that produce 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 for the facility (please include a copy of the contract); or
- the alternative energy generating equipment in which the investment for which a credit is being claimed was made.

If you do not meet these qualifications, you do not qualify for this credit.

Part II. Credit Calculation

(This part is to be completed only by C corporations, S corporations, partnerships, and individuals. Do not complete this part if you are receiving the credit from a pass-through entity – skip to Part III.)

Line 3 – Enter the amount of your eligible costs related to the alternative energy equipment investment. 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.

Line 4 – Enter the amount of any grants you received that were provided by the state or federal government for the system.

Line 5 – Subtract line 4 from line 3. This is your eligible costs less grants received.

Line 6 – Multiply line 5 by 35%. Your alternative energy production credit is equal to 35% (0.35) of your eligible costs. However, the amount you can take in the current year may be limited as calculated in Part IV.

Line 7 – Enter any alternative energy production credit that you are carrying forward from previous years.

Line 8 – Add lines 6 and 7. This is your alternative energy production credit for the current year.

Part III. Credit Calculation

(This part is to be completed only by partners in a partnership and shareholders of an S corporation.)

In the space provided, enter the business name and Federal Employer Identification Number of the partnership or S corporation that you are receiving the credit from.

Line 9 – Enter your portion of the alternative energy production credit. This amount can be found on the Montana Schedule K-1 you received from the entity.

Line 10 – Enter any alternative energy production credit that you are carrying forward from previous year.

Line 11 – Add lines 9 and 10. This is your total alternative energy production credit before limitation. Continue to Part IV to determine if there is a limitation on your alternative energy production credit in 2014.

Part IV. Credit Limitation

Line 12 – Enter the net income attributable to eligible alternative energy equipment. For individuals, this amount should not include any exemptions or deductions.

If a portion of your business's taxable or net income qualifies for this credit and a portion does not qualify, you must prorate your income and associated taxes that qualify for this credit by using the three-factor formula provided in 15-31-305, MCA. The Income Allocation Worksheet has been provided at the bottom of the form for your convenience.

Line 13 – Enter your Montana taxable income.

Individuals. Enter the amount from Form 2, line 45; or

C corporations. Enter the amount from Form CIT, line 7.

Line 14 – Divide line 12 by line 13. Carry the amount to four decimal places and do not enter more than 1.0000.

Line 15 – Enter the total tax from your return.

Individuals. Enter the amount from Form 2, line 48; or

C corporations. Enter the amount from Form CIT, line 10.

Line 16 – Multiply line 14 by line 15 to calculate the maximum amount of alternative energy production credit you can claim this year.

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.

Line 17 – If you completed:

- Part II, enter the smaller of the amount from line 16 and line 8 from Part II.
- Part III, enter the smaller of the amount from line 16 and line 11 from Part III.

If the amount you calculated on line 16 is larger than the amount on line 8 from Part II or line 11 from Part III (depending on which Part you were required to complete), your credit is limited in the current year.

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.

Income Allocation Worksheet

Lines 18, 19 and 20 – If you are a C corporation and have filed a combined return, the amount you enter in the Total Factors column should equal the total values from Column A of Form CIT, Schedule K.

Line 23 – Enter the total net income of the business. For C corporations, enter the amount on line 7 of the CIT.

Line 24 – Multiply the amount on line 23 by the amount on line 22. This is your net income attributable to eligible alternative energy equipment. If you are:

- An individual, enter this amount on line 12 of Part IV.
- A C corporation, enter this amount on line 12 of Part IV.
- An S corporation or partnership, report each owner's distributive share of this amount to them on Montana Schedule K-1. Do not complete lines 12 through 17 of Part IV.

Administrative Rules of Montana: 42.4.4101, 42.4.4106, 42.4.4107, 42.4.4109, 42.4.4112

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