

Form ENRG-A Instructions

What is a geothermal system?

A geothermal system is a system that transfers energy either from the ground by a closed loop, or from ground water by an open loop, for the purpose of heating or cooling a residential building.

What installation costs are allowed when claiming the credit?

Your allowed installation costs include:

- Trenching, well drilling, casing and downhole heat exchangers
- Piping, control devices and pumps that move heat from the earth to heat or cool the building
- Ground source or ground coupled heat pumps
- Liquid-to-air heat exchanger, ductwork and fans installed with a ground heat well that pump heat from a well into a building
- Design and labor

Who qualifies for the geothermal system credit?

The geothermal system credit is available to Montana residents who complete the installation of a geothermal system in their principal dwelling.

The credit is also available to contractors that install a geothermal system in a new residence they're building for sale.

Only builders that are individuals or C corporations can claim the credit. This credit is not available to builders that are partnerships or S corporations.

Only one credit is allowed for a residence so the builder and purchaser of a new residence with a qualifying geothermal system cannot both claim the credit.

I am an individual who purchased a newly constructed home with a geothermal system installed by the builder. Am I entitled to the credit?

No. Because you did not install and pay for the system, you are not entitled to the credit. The builder may be entitled to the credit.

I am a contractor or builder and have been hired to construct a residence. The plans include installing a geothermal system. Am I entitled to the credit?

No. The individual for whom you are installing the system may be entitled to the credit.

I am an individual purchasing a "spec house" that is still under construction. The current plans do not include a geothermal system. If I have the plans changed to include a system, can I claim the credit?

Yes. As long as you pay for the additional costs associated with installing the geothermal system, you are entitled to the credit.

I am unable to claim the full amount of my geothermal credit because my income tax liability is less than \$1,500. Can I carry my unused credit forward?

Yes. This credit is considered a nonrefundable carryover credit that you can carry forward for seven succeeding tax years. If you are an individual, complete lines 9, 10 and 11 to determine the unused amount of your geothermal credit that can be carried forward from a prior year. If you are filing as a C corporation, include the carryforward on Form CIT, Schedule C. You also need to include a detailed schedule of your separate entity geothermal system credit carryforward, if applicable. Your total credit reported in the year of installation and in subsequent years cannot exceed the maximum credit of \$1,500.

My spouse and I jointly own our home. Can we both claim the geothermal system credit?

Yes, you can, but the credit is limited to \$1,500 for the installation of a geothermal system in your principal home. You may allocate the credit between you and your spouse in any manner you choose.

I made repairs to my geothermal system this year. Am I entitled to claim this credit for the cost of my repairs?

No. Repairs to your existing geothermal system are not installation costs that entitle you to a geothermal system credit.

Please visit our website at revenue.mt.gov for additional information regarding energy-related tax relief options. The website includes information such as answers to frequently asked questions and links to other related sites.

Administrative Rules of Montana: 42.4.104 and 42.4.121

Questions? Call us at (406) 444-6900.