EXHIBIT 16
DATE 2.21.07
HB 748

2006 Energy Conservation Installation Credit

15-32-109, MCA

MONTANA
ENRG-C
Rev. 11-06

Your first name and initial	Last name	Your social security number
Spouse's first name and initial	Last name	Spouse's social security number

1 Enter here the physical address of the building where the energy conservation installation occurred. .....
2 Enter here the date the energy conservation installation was completed. .....
3 Enter here the type of investment, i.e. insulation, windows, doors, heating systems. .....

4 Was this energy conservation installation made in the process of constructing a new building? ☐ Yes ☐ No

If you answered *"yes"* to question 4 above, your energy conservation expenses reported on lines 5 and 6 below are those expenses that exceed the requirements of the 2003 International Energy Conservation Code (IECC) with Montana amendments. See the instructions for further details.

Complete lines 5 through 11 to determine your energy conservation installation credit for 2006. This is a nonrefundable single year credit that cannot exceed your income tax liability and cannot be carried forward to subsequent years.

- If you are married and both you and your spouse paid the expenses for the energy conservation investment, combine these expenses on lines 5 and 6 below to determine the amount of each spouse's credit. If you and another individual (or individuals) to whom you are not married, paid the energy conservation expenses, enter on lines 4 and 5 only those expense that are attributable to you. Do not include on lines 5 and 6 those energy conservation expenses attributed to the other individuals.

5 Enter the total amount of your expenses paid in 2006 for the capital investments you made in the physical attributes of your building for energy conservation purposes. 5
6 Enter the total amount of your expenses paid in 2006 for the installation of a water, heating or cooling system in your building for energy conservation purposes. 6
7 Add lines 5 and 6 and enter the result here. This is your total expenditure for energy conservation purposes made in 2006. 7
8 Multiply the amount on line 7 by .25 (25%) and enter the result here. 8

9 If the energy conservation investment was paid only by you, enter the smaller of the amount on line 8 or $500. **This is your energy conservation installation credit.** Enter here and on Form 2, Schedule V, line 4 or Form 2M, Schedule II, line 2. 9
10 If the energy conservation investment was paid by both you and your spouse and your filing status is married filing jointly, enter here the smaller of the amount on line 8 or $1,000. **This is you and your spouse's energy conservation installation credit.** Enter here and on Form 2, Schedule V, Line 4 or Form 2M, Schedule II, line 2. 10
11 If the energy conservation investment was paid by both you and your spouse and your filing status is married filing separately on the same form, or on separate forms, your total credit is the smaller of the amount reported on line 8 above or $500 for each spouse. Enter in columns A and B the amount allocated to each spouse. Neither spouse may claim more than $500. The total of both spouses' credit on line 11 cannot exceed the amount on line 8. **This is you and your spouse's individual energy conservation installation credit.** Enter here and on Form 2, Schedule V, Line 4. 11

Column A	Column B

When you file your Montana income tax return electronically, you represent that you have retained all documents required as a tax record and that you will provide a copy to the department upon request.

General Instructions

What is considered a capital investment for "energy conservation purposes"?

A capital investment means any materials or equipment that you purchase and install in a building that results in either:

- reducing the waste or dissipation of energy; or
- reducing the amount of energy required to accomplish a given quantity of work.

What are some examples of a capital investment that I can make to a building that will qualify for the energy conservation credit?

In order to qualify for this credit your investment has to be made to the building itself. The following investments qualify for the energy conservation credit. This list is not intended to be an all inclusive list, but a guideline to assist you in determining if your investment qualifies.

- Caulking and weather stripping of an existing structure
- Insulating exterior doors of an existing structure
- Installing glass fireplace doors on existing fireplaces
- Insulation in the floors, walls, ceilings and roofs of existing buildings
- Installing a programmable thermostat
- Replacing incandescent light fixtures with light fixtures of a more efficient type, such as those with electronic ballast and compact or linear fluorescent lamps
- Installing lighting controls with cut-off switches that permit the selective use of lights
- The installation of devices that limit the flow of hot water from shower heads and lavatories
- Insulation in the floors, walls, ceilings and roofs of a new building to the extent exceed the requirements of the 2003 International Energy Conservation Code (IECC) with Montana amendments.
- Insulation of pipes and ducts located in non-heated areas and of hot water heaters and tanks.
- Installing special insulating siding with a certified insulating factor in excess of normal siding
- Installing storm windows or storm doors to existing structures
- Installing exhaust fans to reduce air conditioning requirements.

In addition to investments made to the physical attributes of a building, you also can qualify for this credit for the installation and replacement of a domestic hot water heater, heating system or a cooling system in a building.

I am constructing a new home. Can I claim the energy conservation credit?

Yes you can. For new buildings, eligible investments are energy saving materials or systems that exceed the 2003 International Energy Conservation Code requirements for Montana or established standards of construction. The extra costs associated with building a home above energy code minimum requirements are considered eligible investments for this tax credit.

The eligible investment for the energy conservation credit in new home construction will need to exceed the requirements of the 2003 International Energy Conservation Code (IECC) with Montana amendments. Your investment that only meets the requirements of the 2003 IECC is not an eligible investment for purposes of the energy conservation credit. For example, if you install an ENERGY STAR qualified furnace in a new home construction project, the incremental cost of the qualified furnace and its installation cost that exceed the cost of a conventional furnace that is required by the IECC will qualify for the energy conservation credit.

I have purchased an ENERGY STAR washer and dryer for my home this year. Are these cost eligible for the energy conservation tax credit?

No. The energy conservation credit does not apply to the purchase of household appliances.

How do I determine if a specific furnace or boiler model or cooling system qualifies as an eligible investment for the energy conservation credit?

In general, heating and cooling equipment that qualifies for the ENERGY STAR Program will meet specifications for the tax credit. Visit the ENERGY STAR website at www.energystar.gov to view a listing of ENERGY STAR qualified equipment from any manufacturer.

My spouse and I replaced the windows and doors in our home with those that will qualify us for the energy conservation credit. Are we both entitled to the energy conservation credit?

Yes you are. To the extent that your energy conservation investment(s) exceeded $4,000 and both you and your spouse own the home, you are each entitled to a $500 energy conservation credit. If you are filing jointly with your spouse, you may claim $1,000 as your energy conservation credit. If you are filing separately with your spouse, each spouse's energy conservation credit is limited to the smaller of $500 or 25% of his or her investment.

I qualify for the energy conservation credit this year but am unable to claim the full amount of my credit because my income tax liability is less than $500. Can I carry my unused credit forward to 2007?

No you cannot. The energy conservation credit is considered a nonrefundable single year credit in which you cannot carry forward any unused portion of your credit to succeeding tax years.

I installed new windows and exterior doors in my home for a total expenditure of $10,000. My 25% energy conservation credit is $2,500. Am I eligible for the full $2,500 credit?

No you are not. Your energy conservation credit is limited to the smaller of $500 or 25% of the qualified investments made during the tax year. You are not eligible to carry any of the excess credit forward to succeeding tax years.

What type of records should I retain to document my eligible expenses for the energy conservation credit?

You should retain invoices, sales agreements or receipts that document work done and the equipment installed. Your records should clearly state the equipment manufacturer, make and model number of any installed heating and cooling systems, windows, doors, light fixtures, thermostats, etc. that will determine the qualifications for this credit.

Questions? Please call us at (406) 444-6900 or TDD (406) 444-2830 for the hearing impaired.