



The same designs that reduce emissions and make us more resilient to climate impacts can also reduce costs while ensuring a safer indoor environment for occupants.

Development Resources

Incentives and Financing Opportunities

Contents

Why Electrify with Renewable Energy?	1
Electrify What?	2
How to Electrify	3
IRA Incentives - <i>Businesses, NGOs, Govt</i>	4-8
IRA Incentives - <i>Residents, Homebuilders</i>	9-13
Local Rebates	14
C-PACE	15-16
Financing Options	17

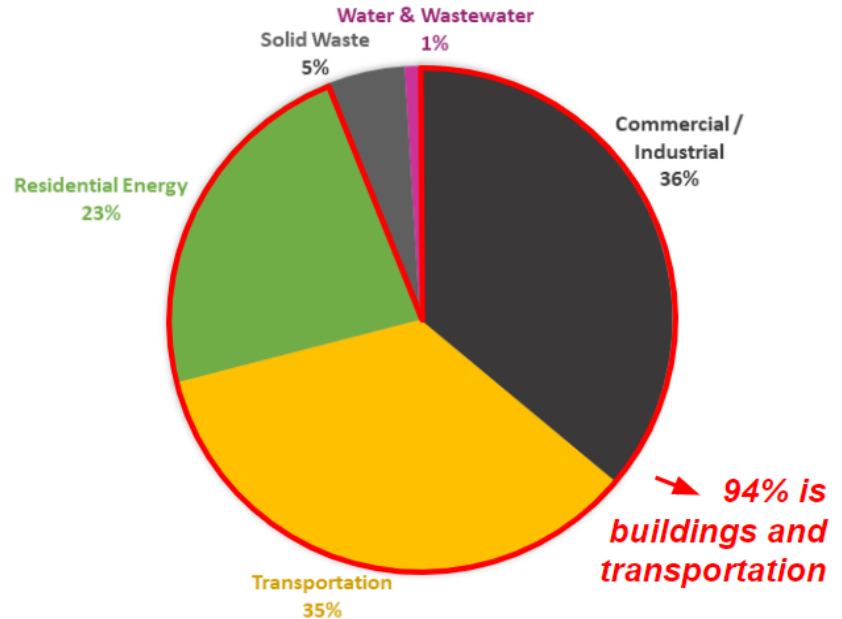
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Why Electrify with Renewable Energy?

Climate Action

We can dramatically reduce emissions from buildings through energy efficiency measures, electrification, and renewable energy development. Natural gas is primarily comprised of methane (> 85%), which traps more heat than carbon in the first 20 years after it's released. Outfitting buildings with electric vehicle charging infrastructure encourages electrification of transportation, reducing emissions from that sector as well. Reducing emissions from buildings and transportation is one of the primary ways we can align with global efforts to reduce emissions by 50% by 2030 to avoid the worst impacts of the climate crisis.

MISSOULA COMMUNITY GREENHOUSE GAS EMISSIONS BY SECTOR



Energy Cost Savings and Predictability

Constructing all-electric buildings is often less expensive than constructing mixed-fuel buildings, saving hundreds to thousands of dollars. When paired with on-site renewable energy, the switch to highly efficient electric heating and cooling systems can also save on energy costs compared to natural gas alternatives and protect from natural gas price volatility as well as future increases in energy costs.

Health and Comfort

Energy efficient buildings maintain more consistent indoor temperatures while highly efficient electric heat pumps keep buildings warm in the winter and provide cooling in the summer. Electrification eliminates sources of indoor air pollution from natural gas burners and leaks. Recent studies have linked burning methane in our homes with serious health issues like asthma, leukemia, and cognitive decline. Together, energy efficiency and electrification can create a safer and more comfortable indoor environment. Getting off methane-powered appliances and electrifying—while also investing in clean energy—is an essential climate and health solution. Luckily, there are several incentives available to offset costs. Read on for more!

Explore how incentives and financing can stack together at ElectrifyMissoula.org

Electrify What?



Electrification means the conversion of systems that are typically powered by methane gas, propane, diesel, or gasoline to those powered by (increasingly clean and renewable) electricity. For many buildings, proposed electrification strategies typically include:

- Replacing gas furnaces with air source heat pumps or ground source heat pumps to provide space heating and cooling;
- Replacing gas hot water heaters with heat pump water heaters;
- Replacing gas dryers with electric counterparts (conventional or heat pump);
- Replacing gas ranges with induction or conventional electric ranges; And,
- Adding electric vehicle charging capabilities to garages or parking spaces.

Energy savings and bill savings are highest when electrification is paired with energy efficiency (like better insulated buildings) and renewable energy (like rooftop solar).

Explore how incentives and financing can stack together at [ElectrifyMissoula.org](https://www.electrifymissoula.org)

How to Electrify

STEP 1: Understand your Energy Use

The first step is to look holistically at your building's processes, equipment, and infrastructure to understand how each element is powered.

STEP 2: Work with a Trusted Contractor or Consultant

Now that you have a better understanding of your overall energy use, it is time to reach out to a trusted contractor or consultant who actively supports clean energy projects.

STEP 3: Consider the Following Factors

Weatherization & Improving Efficiency - It's wise to think about making your building as energy efficient as possible before installing an electric system.

Initial vs. Operational Cost - High efficiency electric systems will typically have a higher initial cost than conventional fossil-fuel based heating/cooling systems, but the increased efficiency means lower operating costs over time.

Efficiency Rating - Make sure your system has an adequate SEER/HSPF rating and/or is on the qualified list of products to receive federal tax incentives.

STEP 4: Create a Working Plan

The system(s) you choose to install may depend on several factors, such as your budget, heating and cooling demand, health impacts, and environmental impacts. It's important to understand your priorities and potential tradeoffs before you decide how to proceed.

STEP 5: Determine your Budget and Financing

Build your plan into your upcoming budget. Between rebates, tax credits, and financial incentives, there are several ways to offset the initial cost of going electric.

This packet of development resources can support you in identifying the tax credits, rebates, and financing options that could apply to your building retrofit, renovation, or construction project.

Explore how incentives and financing can stack together at ElectrifyMissoula.org



IRA Incentives: Businesses, Non-Profits, and Local Governments

Tax Credits: No Tax Liability Needed

The Inflation Reduction Act's new direct pay and transfer options allow more organizations to utilize clean energy tax credits:

- **Elective Pay:** Elective pay, also called ‘direct pay’, allows the value of certain tax credits to be distributed as a direct payment to non-taxable entities, such as tax-exempt organizations; states; political subdivisions such as cities, counties, or school districts; Indian Tribal governments; and rural electricity co-ops.
- **Transferability:** Transferability allows eligible taxpayers, that are not tax-exempt entities, to **transfer** all or a portion of certain tax credits to an unrelated party. This is particularly helpful for households and businesses that may not have adequate tax burden to otherwise benefit from the full value of the credit.

IRA Incentives Summary

Topic	Incentive Name	Incentive Amount	Elective Pay	Transferability	Stackability Rules
Renewable Energy	Clean Electricity Investment Tax Credit	Up to 70% off the cost of a renewable energy system	Yes	Yes	Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3)
	Clean Electricity Production Tax Credit	Up to a credit of \$0.0293/kWh in 2024 dollars, adjusted for inflation	Yes	Yes	Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3)
Building Energy Efficiency	Energy Efficient Commercial Buildings Credit	Up to \$5.00/sqft for building energy efficiency improvements	No	No	No rules - Combine freely with other incentives
Clean Vehicle Charging Infrastructure, Alternative Fuels	Alternative Fuel Vehicle Refueling Property Credit	Up to 30% off the cost of alternative fuel vehicle refueling/charging property	Yes	Yes	No rules - Combine freely with other incentives

Explore how incentives and financing can stack together at [ElectrifyMissoula.org](https://www.electrifymissoula.org)



Clean Electricity Production Tax Credit – Formerly the Production Tax Credit before 2025

Availability: Technologies other than wind and solar must begin construction in 2033 or earlier to receive full credit. There is a three-year phaseout thereafter. Wind and solar technologies must begin construction prior to July 4, 2026 or be subject to a Dec. 31, 2027 placed-in-service date. Wind and solar projects beginning construction prior to July 4, 2026 will have four years to place their project into service. Additional Foreign Entity of Concern (FEOC) restrictions apply for projects placed in service after December 31, 2025.

Description and Eligibility: Provides a tax credit for production of electricity for ten years from renewable sources, such as wind, biomass, geothermal, solar, small irrigation, landfill and trash, hydropower, and marine and hydrokinetic renewable energy.

Base Credit Amount: In 2024, the base credit was \$0.0059/kWh.¹ The base credit is \$0.003/kWh in 1992 dollars, adjusted annually for inflation.

Projects under 1MW are exempt from prevailing wage and registered apprenticeship requirements and receive the full credit amount. In 2024, this credit was \$0.0293/kWh. The full credit is \$0.015/kWh in 1992 dollars, adjusted annually for inflation.

Bonus Credits:

- Credit is increased by 5 times for projects over 1 MW meeting prevailing wage and registered apprenticeship requirements.
- Credit is increased by 10% if the project meets certain domestic content requirements for steel, iron, and manufactured products.
- Credit is increased by 10% if located in an energy community.

Ask your installer or tax professional for the latest guidance on requirements regarding prevailing wage, apprenticeship, domestic content, and energy communities.

Direct Pay: Yes

Transferability: Yes

Stackability: Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3).

Tax Code: 26 U.S. Code § 45Y

¹ Credit amounts adjust annually for inflation. The 2024 credit was found by multiplying 1992 amount by an inflation adjustment factor of 1.9499 [as determined by the IRS](#).

Explore how incentives and financing can stack together at
ElectrifyMissoula.org



Clean Electricity Investment Tax Credit - Formerly the Investment Tax Credit before 2025

Availability: Technologies other than wind and solar must begin construction in 2033 or earlier to receive full credit. There is a three-year phaseout thereafter. Wind and solar technologies must begin construction prior to July 4, 2026 or be subject to a Dec. 31, 2027 placed-in-service date. Wind and solar projects beginning construction prior to July 4, 2026 will have four years to place their project into service. Additional Foreign Entity of Concern (FEOC) restrictions apply for projects placed in service after December 31, 2025.

Description and Eligibility: Provides a tax credit for fuel cell, solar electricity of heating technologies, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power properties.

Base Credit Amount: 6% off the energy property investment for projects above 1 MW, unless they meet bonus credit provisions. Projects under 1MW are exempt from prevailing wage and registered apprenticeship requirements and receive the full 30% credit, plus any other applicable bonus credits.

Bonus Credit Amount:

- Credit is increased by 5 times (to 30%) for projects meeting prevailing wage and registered apprenticeship requirements.
- Credit is increased by up to 10 percentage points for projects meeting certain domestic content requirements for steel, iron, and manufactured products.
- Credit is increased by up to 10 percentage points if located in an energy community.
- **Projects can also apply for one of the following bonus credits (applies to solar/wind projects less than 5 MW):**
 - Credit is increased by 10 percentage points for facilities located in low-income communities **OR** on Tribal land.
 - Credit is increased by 20 percentage points for facilities that are part of certain federally subsidized housing programs **OR** that offer at least 50 percent of the financial benefits of the electricity produced to low-income households. Ask your installer or tax professional for the latest guidance on requirements regarding prevailing wage, apprenticeship, domestic content, energy communities, low-income communities, Tribal land, and affordable housing.

Direct Pay: Yes

Transferability: Yes

Stackability: Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3).

Tax Code: 26 U.S. Code § 48E

Explore how incentives and financing can stack together at ElectrifyMissoula.org



Energy Efficient Commercial Buildings Deduction

Availability: Projects must begin construction before June 30, 2026 to receive the credit.

Description and Eligibility: Provides a tax deduction for energy efficiency improvements to commercial buildings, such as improvements to interior lighting; heating, cooling, ventilation, and hot water; and building envelope. Eligible recipients include owners and long-term lessees of commercial buildings, as well as designers of energy efficient building property (architects, engineers).

Base Credit Amount:

- For property placed in service in 2023 and after, the savings per square foot are calculated as:
 - \$0.50 per square foot for a building with 25% energy savings
 - Plus \$0.02 per square foot for each percentage point of energy savings above 25%
 - Up to a maximum of \$1.00 per square foot for a building with 50% energy savings
- Alternatively, taxpayers can qualify for deductions through “qualified retrofit plans” that reduce a building’s energy use intensity by at least 25%.

Bonus Credit Amount: 5 times the base deduction amount (up to \$5.00/sqft) if the project meets prevailing wage and registered apprenticeship requirements.

Ask your contractor or tax professional for the latest guidance on prevailing wage and apprenticeship requirements.

Direct Pay: No, but if the system or building is installed on federal, state, or local government property, the tax deduction may be taken by the person primarily responsible for the system’s design. The tax deduction does not apply to other non-tax paying entities, including but not limited to NGOs or churches, unless there exists an energy-as-a-service agreement that is owned by a tax paying company.

Transferability: No

Stackability: No rules

Tax code: 26 U.S. Code § 179D

Explore how incentives and financing can stack together at [ElectrifyMissoula.org](https://www.ElectrifyMissoula.org)



Alternative Fuel Vehicle Refueling Property Credit

Availability: Property must be placed in service before June 30, 2026 to receive the credit.

Description and Eligibility: Provides a tax credit for alternative fuel vehicle refueling and charging property in low-income and rural areas.² Alternative fuels include electricity, ethanol, natural gas, hydrogen, biodiesel, and others.

Base Credit Amount: 6% off the cost of the refueling/charging property, limited to a \$100,000 credit per item of property.

Bonus Credit Amount: Businesses can claim a 30% credit for projects meeting prevailing wage and registered apprenticeship requirements.

Ask your contractor or tax professional for the latest guidance on prevailing wage and apprenticeship requirements.

Direct Pay: Yes

Transferability: Yes, for property used in a trade or business.

Stackability: No rules

Tax code: 26 U.S. Code § 30C

² To determine if a property is eligible for this credit, [visit the IRS website](#) and see “eligible census tracts.”

Explore how incentives and financing can stack together at ElectrifyMissoula.org





IRA Incentives: Homeowners, Renters, and Homebuilders

IRA Incentives Summary

Transferability: Transferability allows eligible taxpayers, that are not tax-exempt entities, to **transfer** all or a portion of certain tax credits to an unrelated party. This is particularly helpful for households and businesses that may not have adequate tax burden to otherwise benefit from the full value of the credit.

Topic	Incentive Name	Incentive Amount	Transferability
Building Energy Efficiency	New Energy Efficient Homes Credit	Up to \$5,000 for new homes that meet certain energy efficiency standards	No
	Home Energy Performance-Based, Whole-House Rebates (HOMES)	Up to \$8,000 for home energy performance improvements	N/A
	High-Efficiency Electric Home Rebate Program (HEEHRA)	Up to \$14,000 for highly efficient home appliances	N/A
Clean Vehicle Charging Infrastructure, Alternative Fuels	Alternative Fuel Vehicle Refueling Property Credit	Up to \$1,000 for refueling property, like EV chargers	Yes

Explore how incentives and financing can stack together at ElectrifyMissoula.org



New Energy Efficient Homes Credit

Availability: Qualified new energy-efficient homes must be acquired before June 30, 2026 to receive the credit.

Description and Eligibility: Tax credit to homebuilders for homes built to specific energy efficiency standards.

Base Credit Amount:

- \$2,500 for new homes meeting Energy Star standards;
- \$5,000 for certified zero-energy ready homes.
- For multifamily, base amounts are \$500 per unit for Energy Star and \$1000 per unit for zero-energy ready.

Bonus Credit Amount: For multifamily homes, 5 times the base amount (\$2,500 per unit for Energy Star and \$5,000 per unit for zero-energy ready) if prevailing wage requirements are met.

Ask your contractor or tax professional for the latest guidance on prevailing wage and apprenticeship requirements.

Transferability: No

Stackability: No rules - Taxpayers claiming the Low-Income Housing Tax Credit do not have to reduce their tax basis when claiming the New Energy Efficient Homes Credit.

Tax Code: 26 U.S. Code § 45L



Home Energy Performance-Based, Whole-House Rebates (HOMES)

Availability: Program was initially expected to launch in early 2024 and remain available through September 30, 2031. Program launch date remains uncertain.

Description and Eligibility: State administered rebate to homeowners for whole house energy savings retrofits. Rebate amounts are based on the income of the recipient compared to the area median income (AMI).

Energy Savings	REBATE AMOUNT BASED ON INCOME			
	Single Family Home	Single Family Home	Multifamily Homes	Multifamily Homes
	<i>Above 80% AMI</i>	<i>Below 80% AMI</i>	<i>50% of Occupants Above 80% AMI</i>	<i>50% of Occupants Below 80% AMI</i>
20% - 35%	MODELED SAVINGS METHOD			
	Lesser of \$2,000 or 50% of project costs	Lesser of \$4,000 or 80% of project costs	\$2,000 per dwelling unit, maximum \$200,000 per building	Lesser of \$4,000 per dwelling unit or 80% of project costs
35% or more	Lesser of \$4,000 or 50% of project costs	Lesser of \$8,000 or 80% of project costs	\$4,000 per dwelling unit, maximum \$400,000 per building	Lesser of \$8,000 per dwelling unit or 80% of project costs
15% or more	MEASURED SAVINGS METHOD			
	50% of project cost or \$100 per 1% reduction from average single family home energy use	80% of project cost or \$200 per 1% reduction from average single family home energy use	50% of project cost or \$100 per 1% reduction from average multi-family home energy use	80% of project cost or \$200 per 1% reduction from average multi-family home energy use

Contact the Department of Environmental Quality’s [Montana Home Energy Rebates Program](#) for details of the rebate program.

Stackability: No rules – you can combine this incentive with other incentives.

Explore how incentives and financing can stack together at ElectrifyMissoula.org



High-Efficiency Electric Home Rebate Program (HEEHRA)

Availability: Program was initially expected to launch in early 2024 and remain available through December, 2031. Program launch date remains uncertain.

Description and Eligibility: State administered rebate to homeowners for the purchase of high-efficiency electric home appliances.

Rebate Amounts:

Maximum rebate amounts for individual measures based on income qualification:

- Heat pump water heater: Up to \$1,750
- Heat pump for space heating and cooling: Up to \$8,000
- Electric stove, cooktop, range, or oven: Up to \$840
- Heat pump clothes dryer: Up to \$840
- Electrical load service center upgrade: Up to \$4,000
- Insulation, air sealing, and ventilation: Up to \$1,600
- Electric wiring: Up to \$2,500

Maximum rebate per building is \$14,000 with percentage caps varying by income and building type.

- Single family at 80-150% area median income: 50% of project costs or 50% of maximum
- Single family at less than 80% area median income: 100% of project costs or 100% of maximum
- Multifamily with 50% of occupants at 80-150% area median income: 50% of project costs or 50% of maximum
- Multifamily with 50% of occupants at less than 80% area median income: 100% of project costs or 100% of maximum

Contact the Department of Environmental Quality's [Montana Home Energy Rebates Program](#) for details of the rebate program.

Stackability: No rules – you can combine this incentive with other incentives.

Explore how incentives and financing can stack together at [ElectrifyMissoula.org](https://www.ElectrifyMissoula.org)



Alternative Fuel Vehicle Refueling Property Credit (*residential*)

Availability: Property must be placed in service before June 30, 2026 to receive the credit.

Description and Eligibility: Provides a tax credit for consumers who purchase qualified residential alternative fuel vehicle refueling and charging property. Alternative fuels include electricity, ethanol, natural gas, hydrogen, biodiesel, and others.

Base Credit Amount: 30% off the cost of the refueling/charging property, limited to a \$1,000 credit per item of property.

Transferability: Not for residential, only for property used in a trade or business.

Stackability: No rules

Tax code: 26 U.S. Code § 30C

Explore how incentives and financing can stack together at ElectrifyMissoula.org



Local Rebates

NorthWestern Energy Rebates

Northwestern Energy offers rebates to their commercial and residential customers, including for new construction, for several energy efficiency and electrification measures. There is also application assistance available for commercial customers.

Learn more at NorthWesternEnergy.com

Missoula Electric Cooperative (MEC)

On behalf of Bonneville Power, MEC works with consultants that offer customized energy efficiency advice and rebates to qualifying commercial customers in MEC territory. The advising and recommendations are offered free of charge and are followed by rebates (\$/kWh energy savings) for customers who implement recommended upgrades. MEC also offers rebates to residential customers for a variety of energy efficiency and electrification measures.

To learn more, visit [MEC's website](#), or reach out to Dan Rogers, Manager of Member Service/Energy Efficiency Specialist at MEC: danr@meccoop.com

Explore how incentives and financing can stack together at ElectrifyMissoula.org



LAST BEST PACE

Montana C-PACE Program

C-PACE, or Commercial Property Assessed Capital Enhancements, is a financing tool that provides building owners access to low-cost, long-term financing for building improvements. Eligible upgrades include energy and water efficiency, resiliency measures and renewable energy improvements that are fixed to the property. C-PACE helps building owners save money while investing in their property.

New construction, renovations and even retroactive projects, if completed within the last three years, are eligible for C-PACE. C-PACE is non-recourse, non-accelerable and transferrable.

C-PACE is secured by a tax assessment on the property, and payment is made through the property tax bill. Because the assessment is attached to the property, if/when the property is sold, the assessment can stay with the property. A property owner can install long-term improvements even if they don't plan on staying for the long term.

Projects with over \$100,000 in eligible improvements may qualify. C-PACE financing is flexible and allows for fixed and variable-rate loans with negotiable financing terms. C-PACE requires senior lender consent on all properties with existing loans. Contact us to see if C-PACE is right for your project.

ELIGIBLE PROPERTIES

- Commercial
- Industrial
- Agricultural
- Multifamily (five plus units)
- Mixed-use

PROJECT TYPES

- New construction
- Retrofit
- Retroactive — placed in service within last three years

PROJECT FEES

Origination

- 1.25% of project cost

Annual Administrative

- 1.0% of annual payment, not to exceed \$3,000

Montana Facility Finance Authority is the statewide C-PACE administrator.



C-PACE Program Checklist for Property Owners

Discuss Project

Discuss your project with the C-PACE Program.

Submit Application

Application can be found at lastbestpace.com.

Obtain Senior Lender Consent

Borrower obtains written consent from senior lender(s) agreeing to a tax assessment lien being placed on the property.

Acquire Energy Assessment/Solar Quote

An appropriate certified professional will establish the project's cost effectiveness, documenting that the savings generated by the project are greater than the costs of the project.

Procure Independent Third-Party Assessment

Borrower selects a C-PACE-registered contractor with the relevant professional certifications and no financial interest in the project to review the energy assessment/solar quote to ensure the project's cost effectiveness requirements are met.

Secure Financing

Work with a lender to secure financing for the project. Borrower selects the lender, which must meet program's eligible lender requirements, and negotiates loan terms.

Get C-PACE Program Project Approval

C-PACE reviews documents and process to ensure statutory program requirements are met.

Close the Loan

Work with lender and C-PACE Program to get proper documentation in place, then proceed to loan closing.

Complete Project

Ensure project is completed properly. Contractor who completed the project must submit written verification that the project was properly installed and is operating as intended.

Repay Loan

Pay assessment as billed on property tax statement. Local government provides loan payment funds to the C-PACE Program, which then submits the required payment to the lender.



Financing Options

Power Purchase Agreements (PPAs)

The city's solar installation at the **Resource Recovery Facility** is an excellent local example of a PPA. The city selected a PPA with Ameresco, who owns the panels, is responsible for their upkeep, can receive federal tax credits for the array, and in return Ameresco receives regular payments from the city for the array's energy production. The city receives renewable energy from the array, made no upfront financial investment, and now pays Ameresco a lower rate for electricity than they would currently be paying the utility on their regular electricity bills. PPAs can be arranged for solar installations of various sizes and are a way to secure renewable energy without upfront investment or traditional financing.

Learn more at [DOE's Better Buildings Solutions Center](#).

Clearwater Credit Union

Clearwater Credit Union offers two loan products that support electrification and clean energy projects for homeowners. The home energy efficiency loans cover upgrading HVAC (including heat pumps for space heating), windows, doors, and insulation, and more. The home solar loan is an unsubsidized loan for solar panels that can be amortized after getting state or federal incentives to lower monthly payments. For businesses, loan packages can be developed on a project-by-project basis.

Learn more at [ClearwaterCreditUnion.org](#)

Alternative Energy Revolving Loan Program (AERLP)

The Montana Department of Environmental Quality's AERLP provides low-interest loans to individuals, small businesses, and nonprofit organizations. This loan program is primarily intended to finance renewable energy (like rooftop solar) but can also be used to finance energy efficiency & electrification projects that are completed in conjunction with, or at about the same time, as installation of a renewable energy system. This includes insulation, high-efficiency windows, and energy-efficient appliances such as heat pumps, water heaters, electric stoves, washers/dryers and more. This is a great option for combining solar and energy efficiency/electrification projects under a single low-interest loan.

Learn more at [DEQ.MT.gov](#)

Learn more at [ElectrifyMissoula.org](#)

