

Montana Laws and Incentives for Tax Incentives

The list below contains summaries of all Montana laws and incentives related to Tax Incentives.

State Incentives

Alternative Fuel Vehicle (AFV) Conversion Tax Credit

Businesses and individuals are eligible for an income tax credit of up to 50% of the equipment and labor costs for converting vehicles to operate using alternative fuels. Qualified alternative fuels are compressed and liquefied natural gas, liquefied petroleum gas (propane), hydrogen, electricity, and fuels containing at least 85% ethanol, methanol, ether, or another alcohol. The maximum credit is \$500 for the conversion of vehicles with a gross vehicle weight rating (GVWR) of 10,000 pounds (lbs) or less and \$1,000 for vehicles with a GVWR of more than 10,000 lbs. The credit is only available for the year in which the business or individual converts the vehicle. An alternative fuel seller may not receive a credit for converting its own vehicles to operate on the alternative fuel it sells. Reference [Montana Code Annotated](#) 15-30-2320)

Ethanol Production Incentive

Montana-based ethanol producers are eligible for a tax incentive of \$0.20 per gallon of ethanol produced solely from Montana agricultural products or ethanol produced from non-Montana agricultural products when Montana products are unavailable. If the producer uses non-Montana based agricultural products, the amount of the tax incentive per gallon is reduced proportionately, based on the percentage of non-Montana based agricultural or wood products used in production. The tax incentive is available to a facility for the first six years from the date production begins. Ethanol eligible for the incentive must be blended with gasoline for sale as ethanol-blended gasoline in Montana, exported from Montana for sale as ethanol-blended gasoline, or used in the production of ethyl butyl ether for use in reformulated gasoline. To receive the tax incentive, an ethanol producer must use at least 20% Montana products to produce the ethanol in the first year of production, must use at least 25% Montana products in the second year of production, and must increase the amount of Montana products by 10% each year thereafter. (Reference [Montana Code Annotated](#) 15-70-522)

Ethanol Production Facility Property Tax Exemption

Equipment used to produce ethanol from grain is exempt from state property taxes during construction of an ethanol manufacturing facility and for 10 years after ethanol production begins at the facility. (Reference [Montana Code Annotated](#) 15-6-220)

Biodiesel Blending Tax Credit

Businesses and individuals are eligible for a tax credit of up to 15% of the cost of qualified equipment used for storing or blending biodiesel with petroleum diesel offered for sale. Biodiesel must be made entirely from components produced in Montana and must account for at least 2% of the business' or individual's total diesel sales within three years of the initial credit. The credit may not exceed \$52,500 for a special fuel distributor and \$7,500 for an owner or operator of a motor fuel outlet. The credit can be claimed in the two tax years before the year in which the business or individual begins blending biodiesel fuel for sale or in any tax year in which the business or individual blends biodiesel fuel for sale. (Reference [Montana Code Annotated](#) 15-32-703)

Biodiesel Production Facility Tax Credit

Businesses and individuals are eligible for a tax credit of up to 15% of the cost of constructing and equipping a facility to be used for biodiesel or bio-lubricant production. Additionally, a tax credit is available for property used primarily to crush oilseed crops for purposes of biodiesel production. The facility or equipment must be in operation before January 1, 2015. The business or individual may claim either production tax credit in the two tax years before production begins or in any tax year in which production occurs. (Reference [Montana Code Annotated](#) 15-32-701 and 15-32-702)

Biodiesel Tax Refund

A licensed distributor who pays the special fuel tax on biodiesel may claim a refund equal to \$0.02 per gallon of biodiesel sold during the previous quarter if the biodiesel is made entirely from components produced in Montana. Additionally, the owner or operator of a retail motor fuel outlet may claim a refund equal to \$0.01 per gallon of biodiesel

purchased from a licensed distributor if the biodiesel is made entirely from components produced in the state. (Reference [Montana Code Annotated](#) 15-70-369)

Alternative Fuel Production Property Tax Incentive

Alternative fuel production facilities, including biodiesel, biomass, biogas, and ethanol production facilities, may qualify for a reduced property tax rate of 3% of market value. In addition, temporary property tax rate abatements are available for qualified biodiesel, biomass, biogas, and ethanol production facilities. The tax abatements are available during facility construction and for the first 15 years after the facility begins operation. The total time of the qualifying period may not exceed 19 years. For more information, see the Montana Department of Environmental Quality "[Clean and Green](#)" [Property Tax Incentives](#) website. (Reference [Montana Code Annotated](#) 15-6-157 and 15-24-3111)

Biodiesel Tax Exemption

Biodiesel producers that produce biodiesel from waste vegetable oil feedstock are exempt from the state special fuel tax. Waste vegetable oil means used cooking oil gathered from restaurants or commercial food processors. (Reference [Montana Code Annotated](#) 15-70-301 and 15-70-320)

The AFDC is a resource of the U.S. Department of Energy's Clean Cities program.

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