



# Instructions for Form 720

## (Revised October 1994)

### Quarterly Federal Excise Tax Return

Section references are to the Internal Revenue Code unless otherwise noted.

**Paperwork Reduction Act Notice.**—We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing and sending the form to the IRS
720	24 hr., 38 min.	2 hr., 26 min.	8 hr., 57 min.
Sch. A	1 hr., 55 min.		2 min.
Sch. C Part I	2 hr., 38 min.		12 min.
Part II	13 hr., 9 min.		
Part III	14 min.		

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms simpler, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Attention: Tax Forms Committee, PC:FP, Washington, DC 20224; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0023), Washington, DC 20503. **DO NOT** send these tax forms to either of these offices. Instead, see **Where To File** below.

## Changes To Note

**Excess Adjustments and Claims.**—Effective with the 4th quarter Form 720, the adjustments and claims reported in Part III, line 4, can exceed the liability reported on line 3. This eliminates the need to file **Form 8849**, Claim for Refund of Excise Taxes, in these cases. See the instructions for line 4 and Schedule C.

**Oil Spill Tax.**—The 5-cents-per-barrel oil spill tax still applies for the 4th quarter of 1994. However, the tax is scheduled to expire after December 31, 1994. We will issue an announcement in December on the status of the oil spill tax.

## General Instructions

### Purpose of Form

Use Form 720 and attachments to report and pay the excise taxes listed on the form. File a return for each quarter. If you are not reporting a tax that you normally report, enter a zero on the appropriate line in Part I or II. Also, if you have no tax to report, write "None" on lines 3 and 5, page 2, Part III, and sign the return.

Get **Pub. 510**, Excise Taxes for 1994, for more information on the taxes reported on Form 720. Pub. 510 contains definitions and examples that will help you prepare Form 720 and the attachments.

## When To File

Except as otherwise provided in the instructions, you must file a return for each quarter of the calendar year as follows:

Quarter covered	All excise taxes other than ODCs, comm., and air trans. due by	ODCs, comm., and air trans. due by
Jan., Feb., Mar.	Apr. 30	May 31
Apr., May, June	July 31	Aug. 31
July, Aug., Sept.	Oct. 31	Nov. 30
Oct., Nov., Dec.	Jan. 31	Feb. 28

The filing date for the floor stocks tax on ODCs (IRS No. 20) was August 31, 1994, which was a return for the 2nd quarter of 1994.

If any due date for filing a return falls on a Saturday, Sunday, or legal holiday, you may file the return on the next business day.

If you are reporting two or more excise taxes and they are due on different dates, use the later filing date. **File only one return each quarter.**

## Where To File

If your principal business, office or agency, or legal residence in the case of an individual, is located in

Florida, Georgia, South Carolina

File with the Internal Revenue Service Center at

Atlanta, GA 39901

New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester) Holtsville, NY 00501

New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont Andover, MA 05501

Illinois, Iowa, Minnesota, Missouri, Wisconsin Kansas City, MO 64999

Delaware, District of Columbia, Maryland, Pennsylvania, Virginia Philadelphia, PA 19255

Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming Ogden, UT 84201

California (all other counties), Hawaii Fresno, CA 93888

Indiana, Kentucky, Michigan, Ohio, West Virginia Cincinnati, OH 45999

Kansas, New Mexico, Oklahoma, Texas Austin, TX 73301

Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee Memphis, TN 37501

If you have no legal residence, principal place of business, or principal office or agency in any Internal Revenue district, file your return with the Internal Revenue Service Center, Philadelphia, PA 19255.

## Records

Keep copies of your tax return, records, and accounts of all transactions to show that the correct tax has been paid. Keep records to support all adjustments claimed and all exemptions at least 4 years from the latest of the following dates: (1) when the tax became due, (2) when you paid the tax, (3) when you claimed an adjustment, or (4) when you filed a claim for a refund. Your records

must be available at all times for IRS inspection.

## Penalties and Interest

Avoid penalties and interest by filing returns and depositing and paying taxes when due. The law provides penalties for filing a return late; depositing taxes late; paying taxes late; willfully failing to collect and pay tax, keep records, or file a return; negligence; and fraud. These penalties are in addition to the interest charge on late payments. The penalty for filing a return late will not be imposed if you can show that the failure to file a timely return is due to reasonable cause. Those filing after the due date must attach an explanation to the return to show reasonable cause.

**Trust fund recovery penalty.**—If communications and air transportation taxes are collected but not paid over to the IRS or are willfully not collected, the trust fund recovery penalty may apply. The penalty is 100% of such taxes. The penalty may apply to you if these taxes cannot be immediately recovered from the business. The penalty may be imposed on all persons who are determined by the IRS to be **responsible** for collecting, accounting for, and paying over these taxes, and who acted **willfully** in not doing so.

A **responsible person** can be an officer or employee of a corporation, a partner or employee of a partnership, an employee of a sole proprietorship, an accountant, or a volunteer director/trustee. A responsible person may also include one who signs checks for the business or otherwise has authority to cause the spending of business funds. **Willfully** means voluntarily, consciously, and intentionally. A responsible person acts willfully if he or she knows the required actions are not being taken.

## Specific Instructions

### Name and Address

The first time you file Form 720, enter the required information. After that, the IRS will mail you a Package 720 with a preprinted label every quarter. Use the preprinted label on your form. Include the suite, room, or other unit number after the street address on the label. If you did not receive a label, type or print your name, address, and quarter ending date (month and year).

**P.O. box.**—If the Post Office does not deliver mail to the street address and you have a P.O. box, show the box number instead of the street address.

**Foreign address.**—If your address is outside the United States or its possessions or territories, instead of providing “city, state, and ZIP code,” the following information is required: “city, province or state, postal code, and

name of the country.” Do not abbreviate the country name.

### Employer Identification Number (EIN)

If the EIN on the label is wrong or you did not receive a label, enter the correct number. If you do not have an EIN, you must apply for one. Get **Form SS-4**, Application for Employer Identification Number. Form SS-4 has information on how to apply for an EIN by mail or by telephone. If the EIN has not been received by the filing date of Form 720, write “Applied for” in the space for the EIN.

### Final Return

If you are filing a Form 720 and you: **(1)** will not be liable for excise taxes reportable on Form 720 in future quarters, **(2)** go out of business, or **(3)** stop collecting and paying air transportation and communications taxes reportable on Form 720, you must file a final return. Check the box on the final return line above Part I. For example, if you used to file a return only for luxury tax and you no longer owe luxury tax to the IRS, check the final return box to stop the mailing to you of Package 720 each quarter.

### Part I

Do not enter adjustments in the “tax” column. See the **Instructions for Schedule C (Form 720)** on page 7.

Use **Schedule A (Form 720)**, Excise Tax Liability, to record net tax liabilities for Part I taxes for each semimonthly period in a quarter. **Attach Schedule A to Form 720 each quarter, even if your net liability is under \$2,000.**

### Environmental Taxes

Use **Form 6627**, Environmental Taxes, to compute the liability for these taxes and attach it to Form 720 each quarter. The tax rates for these taxes are shown on Form 6627 and its instructions.

From Form 6627	Enter on Form 720
Part I, line 5, col. (c)	IRS No. 53
Part I, line 6, col. (c)	IRS No. 16
Part II, line 43, col. (c)	IRS No. 54
Part III, line 4, col. (f)	IRS No. 17
Part IV, line 4, col. (d)	IRS No. 98
Part V, line 4, col. (f)	IRS No. 19

### Communications and Air Transportation Taxes

**Who must file.**—The person receiving the payment for communications or air transportation services is required to collect and pay over the tax and file the return.

**Communications services (IRS No. 22).**—Enter the amount of tax collected or considered collected for the quarter. The tax is 3% of amounts paid for toll telephone service, teletypewriter exchange service, and local telephone service.

**Transportation of persons by air (IRS No. 26).**—Enter the amount of tax collected or considered collected for the quarter. The tax is 10% of amounts paid for taxable transportation of persons by air, including amounts paid for related seating or sleeping accommodations.

**Transportation of property by air (IRS No. 28).**—Enter the amount of tax collected or considered collected for the quarter. The tax is 6.25% of amounts paid for transportation of property by air.

**International air travel facilities (IRS No. 27).**—Enter the amount of tax collected or considered collected for the quarter. The tax is \$6 per person.

### Fuel Taxes

Enter the number of gallons subject to tax for each fuel. The fuels subject to tax and the tax rates are listed on Form 720.

**Diesel fuel (IRS No. 60).**—If you are liable for the diesel fuel tax on removal at the terminal rack, report these gallons on line **(a)** of IRS No. 60. If you are liable for the diesel fuel tax on events other than removal at the terminal rack, report these gallons on line **(b)** of IRS No. 60. Include on line **(b)** the tax on otherwise nontaxable liquids that are blended with previously taxed diesel fuel. For example, kerosene that is blended with previously taxed diesel fuel for use in a diesel-powered highway vehicle is subject to the \$.244 tax.

Multiply the total number of gallons subject to tax on lines **(a)** and **(b)** by \$.244 and make one entry in the tax column.

If you are reporting gallons subject to tax on line **(b)** of IRS No. 60, you may need to file a “first taxpayer’s report” with Form 720. See Regulations section 48.4081-7.

**Dyed diesel fuel used in trains (IRS No. 71).**—A \$.069 a gallon tax applies to dyed diesel fuel used in a diesel-powered train. See the **Instructions for Schedule C (Form 720)** on page 7 for information on claiming a credit if you bought undyed diesel fuel and used it in a diesel-powered train.

**Dyed diesel fuel used in certain intercity or local buses (IRS No. 78).**—A \$.074 a gallon tax applies to dyed diesel fuel used in a diesel-powered bus. See the **Instructions for Schedule C (Form 720)** on page 7 for information on claiming a credit if you bought undyed diesel fuel and used it in a diesel-powered bus.

A bus operator must pay the tax if the bus is used to furnish, for

compensation, passenger land transportation available to the general public. Such transportation must either be scheduled and along regular routes or the seating capacity of the bus must be at least 20 adults (not including the driver). A bus is available to the general public if the bus is available for hire to more than a limited number of persons, groups, or organizations.

**Special motor fuels (IRS No. 61).**—A \$.184 a gallon tax applies to any liquid other than gasoline, kerosene, gas oil, fuel oil, or diesel fuel sold for use or used in a motor vehicle or boat (other than a commercial fishing boat). The tax on liquid petroleum gas (LPG) is \$.183 a gallon.

**Other alcohol fuels (IRS No. 79).**—Report the tax for the following fuels on this line:

Fuel	Tax Rate per Gallon
Qualified ethanol . . . . .	\$.1295
Qualified methanol . . . . .	.1235
Qualified methanol and ethanol produced from natural gas . . . . .	.1140
Gasoline sold for gasohol production containing at least 10% alcohol (methanol) . . . . .	.1377
Gasoline sold for gasohol production containing at least 7.7% alcohol but less than 10% alcohol (methanol) . . . . .	.1492
Gasoline sold for gasohol production containing at least 5.7% alcohol but less than 7.7% alcohol (methanol) . . . . .	.1588
Gasohol containing at least 10% alcohol (methanol) . . . . .	.1240
Gasohol containing at least 7.7% alcohol but less than 10% alcohol (methanol) . . . . .	.1378
Gasohol containing at least 5.7% alcohol but less than 7.7% alcohol (methanol) . . . . .	.1498
Special motor fuels/alcohol mixture containing ethanol . . . . .	.1300
Special motor fuels/alcohol mixture containing methanol . . . . .	.1240
Diesel/alcohol mixture containing ethanol . . . . .	.1900
Diesel sold for diesel/alcohol mixture containing ethanol . . . . .	.2111
Diesel/alcohol mixture containing methanol . . . . .	.1840
Diesel sold for diesel/alcohol mixture containing methanol . . . . .	.2044
Aviation fuel/alcohol mixture containing ethanol . . . . .	.0850
Aviation fuel sold for aviation/ alcohol mixture containing ethanol . . . . .	.0944
Aviation fuel/alcohol mixture containing methanol . . . . .	.0790
Aviation fuel sold for aviation/ alcohol mixture containing methanol . . . . .	.0877

**Gasoline (IRS No. 62).**—If you are liable for the gasoline tax on removal at the terminal rack, report these gallons on line (a) of IRS No. 62. If you are liable for the gasoline tax on events other than removal at the terminal rack, report these gallons on line (b) of IRS No. 62. If you are liable for the additional tax on failure to blend or later separation, report these gallons on line (c) of IRS No. 62.

Multiply the total number of gallons subject to tax on lines (a) and (b) by \$.184. Multiply the total number of gallons subject to tax on line (c) by the appropriate rate (see below). Combine the tax for lines (a), (b), and (c), and make one entry in the tax column.

If you are reporting gallons subject to tax on line (b) of IRS No. 62, you may need to file a "first taxpayer's report" with Form 720. See Regulations section 48.4081-7.

**Additional tax on failure to blend or later separation.**—Anyone who purchases gasoline for gasohol production (IRS Nos. 58, 73, and 74) at one of the rates listed on Form 720 and fails to blend the gasoline with alcohol will be subject to an additional tax. Anyone who purchases gasohol (IRS Nos. 59, 75, and 76) at one of the rates listed on Form 720 and later separates the gasoline from the mixture will be subject to an additional tax. The additional tax rates per gallon of gasoline are:

Type of Mixture	Rate of Tax
At least 10% alcohol . . . . .	\$.0396
At least 7.7% alcohol but less than 10% alcohol . . . . .	.0298
At least 5.7% alcohol but less than 7.7% alcohol . . . . .	.0216

Report the number of gallons on line (c) of IRS No. 62.

**Compressed natural gas.**—Tax is imposed on compressed natural gas (CNG) that is sold for use or used as fuel in a motor vehicle or motorboat. The rate of tax is 48.54 cents per thousand cubic feet (determined at standard temperature and pressure). Follow the rules for the special motor fuels tax, which are described in section 4041 and the regulations thereunder. These rules determine liability for, and exemptions from, the tax on CNG. In addition, the tax on CNG is not imposed on CNG sold for use or used in certain school buses or qualified local buses.

**Retail Tax**

**Truck, trailer, and semitrailer chassis and bodies, and tractors (IRS No. 33).**—Compute the tax on Form 8807, Certain Manufacturers and Retailers Excise Taxes, and attach it to Form 720. Enter the amount from Form 8807, Part I, line 8, col. (a) on the line for IRS No. 33.

**Ship Passenger Tax**

**Transportation by water (IRS No. 29).**—A tax is imposed on the operator of commercial ships. The tax is \$3 for each passenger on a commercial passenger ship that has berth or stateroom accommodations for at least 17 passengers if the trip is over 1 or more nights. A voyage extends "over 1 or more nights" if it extends for more than 24 hours. The tax also applies to passengers on any commercial ship that transports passengers engaged in gambling aboard the ship beyond the territorial waters of the United States. Enter the number of passengers for the quarter on the line for IRS No. 29.

**Other Excise Tax**

**Obligations not in registered form (IRS No. 31).**—For obligations issued during the quarter, enter the principal amount of the obligation multiplied by the number of calendar years (or portion thereof) during the period beginning on the issue date and ending on the maturity date on the line for IRS No. 31.

**Luxury Taxes**

**Passenger vehicles (IRS No. 92).**—Compute the tax on Form 8807 and attach it to Form 720. See the instructions on Form 8807. Enter the amount from Form 8807, Part II, line 6, on the line for IRS No. 92.

**Aircraft tax imposed on purchaser for failure to provide certification of business use.**—If an aircraft was purchased free from the luxury tax between January 1, 1991, and December 31, 1992, the purchaser must attach a statement to his or her income tax returns for the first 2 tax years ending after the date the aircraft was placed in service. The statement must certify that the aircraft was used 80% or more in a trade or business. If this statement is not attached to the income tax return for each of the 2 years, the luxury tax on the aircraft will be imposed on the due date (including extensions) of the income tax return to which the statement is not attached. This tax must be paid by the purchaser of the aircraft. Forms 720 and 8807 must be filed for the quarter in which the due date of the income tax return falls.

For information on deposits of the luxury tax, see **Payment of Taxes** on page 5. You must pay interest, figured at the underpayment rate under section 6621 and compounded daily, on the tax from the date of purchase of the aircraft until the date the tax is paid. If you fail to pay the tax when due, you cannot claim any depreciation on the aircraft.

Use Part II of Form 8807 and Worksheet I in the instructions for Form 8807 to compute the aircraft luxury tax. When using the current revision of Form 8807, modify Part II to refer to aircraft

instead of passenger vehicles. In completing Worksheet I, use \$250,000 as the base amount on line 6. Enter the amount of tax due on line 6 of Part II, and transfer this amount to the line for IRS No. 92 on Form 720. Write "Section 4003(c)(3) interest" and the amount of interest due beneath the entry space for line 10 on page 2 of Form 720.

### How To Claim Refunds of the Repealed Luxury Taxes

Only the person who paid the tax to the United States may claim the refund. The Internal Revenue Code imposes certain limitations on refunds of excise taxes. To obtain a refund, the taxpayer must show that:

1. The amount of the tax has been refunded to the purchaser,
2. The purchaser has consented in writing to the allowance of the credit or refund, or
3. The tax was not included in the selling price of the article or collected from the purchaser.

All taxpayers must use **Form 8849**, Claim for Refund of Excise Taxes, to claim a refund of the repealed luxury taxes. You must use Form 8849 even if you will be liable for other excise taxes reported on Form 720. See Notice 93-44, 1993-2 C.B. 333, for information on the documentation required to file a claim.

### Manufacturers Taxes

**Caution:** Do not include the excise tax on coal in the sales price when determining which tax rate to use.

**Underground mined coal (IRS Nos. 36 and 37).**—The tax on underground mined coal is the lower of \$1.10 per ton or 4.4% of the sales price. Enter on the line for IRS No. 36 the number of tons of underground mined coal sold at \$25 or more per ton. Enter on the line for IRS No. 37 the total sales price for all sales of underground mined coal sold at a selling price of less than \$25 per ton.

**Surface mined coal (IRS Nos. 38 and 39).**—The tax on surface mined coal is the lower of \$.55 per ton or 4.4% of the sales price. Enter on the line for IRS No. 38 the number of tons of surface mined coal sold at \$12.50 or more per ton. Enter on the line for IRS No. 39 the total sales price for all sales of surface mined coal sold at a selling price of less than \$12.50 per ton.

**Highway-type tires (IRS No. 66).**—The tax applies only to highway-type tires and is as follows:

1. For tires weighing more than 40 pounds but not more than 70 pounds—\$.15 a pound for each pound over 40 pounds.
2. For tires weighing more than 70 pounds but not more than 90 pounds—

\$4.50 PLUS \$.30 a pound for each pound over 70 pounds.

3. For tires weighing more than 90 pounds—\$10.50 PLUS \$.50 a pound for each pound over 90 pounds.

Compute the tax for each tire sold and enter the total for the quarter on the line for IRS No. 66.

**Gas guzzler tax (IRS No. 40).**—Use **Form 6197**, Gas Guzzler Tax, to compute the liability for this tax and attach it **each quarter** to Form 720. The tax rates for the gas guzzler tax are shown on Form 6197.

**Vaccine tax (IRS Nos. 81, 82, 83, and 84).**—Enter the number of doses of each vaccine on Form 720. The taxable vaccines are: DPT (diphtheria, pertussis, and tetanus); DT (diphtheria-tetanus); MMR (measles, mumps, and rubella); and polio.

### Foreign Insurance Taxes

**Policies issued by foreign insurers (IRS No. 30).**—Enter the amount of premiums paid during the quarter on policies issued by foreign insurers. Multiply the premiums paid by the rates listed on Form 720 and enter the total for the three types of insurance on the line for IRS No. 30.

*Treaty-based return positions under section 6114.*—Foreign insurers and reinsurers who take the position that a treaty of the United States overrules, or otherwise modifies, an Internal Revenue law of the United States must disclose such position. This disclosure must be made once a year on a statement filed with the first quarter Form 720, which is due before May 1 of each year. The statement must report the payments of premiums that are exempt from the excise tax on policies issued by foreign insurers for the previous calendar year.

*How to file.*—Send the Form 720 with the attached statement to: Internal Revenue Service, P.O. Box 21086, Philadelphia, PA 19114. At the top of Form 720 write "Section 6114 Treaty." You need an EIN to file Form 720. If you do not have an EIN, get Form SS-4 for instructions on how to apply for one. Provided you have no other transactions reportable on Form 720, check the final return or one-time filing box on page 1; write "None" on lines 1, 3, and 5; and sign the return.

### Part II

Do not enter adjustments in the "tax" column. See the **Instructions for Schedule C (Form 720)** on page 7.

**Sport fishing equipment, electric outboard motors and sonar devices, and bows and arrows (IRS Nos. 41, 42, and 44).**—Compute the tax on Form 8807 and attach it to Form 720. See the instructions on Form 8807.

From Form 8807	Enter on Form 720
Part I, line 8, col. (b)	IRS No. 41
Part I, line 8, col. (c)	IRS No. 42
Part I, line 8, col. (d)	IRS No. 44

**Inland waterways fuel use (IRS No. 64).**—Enter the number of gallons subject to tax.

**Alcohol sold as but not used as fuel (IRS No. 51).**—Alcohol, either mixed or straight, designated for use as fuel is eligible for a credit. **Form 6478**, Credit for Alcohol Used as Fuel, is used to compute the credit. If the credit was determined and any person later either (1) uses a mixture or straight alcohol for a purpose other than fuel, (2) separates the alcohol from the mixture, or (3) mixes the straight alcohol, an excise tax is imposed. The tax is \$.54 a gallon (\$.64 a gallon if the alcohol benefited from the small ethanol producer credit) for each gallon of alcohol that is at least 190 proof and \$.40 a gallon (\$.50 a gallon if the alcohol benefited from the small ethanol producer credit) for each gallon of alcohol that is at least 150 proof but less than 190 proof.

### Floor Stocks Taxes

**Ozone-depleting chemicals floor stocks tax (IRS No. 20).**—Use Form 6627 to compute the liability for this tax. Enter the amount from Form 6627, Part VI, line 4, column (d) on the line for IRS No. 20. Attach Form 6627 to Form 720 for the second quarter of 1994. Deposit the payment by June 30, 1994, at an authorized depository. See **How To Make Deposits** on page 5.

### Part III

#### Line 4, Adjustments and Claims

You can now report the total adjustments and claims from Part III, line 10 of Schedule C on line 4 of Form 720, even if the total exceeds the tax reported on line 3. Form 8849 no longer has to be filed to claim the excess amount.

See the **Instructions for Schedule C (Form 720)** on page 7.

#### Lines 7 and 10, Overpayment

If you deposited more than the amount you owed for a quarter, you may have the overpayment applied to your next return or refunded to you. Enter the amount in the space on line 10. Enter on line 7 of your next return the amount you want to have applied to that return.

**Caution:** If you owe other Federal tax, interest, or penalty, the overpayment on line 10 will be applied to the unpaid amounts.

## Payment of Taxes

Generally, semimonthly deposits of excise taxes are required. However, no deposit is required if the net tax liability for Part I taxes for a quarter does not exceed \$2,000. No deposits are required for the taxes listed in Part II of Form 720, except for the floor stocks tax on ODCs (IRS No. 20) for which a single deposit was due June 30, 1994. These taxes are payable with the return. Also, no deposit is required for one-time filings of the gas guzzler tax and the luxury tax. See **Special Rules—One-Time Filings** on page 6.

### How To Make Deposits

Deposit Federal excise tax payments with a **Form 8109**, Federal Tax Deposit Coupon, at an authorized depository or the Federal Reserve bank serving the area in which you are located. See the instructions in the coupon book for additional information. If you do not have a coupon book, contact your IRS district office.

To avoid a penalty, make your deposits timely and do not mail your deposits directly to the IRS. Records of your deposits will be sent to the IRS for crediting to your business accounts.

Generally, if any due date for making a deposit falls on a Saturday, Sunday, or legal holiday, you may make the deposit on the next business day.

**Semimonthly period.**—A semimonthly period is the first 15 days of a month (the first semimonthly period) or the 16th through the last day of a month (the second semimonthly period).

**Computation of net tax liability.**—Net tax liability for a semimonthly period is the liability for the period plus or minus any adjustments for the period. Liability for a semimonthly period may be computed by dividing the net tax liability for the month by two, provided this method of computation is used for all semimonthly periods in the calendar quarter.

### When To Make Deposits

Taxes that are required to be deposited are grouped into classes as follows:

(1) 9-day rule taxes, (2) 14-day rule taxes, (3) 30-day rule taxes, and (4) alternative method taxes. If you are depositing more than one tax in a class, combine all the taxes in the class and make one deposit for the semimonthly period.

**9-day rule.**—The deposit of tax for a semimonthly period is due by the 9th day of the following semimonthly period. Generally, this is the 24th day of a month and the 9th day of the following month. The 9-day rule applies to all taxes in Part I of Form 720 except for:

- Gasoline and diesel fuel tax (IRS Nos. 60, 62, 58, 73, 74, 59, 75, and 76), if deposits by qualified persons are made

by transfer between accounts in the same depository. See **14-day rule**.

- ODCs tax (IRS Nos. 19 and 98). See **30-day rule**.

- Communications and air transportation taxes (IRS Nos. 22, 26, 27, and 28), if deposits are based on amounts billed or tickets sold, rather than on amounts actually collected. See **Alternative method**.

- One-time filers of luxury and gas guzzler tax. See **Special Rules—One-Time Filings**.

**14-day rule (IRS Nos. 60, 62, 58, 73, 74, 59, 75, and 76).**—Deposits of the gasoline and diesel fuel tax for a semimonthly period by an independent refiner or any person whose average daily production of crude oil for the preceding calendar quarter did not exceed 1,000 barrels may be made by the 14th day following the semimonthly period. The deposits must be made by transfer between accounts with the same Government depository. If the 14th day is a Saturday, Sunday, or legal holiday, the due date is the immediately preceding day that is not a Saturday, Sunday, or legal holiday. The 14-day rule does not apply to dyed diesel fuel used in trains (IRS No. 71) or to dyed diesel fuel used in certain intercity or local buses (IRS No. 78).

**30-day rule (IRS Nos. 19 and 98).**—The deposit of tax for a semimonthly period is due by the last day of the second following semimonthly period. Generally, this is the 15th day of the following month and the last day of the following month.

**Alternative method (IRS Nos. 22, 26, 27, and 28).**—Deposits of communications and air transportation taxes may be based on amounts billed or tickets sold during a semimonthly period rather than on taxes actually collected during the period. Under the alternative method, the tax included in amounts billed or tickets sold during a semimonthly period is considered as collected during the first 7 days of the second following semimonthly period. The deposit of tax is due by the 3rd banking day after the 7th day of that period. For example, the tax included in amounts billed or tickets sold for the period January 1, 1994, to January 15, 1994, is considered as collected from February 1, 1994, to February 7, 1994, and must be deposited by February 10, 1994.

To use the alternative method, you must keep a separate account of the tax included in amounts billed or tickets sold during the month and report on Form 720 the tax included in amounts billed or tickets sold and not the amount of tax that is actually collected. For example, amounts billed in December, January, and February are considered as collected during January, February, and

March and are reported on Form 720 as the tax for the 1st quarter of the calendar year.

**Special rule for semimonthly deposits of gasoline and diesel fuel taxes for September 1994.**—You must deposit gasoline and diesel fuel taxes for the period beginning September 16 and ending September 22 by September 27, 1994. The 14-day rule does not apply to this deposit. Deposit the tax for the period beginning September 23 and ending September 30 on the normal due date for the semimonthly period.

### Amount To Deposit

Deposits of taxes for a semimonthly period must not be less than the net tax liability for that period unless one of the safe harbor rules applies. The safe harbor rules apply separately to deposits under the 9-day rule, 14-day rule, 30-day rule, and the alternative method.

Under the alternative method, the deposit of tax for any semimonthly period must not be less than the net amount of tax that is considered as collected during the semimonthly period. The net amount of tax that is considered as collected during the semimonthly period must be either (1) the net amount of tax reflected in the separate account for the corresponding semimonthly period of the previous month or (2) one-half of the net amount of tax reflected in the separate account for the preceding month.

**Safe harbor rules.**—There are two safe harbor rules: one based on look-back quarter liability and one based on current liability.

The look-back quarter safe harbor rule applies to persons that filed a Form 720 for the 2nd calendar quarter preceding the current quarter (the look-back quarter). Persons that filed for the look-back quarter are considered to meet the semimonthly deposit requirement if the deposit for each semimonthly period in the current quarter is not less than  $\frac{1}{6}$  (16.67%) of the net tax liability reported for the look-back quarter. This rule does not apply for the 1st and 2nd quarters beginning on or after the effective date of an increase in the rate of tax unless the deposit of taxes for each semimonthly period in the calendar quarter is not less than  $\frac{1}{6}$  (16.67%) of the tax liability you would have had for the look-back quarter if the increased rate of tax had been in effect for that look-back quarter.

The current liability safe harbor rule applies to all filers of Form 720. Filers are considered to meet the semimonthly deposit requirement if the deposit for the semimonthly period is at least 95% of the net tax liability for the semimonthly period.

The following requirements must be satisfied for the safe harbor rules to apply:

1. Each deposit must be timely made at an authorized Government depository; and

2. Any underpayment for the current quarter must be paid by the due date of the return. However, if the due date of the return is extended because you report taxes with different return due dates, you must deposit on the earlier due date any underpayment for taxes ordinarily reported on the earlier date.

The IRS may withdraw the right to make deposits of tax using safe harbor rules from any person not complying with the rules as stated above.

## Special Rules—One-Time Filings

If you import for personal use a gas guzzling automobile or a passenger vehicle subject to the luxury tax, you may be eligible to make a one-time filing of Form 720 and either Form 6197 and/or Form 8807. You may make a one-time filing to report the gas guzzler tax or the luxury tax if you meet all three of the following conditions:

1. You do not use the automobile or passenger vehicle in the course of any trade or business;

2. You do not import gas guzzling automobiles or luxury passenger vehicles in the course of your trade or business; and

3. You are not required to file Form 720 reporting excise taxes for the calendar quarter, except for one-time filings.

The following rules apply if you are making a one-time filing:

1. File the return for the quarter in which you incur liability for the tax. See **When To File** on page 1.

2. Pay the tax with the return. No deposits are required.

3. If you are an individual and do not have an EIN, enter your social security number on Form 720 on the line for the EIN.

4. Check the final return or one-time filing box on page 1 of Form 720.

## Instructions for Schedule A (Form 720)

**Purpose of form.**—Use Schedule A to report your net tax liability for the 6 semimonthly periods in a quarter. Generally, you must file Schedule A if you have an entry in Part I of Form 720. Do not use Schedule A if you are making a one-time filing of Form 720. File Schedule A with the Form 720 you file for each quarter.

**DO NOT enter your deposits in boxes A–X.** The IRS obtains this information from your deposit coupons.

**Semimonthly period.**—A semimonthly period is the first 15 days of a month or the 16th through the last day of a month.

**Special rule for gasoline and diesel fuel tax liability in September (IRS Nos. 60, 62, 58, 73, 74, 59, 75, and 76).**—The liability for the second semimonthly period of September is reported as follows. The liability for the period beginning September 16 and ending September 22 must be written in below box **F** or box **X**. The liability for the period beginning September 23 and ending September 30 must be shown in box **F** or box **X**.

**Net liability.**—This is the liability for a semimonthly period plus or minus any adjustments or claims for that semimonthly period. If you are making an adjustment for a prior quarter, report the adjustment in the semimonthly period in which you determine the adjustment is necessary.

## Specific Instructions

If you are reporting more than one type of tax on lines 1, 2, 3, or 4, add the net liability for each tax for each semimonthly period and enter the total in the applicable box.

**Line 1, 9-day-rule taxes.**—Report in boxes **A–F** the net liability for the following taxes:

Type of Tax	IRS No.
Domestic petroleum superfund tax and oil spill tax . . . . .	53
Imported petroleum products superfund tax and oil spill tax . . . . .	16
Chemicals . . . . .	54
Imported chemical substances. . . . .	17
Communications taxes* . . . . .	22
Transportation of persons by air* . . . . .	26
Transportation of property by air* . . . . .	28
Use of international air travel facilities* . . . . .	27
Diesel fuel** . . . . .	60
Dyed diesel fuel used in certain intercity or local buses . . . . .	78
Special motor fuels . . . . .	61
Other alcohol fuels . . . . .	79
Gasoline** . . . . .	62
Gasoline sold for gasohol production containing at least 10% alcohol** . . . . .	58
Gasoline sold for gasohol production containing at least 7.7% alcohol but less than 10% alcohol** . . . . .	73
Gasoline sold for gasohol production containing at least 5.7% alcohol but less than 7.7% alcohol** . . . . .	74
Gasohol containing at least 10% alcohol** . . . . .	59

Gasohol containing at least 7.7% alcohol but less than 10% alcohol**	75
Gasohol containing at least 5.7% alcohol but less than 7.7% alcohol**	76
Aviation fuel (other than gasoline) . . . . .	69
Gasoline for use in noncommercial aviation . . . . .	14
LUST tax on aviation fuel (other than gasoline) . . . . .	77
Compressed natural gas . . . . .	101
Truck, trailer, and semitrailer chassis and bodies, and tractors . . . . .	33
Transportation by water . . . . .	29
Obligations not in registered form. . . . .	31
Passenger vehicle luxury tax . . . . .	92
Underground mined coal. . . . .	36 & 37
Surface mined coal . . . . .	38 & 39
Highway-type tires . . . . .	66
Gas guzzler tax . . . . .	40
DPT vaccine . . . . .	81
DT vaccine . . . . .	82
MMR vaccine . . . . .	83
Polio vaccine . . . . .	84
Policies issued by foreign insurers . . . . .	30

**\*Note 1:** Use line 1 for communications and air transportation taxes based on actual collections. Otherwise, use line 3 to report your collections based on billings or tickets sold.

**\*\*Note 2:** If you used the 14-day rule for your gasoline or diesel fuel tax deposits, use line 4 to report your net liability for gasoline or diesel fuel tax.

**Line 2, 30-day-rule taxes.**—Report in boxes **G–L** the net liability for the ozone-depleting chemicals (ODCs) tax (IRS No. 98) and the tax on imported products containing ODCs (IRS No. 19).

**Line 3, Collected taxes based on billings or tickets sold.**—Report in boxes **M–R** the amount of tax based on billings or tickets sold for communications taxes (IRS No. 22) or air transportation taxes (IRS Nos. 26, 27, and 28). The amount of tax to report for a semimonthly period is the amount that is considered as collected during that period. For example, the amounts billed for communications services from December 1, 1994, to December 15, 1994, are considered collected during the period January 1, 1995, to January 7, 1995, and are reported for the 1st quarter of 1995 on Schedule A in box **M**, not the 4th quarter of 1994.

If you report based on actual collections, use line 1.

**Line 4, 14-day-rule gasoline and diesel fuel taxes.**—Report in boxes **S–X** the net liability for the gasoline tax (IRS Nos. 62, 58, 73, 74, 59, 75, and 76) and the diesel fuel tax (IRS No. 60) if you used the 14-day rule to make your deposits. The 14-day rule does not apply to dyed diesel fuel used in trains (IRS No. 71) and to dyed diesel fuel used in certain intercity or local buses (IRS No. 78).

If you do not use the 14-day rule, report your gasoline or diesel fuel tax liability on line 1.

## Instructions for Schedule C (Form 720)

To make adjustments or claims, complete Schedule C and file it with Form 720. Enter on line 4 of Form 720 the total from Part III, line 10, of Schedule C. You cannot claim any amounts on Schedule C that you took or will take as a credit on Form 4136 or as a refund on Form 8849 or Form 843.

Use Form 8849 to claim refunds of the repealed luxury taxes.

Use Form 843 to request an abatement or refund of interest under section 6404(e) (due to IRS errors or delays) or an abatement of a penalty or addition to tax as a result of erroneous IRS written advice.

Your adjustment will be disallowed if you do not follow the required procedures or do not provide all the required information.

## Claims, Part II

### Lines 2-7

Write in the "period of claim" on lines 2-7 if your claim is described on those lines. Write in your "income tax year" for claims described on lines 4, 6, and 7. Use the YYYY format. For example, if you are a calendar year taxpayer, write "9412."

### Line 3, Gasohol Blenders

Each gasohol blender claimant must attach a statement including the following information for each batch of gasohol:

1. The names of the supplier(s) of the gasoline and alcohol,
2. The dates of purchase of the gasoline and alcohol,
3. The total number of gallons of gasoline and alcohol purchased, and
4. The total number of gallons of gasohol produced.

### Line 4, Off-Highway Business Use of Gasoline

To make this claim, you must have used the gasoline for a business use other than in a vehicle registered (or required to be registered) for highway use. You may file a claim for any of the first 3 quarters of your income tax year if the amount of refund claimed for that quarter is at least \$1,000. For the 4th quarter of your income tax year, you must claim a credit on Form 4136.

If the amount claimed for any of the first 3 quarters of your tax year is not at least \$1,000, you cannot make a claim for that quarter. Any amounts that are

not claimed in a quarter because of the \$1,000 rule must be claimed as a credit on Form 4136. Those amounts are not eligible to be claimed in subsequent quarters.

### Line 5, Registered Ultimate Vendors of Diesel Fuel

You must be registered with the IRS as an "ultimate vendor" or registered as a producer of diesel fuel to file a claim.

Each claim by a registered ultimate vendor must include the following information:

1. A copy of the claimant's registration letter or certificate of registry;
2. The name, address, telephone number, and taxpayer identification number (TIN) of each farmer, custom harvester, or governmental unit that bought undyed diesel fuel and the number of gallons that the claimant sold to each; and
3. The name, address, telephone number, and EIN of each person that sold diesel fuel to the claimant and the date of purchase.

### Line 6, Off-Highway Business Use of Undyed Diesel Fuel

To make this claim, you must have used the undyed diesel fuel for a business use other than in a vehicle registered (or required to be registered) for highway use. Use line 7 for refunds of undyed diesel fuel used in trains and intercity or local buses. Use line 8 for other nontaxable uses of diesel fuel.

Each claim must include the following information:

1. The name, address, telephone number, and TIN of the person(s) that sold diesel fuel to the claimant and the dates of purchase; and
2. The seller's statement that the diesel fuel did not contain visible evidence of dye.

You may file a claim for each of the first 3 quarters of your income tax year if the amount claimed for a quarter is at least \$750. If the amount claimed for any of the first 3 quarters of your income tax year is not at least \$750, carry over that amount to the next quarter to determine the \$750 minimum. For the 4th quarter of your income tax year, you must claim a credit on Form 4136. If the combined amount from the first 3 quarters does not exceed \$750, this amount must also be claimed as a credit on Form 4136.

### Line 7, Train and Intercity or Local Bus Use of Undyed Diesel Fuel

To make this claim, you must have used the undyed diesel fuel for train or intercity or local bus use.

Each claim on this line must include the following information:

1. The name, address, telephone number, and TIN of the person(s) that sold diesel fuel to the claimant and the dates of purchase; and

2. The seller's statement that the diesel fuel did not contain visible evidence of dye.

**Train use.**—You may file a claim for each of the first 3 quarters of your income tax year if the amount claimed for a quarter is at least \$750. If the amount claimed for any of the first 3 quarters of your income tax year is not at least \$750, carry over that amount to the next quarter to determine the \$750 minimum. For the 4th quarter of your income tax year, you must claim a credit on Form 4136. If the combined amount from the first 3 quarters does not exceed \$750, this amount must also be claimed as a credit on Form 4136.

**Bus use.**—You may file a claim for any of the first 3 quarters of your income tax year if the amount claimed for the quarter is at least \$1,000. For the 4th quarter of your income tax year, you must claim a credit on Form 4136. If the amount claimed for any of the first 3 quarters of your income tax year is not at least \$1,000, you cannot file a claim for that quarter. Any amounts that are not claimed in a quarter because of the \$1,000 rule must be claimed as a credit on Form 4136. Those amounts are not eligible to be claimed in subsequent quarters.

A bus operator may file a claim for the difference between the full rate of tax and the bus rate of tax if the bus is used to furnish, for compensation, passenger land transportation available to the general public and either such transportation is scheduled and along regular routes or the seating capacity of the bus is at least 20 adults (not including the driver). A bus is available to the general public if the bus is available for hire to more than a limited number of persons, groups, or organizations.

### Line 8, Aviation Fuel (other than gasoline)

If you bought aviation fuel taxed at the full rate and used that fuel for commercial aviation, you can claim a credit of 21.8 cents a gallon.

If you bought aviation fuel taxed at the full rate and used that fuel for foreign trade, you can claim a credit of 21.9 cents a gallon.

### Line 9, Other Claims

Use this line to make claims for chemicals and other articles used for nontaxable purposes. Include on this line other claims (including claims for nontaxable uses of fuel) not listed in Part II of Schedule C.

