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Fuel Tax Credits and Refunds

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Important Changes

Gasohol blending. The credit or refund provision for gasoline used to produce gasohol does not apply to gasohol sold or used after September 30, 1995. However, at the time this publication went to print, Congress was considering legislation that would extend this provision. See Publication 553, *Highlights of 1995 Tax Changes*.

Change in rates. The credit or refund rate for fuels used for certain purposes changed in 1995. In addition, new rates are scheduled to go into effect January 1, 1996, for certain fuels. Check the current forms or their instructions for the correct rate.

Introduction

This publication discusses federal fuel tax credits allowable on your 1995 income tax return. It also explains when you may claim a quarterly refund of the fuel taxes during 1996, instead of waiting to claim a credit on your 1996 income tax return. The form you use to claim your credit or refund shows the rate that applies to the fuel.

Also covered in this publication is the credit or refund allowed to the original purchaser of a diesel-powered highway vehicle. This applies even if the vehicle is not used in a trade or business.



Useful Items

You may want to see:

Publication

- 349** Federal Highway Use Tax on Heavy Vehicles
- 510** Excise Taxes for 1996

Form (and Instructions)

- 4136** Credit for Federal Tax Paid on Fuels
- 8849** Claim for Refund of Excise Taxes

Ordering publications and forms. To order publications and forms, call 1-800-829-3676 or write the IRS Forms Distribution Center nearest you. Check your income tax package for the address.

If you have access to a personal computer and a modem, you can also get many forms and publications electronically. See *How To Get Forms and Publications* in your income tax package for details.

Free tax help. You can get free tax help from IRS throughout the year. Publication 910, *Free Tax Services*, describes many of the free tax information and services you can receive, including telephone help.

Telephone help. You can call the IRS with your tax questions Monday through Friday during regular business hours. Check your telephone book for the local number or you can call 1-800-829-1040.

Telephone help for hearing-impaired persons. If you have access to TDD equipment, you can call 1-800-829-4059 with your tax questions or to order forms and publications. See your tax package for the hours of operation.

Fuels Used in Farming

You may be eligible to claim a credit or refund of excise taxes included in the price of fuel used on a farm for farming purposes. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the information on that fuel.

Farm. A farm includes livestock (including feed yards for fattening cattle), dairy, fish, poultry, fruit, fur-bearing animals, truck farms, orchards, plantations, ranches, nurseries, ranges, and structures such as greenhouses used primarily for the raising of agricultural or horticultural commodities. A fish farm is an area where fish are grown or raised — not merely caught or harvested. The farm must be operated for profit. The farm must be located in any of the 50 states or the District of Columbia.

Farming purposes. As the owner, tenant, or operator, you use fuel on a farm for farming purposes if you use it:

- 1) To cultivate the soil, or to raise or harvest any agricultural or horticultural commodity.
- 2) To raise, shear, feed, care for, train or manage livestock, bees, poultry, fur-bearing animals, or wildlife.
- 3) To operate, manage, conserve, improve, or maintain your farm, tools, or equipment.
- 4) To handle, dry, pack, grade, or store any raw agricultural or horticultural commodity. For this use to qualify, you must have produced more than one-half of that commodity which was so treated during the tax year. Commodity means a single raw product. For example, apples and peaches are two separate commodities.
- 5) To plant, cultivate, care for, or cut trees, or to prepare (other than sawing into lumber, chipping or other milling) trees for market, but only if the planting, etc., is incidental to your farming operations. Your tree operations will be incidental only if they are minor in nature when compared to the total farming operations.

If any other person, such as a neighbor or custom operator, performs a service for any of the purposes listed in (1) or (2) for you on your farm, you can claim the credit or refund for the fuel (other than diesel fuel) so used.

If doubt exists whether the owner, the tenant, or the operator of the farm purchased the fuel, determine who bore the cost of the fuel. For example, if the owner of a farm and the tenant share the cost of the gasoline 50-50, each can claim a credit for the tax on one-half of the fuel used. If you sell gasoline to a neighbor who uses it on a farm for farming purposes, your neighbor may be able to claim the credit on the fuel. Your neighbor (not you) bore the cost of the fuel.

Custom application of fertilizer and pesticide. The use of fuel in the aerial or other application of fertilizers, pesticides, or other substances is a use of fuel on a farm for farming purposes. You as the owner, tenant, or operator, may claim the credit or refund (other than on diesel fuel). You may waive your right to the claim and allow the applicator to make the claim for the fuel (other than diesel fuel). The applicator is treated as having used the fuel on a farm for farming purposes.

Waiver. To waive your right to the credit or refund, you must:

- 1) Execute in writing an irrevocable statement that you knowingly give up your right to the credit or refund.
- 2) Identify clearly the period that the waiver covers. The effective period of your waiver cannot extend beyond the last day of your tax year.
- 3) Sign the waiver before the applicator files his or her claim. Once signed, you cannot revoke the waiver. You may authorize an agent, such as a cooperative, to sign the waiver for you.
- 4) Keep a copy of the waiver for your records and give a copy of the signed

waiver to the applicator. Do **not** send this waiver to the Internal Revenue Service, unless requested to do so.

The waiver may be a separate document or it may appear on an invoice or another document from the applicator. If the waiver appears on an invoice or other document, it must be printed in a section clearly set off from all other material, and it must be printed in type sufficiently large to put you on notice that you are waiving your right to the claim or refund. In addition, if the waiver appears as part of an invoice or other document, it must be signed separately from any other item that requires your signature.

Sign a separate waiver for each tax year or part of a tax year in which the fuel was used. When the period covered by the waiver extends beyond the applicator's tax year, the applicator must wait until the next tax year to claim the portion for that period.

Fuel not used for farming. You do not use fuel for farming purposes when you use it:

- Off the farm, such as on the highway or in noncommercial aviation, even if the fuel is used in transporting livestock, feed, crops, or equipment;
- For personal use, such as mowing the lawn;
- In processing, packaging, freezing, or canning operations; or
- In the processing of crude gum into gum spirits of turpentine or gum resin, or in the processing of maple sap into maple syrup or maple sugar.

Fuels Used in Boats

You may be eligible to claim a credit or refund of excise tax included in the price of fuel if you use the fuel in a boat used in the fisheries or whaling business. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the information on that fuel.

Boats used in fishing include only watercraft used in taking, catching, processing, or transporting fish, shellfish, or other aquatic life for commercial purposes, such as selling or processing the catch, on a specific trip basis. It includes boats used in both fresh and salt water fisheries. It does not include watercraft used for both sports fishing and commercial fishing.

Example. Harry Sims owns a gasoline-powered fishing boat. On the same trip, Harry used his boat for marlin sport fishing and for catching tuna. Harry's boat is not engaged in commercial fishing on that trip. Harry cannot claim a credit or refund for the gasoline used on that trip.

Aircraft. Fuel used in aircraft to locate fish is not fuel used in commercial fishing.

Note. If you use diesel fuel in a boat in the active conduct of certain other trades or businesses, you may be eligible to claim a credit or refund. See *Diesel Fuel*, later.

Fuels Used in Off-Highway Business Use

You may be eligible to claim a credit or refund of excise tax included in the price of fuel if you used the fuel in an off-highway business use. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the information on that fuel.

Off-highway business use. This is any use of fuel in a trade or business or in any income-producing activity. The use must not be in a highway vehicle registered for use on public highways. Off-highway use includes any use of a vehicle owned by the United States, whether or not registered for highway use, that is not used on public highways during the period covered by the claim. It does not include any use in a motorboat, except as explained in *Fuels Used in Boats*.

Note. If undyed diesel fuel is used on a farm for farming purposes (discussed earlier), or for the exclusive use of a state or local government, the fuel cannot be considered as being used in an off-highway business use.

Highway vehicle. A highway vehicle includes any self-propelled vehicle designed to carry a load over public highways, whether or not also designed to perform other functions. Examples of vehicles designed to carry a load over public highways are passenger automobiles, motorcycles, buses, highway-type trucks, and truck tractors. It does not matter if:

- 1) The vehicle's design allows it to perform a highway transportation function for only
 - a) A particular type of load, such as passengers, furnishings, and personal effects (as in a house, office, or utility trailer), or
 - b) A special kind of cargo, goods, supplies, or materials, or
- 2) Machinery or equipment is designed (and permanently mounted) to perform some off-highway task unrelated to highway transportation except as discussed next.

Vehicles not considered highway vehicles. Generally, the following kinds of vehicles are not considered highway vehicles:

- 1) Specially designed mobile machinery for nontransportation functions. A self-propelled vehicle is not a highway vehicle if it consists of a chassis that—
 - Has permanently mounted to it machinery or equipment used to perform certain operations (construction, manufacturing, drilling, mining, timbering, processing, farming, or similar operations) if the operation of the machinery or equipment is unrelated to transportation on or off the public highways,
 - Has been specially designed to serve only as a mobile carriage and mount for the machinery or equipment, whether or

not the machinery or equipment is in operation, and

- Because of its special design, could not, without substantial structural modification, be used as part of a vehicle designed to carry any other load.
- 2) Vehicles designed for off-highway transportation. A self-propelled vehicle is not a highway vehicle if—
 - The vehicle is designed primarily to carry a specific kind of load other than over the public highway for certain operations (construction, manufacturing, mining, processing, farming, drilling, timbering, or similar operations), and
 - The vehicle's use of carrying this load over public highways is substantially limited or impaired because of its design. To determine if the vehicle is substantially limited or impaired, you may take into account whether the vehicle may travel at regular highway speeds, requires a special permit for highway use, or is overweight, overheight, or overwidth for regular highway use.

Public highway. A public highway includes any road in the United States that is not a private roadway. This includes federal, state, county, and city roads and streets.

Registered. A vehicle is considered registered when it is registered or required to be registered for highway use under the law of any state, the District of Columbia, or any foreign country in which it is operated or situated. Any highway vehicle operated under a dealer's tag, license, or permit is considered registered. A highway vehicle is not considered registered solely because a special permit allows the vehicle to be operated at particular times and under specified conditions.

Fuel used for power take-offs. You cannot take a credit or refund for fuel used in the propulsion motor of a highway vehicle even though that motor also operates special equipment by a power take-off or power transfer. It does not matter if the special equipment is mounted on your vehicle.

Example 1. Frank owns a registered concrete-mixer truck. The truck's motor operates both the engine and the mixing unit by a power take-off. Frank cannot take a credit or refund for the fuel used in the motor to run the mixer.

Example 2. Velma owns and operates a registered fuel-oil delivery truck. The truck's motor powers the pump that discharges the fuel into her customer's storage tanks. She cannot take a credit or refund for the fuel used in the motor to operate the pump.

Separate motor. The fuel you use in a separate motor to operate special equipment, such as a refrigeration unit, pump, generator, or mixing unit, may qualify for a credit or a refund. If you draw fuel from the same tank to operate both of the motors, you must figure the quantity used in the separate motor operating the special equipment. You may make a

reasonable estimate based on your operating experience and supported by your records.

You can use devices that measure the miles the vehicle has traveled (such as hubometers) to figure the gallons of fuel used to propel the vehicle. Add to this amount the fuel consumed while idling or warming up the motor before propelling the vehicle. The difference between your total fuel used and the fuel used to propel the vehicle is the fuel used in the separate motor.

Example. Sara owns a refrigerated truck. It has a separate motor for the refrigeration unit. The same gasoline tank supplies both motors. Using the truck's hubometer, Sara figures that 70% of the gasoline was used to propel the truck. Therefore, she qualifies for a credit or refund on 30% of the gasoline determined to be used in an off-highway business use.

Fuel lost or destroyed. You cannot treat fuel lost or destroyed through spillage, fire, or other casualty as fuel used in an off-highway business use.

Examples. Off-highway business use in a trade or business or income-producing activity includes fuels used:

- 1) In stationary machines such as generators, compressors, power saws, and similar equipment;
- 2) For cleaning purposes;
- 3) In forklift trucks and bulldozers; and
- 4) In vehicles operating off the highway in construction, mining, or timbering activities, if the vehicles are neither registered nor required to be registered.

Generally, it does not include nonbusiness, off-highway use of fuel such as use by minibikes, snowmobiles, power lawn mowers, chain saws, and other yard equipment.

Example. Joanna owns a landscaping business. She uses power lawn mowers and chain saws in her business. The gasoline used in the power lawn mowers and chain saws qualifies as fuel used in an off-highway business use. She can claim a credit or refund of the excise tax included in the price of the gasoline that she used in her business. The gasoline used in her personal lawn mower at home does not qualify for the credit or refund.

Fuels Used in Buses

You may be eligible to claim a credit or refund of excise tax included in the price of fuel if you use the fuel in buses engaged in providing the type of transportation discussed here. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the information on that fuel.

Intercity or local buses. Fuel is used in an intercity or local bus when the bus is used to furnish (for compensation) passenger land transportation that is available to the general public.

Furnishing passenger land transportation includes:

- 1) Scheduled transportation service along regular routes regardless of the size of the bus, and
- 2) Nonscheduled (charter) operations if the seating capacity of the bus is at least 20 adults, not including the driver. However, vans and similar vehicles used for van-pooling or taxi service do not qualify.

Available to the general public means that you offer service to more than a limited number of persons or organizations. If a bus operator normally provides charter operations through travel agencies, but has buses available for chartering by the general public, this service is available to the general public. A bus does not qualify when its operator uses it to provide exclusive services to only one person, group, or organization.

A credit or refund is allowed for the full amount of excise tax paid on gasoline used in these buses. No credit or refund is allowed for the "back-up" tax on dyed diesel fuel. For other fuels, the credit or refund is reduced by 7.4 cents per gallon, unless the use is in a qualified local bus (discussed later). For information on the "back-up" tax, see Publication 510.

School buses. Fuel is used in a school bus when the bus is used in transporting students or school employees. A school is an educational organization with a regular faculty and curriculum. It has a regularly enrolled body of students who attend the place where the educational activities occur.

A credit or refund is allowed for the full amount of excise tax paid on fuels used in these buses.

Qualified local bus. Fuel is used in a qualified local bus when the bus:

- 1) Furnishes (for compensation) intracity passenger land transportation available to the general public,
- 2) Operates along scheduled, regular routes,
- 3) Has a seating capacity of at least 20 adults (excluding the driver), and
- 4) Is under contract with or receiving more than a nominal subsidy from any state or local government to furnish such transportation.

A credit or refund is allowed for the full amount of excise tax paid on fuels used in these buses. This discussion does not apply to gasoline (see *Intercity or local buses*, earlier).

Intracity passenger land transportation means the land transportation of passengers between points located within the same metropolitan area. It includes transportation along routes that cross state, city, or county boundaries if such routes remain within the metropolitan area.

Under contract. A bus is under contract with a state or local government only if the contract imposes a bona fide obligation on the

operator of the bus to furnish the transportation to which the contract relates. A subsidy is more than nominal if it is reasonably expected to exceed an amount equal to 3 cents multiplied by the number of gallons of fuel used in buses on subsidized routes.

A company that operates its buses along subsidized and unsubsidized routes may claim the full rate only for the fuel used in buses on the subsidized intracity routes.

Gasoline

Uses of gasoline for which credit or refund may be allowable:

Credit Only:

Use on a farm for farming purposes

Credit or Refund:

- Off-highway business use
- Use in a vessel in the fisheries or whaling business
- Use in intercity, local, or school buses
- Exclusive use of state and local governments
- Exclusive use of nonprofit educational organizations
- Export, including shipment to a possession of the U.S.
- Supplies for vessels
- Blendstocks not used to produce gasoline

Gasoline includes all products commonly or commercially known or sold as gasoline that are suitable for use as a motor fuel with an octane rating of 75 or more. It includes gasoline blendstocks that are discussed in Publication 510.

Gasohol. Gasohol used for any of the above purposes may qualify for a credit or refund. The tax paid and the credit or refund depend on the type of gasohol, as discussed later under *Gasohol Blending*.

State or local government means any state, any political subdivision thereof, or the District of Columbia. For credit or refund purposes, you treat an **Indian tribal government** as a state only if a transaction involves the exercise of an essential tribal government function.

Nonprofit educational organization means an organization that is exempt from income tax under section 501(a) of the Internal Revenue Code that meets the following tests:

- 1) It has a regular faculty and curriculum.
- 2) It has a regularly enrolled body of students who attend the place where the instruction normally occurs.

A nonprofit educational organization also includes a school operated by a church or other organization described in section 501(c)(3) that meets the above tests.

Supplies for vessels include fuel supplies, ships' stores, and sea stores of vessels of war

of the United States or any foreign nation, vessels engaged in the fisheries or whaling business, or vessels engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions.

Gasohol Blending

Note. The credit or refund provision for gasoline used to produce gasohol does not apply to gasohol sold or used after September 30, 1995. However, at the time this publication went to print, Congress was considering legislation that would extend this provision. See Publication 553, for further developments.

Blenders of gasohol who buy gasoline at a price that includes the full amount of the excise tax and use the gasoline to produce gasohol may be eligible for a credit or refund of part of the tax. This gasohol must be sold or used in your trade or business. The amount you may claim is based on each gallon of gasoline used to make gasohol. You cannot take a refund or credit if you purchased the gasoline at a reduced rate.

Gasohol. Gasohol is a blend of gasoline and alcohol that satisfies the alcohol requirement immediately after the mixture is blended. It includes blends made with ethanol and methanol. Gasohol does not include blends made with alcohol produced from petroleum, natural gas, coal (including peat), a derivative or product of any of these items, or alcohol that is less than 190 proof. Methanol produced from methane gas formed in waste disposal sites is not "alcohol produced from natural gas."

Alcohol that is chemically transformed in producing another product is still considered alcohol if there is no significant loss in the energy content of the alcohol. For example, alcohol used to produce ethyl tertiary butyl ether (ETBE) in a chemical reaction in which there is no significant loss in the energy content of the alcohol is treated as alcohol when the ETBE is mixed with gasoline. This also applies to alcohol used to produce methyl tertiary butyl ether (MTBE).

Alcohol requirement. To qualify as gasohol the mixture must contain a specific amount of alcohol by volume (without rounding). The amount of credit or refund depends on the type of gasohol you blend. The types of gasohol are:

- **10% gasohol.** This is a mixture that contains at least 9.8% alcohol.
- **7.7% gasohol.** This is a mixture that contains at least 7.55%, but less than 9.8%, alcohol.
- **5.7% gasohol.** This is a mixture that contains at least 5.59%, but less than 7.55%, alcohol.

You figure alcohol content on a batch-by-batch basis. If you splash blend a batch in an empty tank, you figure the volume of alcohol

(without adjustment for temperature) by dividing the metered gallons of alcohol by the total metered gallons of alcohol and gasoline as shown on each delivery ticket. However, if you add the metered gallons to a tank already containing more than 0.5% of its capacity in a liquid, you must include the amount of alcohol and non-alcohol fuel contained in that liquid in determining the volume of alcohol in that batch.

Example 1. John uses an empty 8,000 gallon tank to blend alcohol and gasoline. His delivery tickets show that he blended Batch 1 using 7,200 metered gallons of gasoline and 800 metered gallons of alcohol. John divides the gallons of alcohol (800) by the total gallons of alcohol and gasoline delivered (8,000). Batch 1 qualifies as 10% gasohol.

Example 2. John blends Batch 2 in an empty tank. According to his delivery tickets, he blended 7,220 gallons of gasoline and 780 gallons of alcohol. Because Batch 2 contains only 9.75% alcohol (780 ÷ 8,000), it qualifies as 7.7% gasohol.

Batches containing at least 9.8% alcohol. If a mixture contains at least 9.8%, but less than 10%, alcohol, part of the mixture is considered to be 10% gasohol. To figure that part, multiply the number of gallons of alcohol in the mixture by 10. The result is the number of gallons on which a credit or refund may be claimed if the gasoline in the mixture was taxed at the full rate. The remaining gallons in the mixture are excess liquid on which no credit or refund is allowed.

Example. John uses an empty 8,000 gallon tank to blend gasoline and alcohol. The delivery tickets show that he blended 7,205 metered gallons of gasoline and 795 metered gallons of alcohol. He purchased the gasoline at a price that included the full amount of the excise tax. The batch contains 9.9375% alcohol (795 ÷ 8,000). John determines that 7,950 gallons (10 × 795) of the mixture qualifies as 10% gasohol. The other 50 gallons is excess liquid. John reduces the amount of gasoline (7,205 gallons) by the excess liquid (50 gallons) to determine the amount of gasoline used to produce the 10% gasohol. He can claim a refund or credit for part of the excise tax paid on 7,155 gallons of gasoline. He cannot claim a refund or credit on the 50 gallons of excess liquid.

Batches containing at least 7.55% alcohol. If a mixture contains at least 7.55% alcohol but less than 7.7% alcohol, part of the mixture is considered to be 7.7% gasohol. To figure that part, multiply the number of gallons of alcohol in the mixture by 12.987. The result is the number of gallons on which a credit or refund may be claimed if the gasoline in the mixture was taxed at the full rate. The remaining gallons in the mixture are excess liquid on which no credit or refund is allowed.

Batches containing at least 5.59% alcohol. If a mixture contains at least 5.59% but less than 5.7% alcohol, part of the mixture is considered to be 5.7% gasohol. To figure that part, multiply the number of gallons of alcohol in the mixture by 17.544. The result is the number of gallons on which a credit or refund may

be claimed if the gasoline in the mixture was taxed at the full rate. The remaining gallons in the mixture are excess liquid on which no credit or refund is allowed.

Expedited refund procedure. (If the credit or refund provision is extended by legislation, the following special procedure will apply.) A special procedure applies for claiming a refund of part of the excise tax included in the price of the gasoline used for blending into gasohol. Gasohol blenders may file Form 8849 to claim a refund of the excise tax on gasoline so used for any period for which the claim is \$200 or more and the period is not less than one week. No claim under this procedure will be allowed unless filed by the end of the first quarter following the earliest quarter included in the claim.

If you qualify and file for the special refund procedure, write "GASOHOL CLAIM" at the top of Form 8849 and on the envelope you send to the IRS. You must mail the Form 8849 to a special address at the same IRS Service Center at which you file your tax returns. See the instructions for Form 8849 for the special addresses that must be used.

If the IRS does not pay a proper claim for refund filed under these procedures within 20 days, the IRS will pay interest on the refund.

Content of claim. Include the following information for a claim for refund or credit for each batch of gasohol.

- 1) The name, address, and employer identification number of the person that sold you the gasoline,
- 2) The date and location of the purchase of the gasoline,
- 3) The number of gallons of gasoline,
- 4) The name, address, and employer identification number of the person that sold you the alcohol,
- 5) The date and location of the purchase of the alcohol,
- 6) The number of gallons and type of alcohol,

You may also have to include your registration number, if you are a registered gasohol blender, and the printed or typed name and the telephone number of the individual signing the claim.

Gasoline Used in Aircraft

Uses of gasoline in aircraft for which credit or refund may be allowable:

Credit Only:

On a farm for farming purposes

Credit or Refund:

- Commercial aviation
- Supplies for aircraft
- Exclusive use of state and local governments

- Exclusive use of nonprofit educational organizations
- Aircraft museums and certain helicopters

Commercial aviation is any use of an aircraft in the business of transporting persons or property by air for pay. However, commercial aviation does not include:

- 1) Any use of an aircraft that has a maximum certificated takeoff weight of 6,000 pounds or less unless the aircraft is operated on an established line, or
- 2) An aircraft owned or leased by a member of an affiliated group and unavailable for hire by nonmembers of the group.

Supplies for aircraft include gasoline used in civil aircraft employed in foreign trade or trade between the U.S. and any of its possessions. Supplies for aircraft also include gasoline used in aircraft owned by the U.S. or by any foreign nation and constituting a part of their armed forces.

Aircraft museums. An aircraft museum is an organization that is:

- 1) Exempt from income tax as an organization described in section 501(c)(3) of the Code;
- 2) Operated as a museum under a state (or District of Columbia) charter; and
- 3) Operated exclusively for acquiring, exhibiting, and caring for aircraft of the type used for combat or transport in World War II.

The credit or refund applies to fuel used in an aircraft or vehicle (such as a ground servicing vehicle for aircraft) owned by the museum and used exclusively for the purposes in item (3).

Certain helicopter uses. Gasoline used in a helicopter for:

- Transporting individuals, equipment, or supplies in the exploration for, or the development or removal of, hard minerals, oil, or gas,
- Planting, cultivating, cutting, transporting, or caring for, trees (including logging operations), or
- Providing transportation for emergency medical services.

You are eligible for a credit or refund only if the helicopter does not take off from, or land at, a facility eligible for assistance under the Airport and Airway Development Act of 1970, or otherwise uses services provided under the Airport and Airway Improvement Act of 1982 during that use.

Gasohol used in noncommercial aviation. You may claim a credit or refund for part of the tax paid on gasohol used as a fuel in noncommercial aviation. Noncommercial aviation is any use of an aircraft other than for commercial aviation (defined earlier).

Special Motor Fuels

Uses of special motor fuels for which credit or refund may be allowable:

Credit Only:

On a farm for farming purposes

Credit or Refund:

- Any use other than as a fuel for the propulsion of a motor vehicle or motorboat
- Off-highway business use
- Use in the fisheries or whaling business
- Use in intercity, local, or school buses
- Export, including shipment to a possession of the U.S.
- Supplies for vessels
- Exclusive use of state and local governments
- Exclusive use of nonprofit educational organizations
- Aircraft museums

Special motor fuels include such products as benzol, benzene, naphtha, liquefied petroleum gas, liquefied natural gas, casing head and natural gasoline, and any other liquid **other than** gasoline, diesel fuel, kerosene, gas oil, or fuel oil. However, you treat products called kerosene, gas oil, or fuel oil that do not fall within certain specifications as special motor fuel if sold or used as a fuel in a motor vehicle or motorboat.

Motor vehicle. A motor vehicle includes all types of vehicles (whether or not you register or are required to register the vehicle for highway use) that are:

- 1) Propelled by motor, and
- 2) Designed for carrying or towing loads from one place to another, regardless of the type of load or material carried or towed.

Motor vehicles do not include any vehicle that moves exclusively on rails, or any of the following:

Farm tractors	Trench diggers
Power shovels	Bulldozers
Road graders	Road rollers
Similar equipment that does not carry or tow a load	

Compressed Natural Gas

Uses of compressed natural gas (CNG) for which credit or refund may be allowable:

Credit only:

On a farm for farming purposes

Credit or Refund:

- Any use other than as a fuel for the propulsion of a motor vehicle or motorboat
- Off-highway business use
- Use in the fisheries or whaling business
- Use in intercity, local or school buses

- Export, including shipment to a possession of the U.S.
- Supplies for vessels
- Exclusive use of state and local governments
- Exclusive use of nonprofit educational organizations
- Aircraft museums

Motor vehicle. For this purpose, motor vehicle has the same meaning as given under *Special Motor Fuels*, earlier.

Diesel Fuel

No credit or refund is allowed for any use of **dyed** diesel fuel. Dyed diesel fuel is purchased tax free.

A credit or refund is allowed for **undyed** diesel fuel used for a nontaxable purpose. Uses for which credit or refund may be allowable:

- On a farm for farming purposes (see *Claims by vendors*)
- Off-highway business use
- Use as heating oil
- Use other than as a fuel in the propulsion engine of a diesel-powered highway vehicle, train, or boat, such as use in stationary motors
- Use in intercity, local, or school buses
- Exclusive use of state and local governments (see *Claims by vendors*)
- Exclusive use of nonprofit educational organizations
- Exclusive use of American Red Cross
- Export, including shipment to a possession of the U.S.
- Use in a diesel-powered train
- Uses in boats
- Vehicle use by aircraft museums

Note. Fuel used on a farm for farming purposes or by a state or local government cannot be considered as being used for any other qualifying purpose. See *Claims by vendors*, later.

Diesel fuel is any liquid (other than gasoline) that is suitable for use as a fuel in a diesel-powered highway vehicle, train or boat.

Uses in boats. You can claim a credit or refund of the excise tax on undyed diesel fuel if you use the fuel in a boat in the active conduct of:

- A trade or business of commercial fishing or transporting persons or property for compensation or hire, or
- Any other trade or business, unless the boat is used predominantly for entertainment, amusement, or recreation.

Claims by vendors. A registered ultimate vendor that sells **undyed** diesel fuel for use on a farm for farming purposes, or for use by a state or local government, is the only person allowed to claim a refund or credit of the excise tax included in the price paid by the vendor for that fuel.

An ultimate vendor means the seller of the undyed diesel fuel to the user of the fuel (the ultimate purchaser) for use on a farm or by state governments. A registered ultimate vendor is an ultimate vendor registered by the Internal Revenue Service.

The vendor must not have included the tax in the price of the fuel sold for these uses. See *Special rule for vendors*, later.

The buyers of fuel used for these purposes cannot claim a credit or refund of the tax on this fuel.

Use on a farm. The credit or refund is allowed to the registered ultimate vendor whether the undyed diesel fuel is sold to the owner, tenant, or operator of the farm or some other person (such as a custom harvester) for use on a farm for farming purposes, discussed earlier.

Content of claim. For undyed diesel fuel, each claim (other than by a vendor) for credit or refund must contain the following information on the diesel fuel covered by the claim. Some of this information is on the form that you use to make the claim (discussed later). See the form instructions for information you have to attach.

- 1) The name, address, telephone number, and taxpayer identification number of the person that sold you the fuel,
- 2) A statement (which may be on the invoice) by the person that sold you the fuel that such diesel fuel did not contain visible evidence of dye,
- 3) The date of each purchase,
- 4) The number of gallons of diesel fuel covered by the claim,
- 5) A statement by you that such diesel fuel did not contain visible evidence of dye, and
- 6) The purpose (by specific category) for which the fuel was used.

If the diesel fuel was exported, you should include proof of exportation.

Special rule for vendors. The claim by a registered ultimate vendor must contain the following information. Some of this information is on the form that you use to make the claim (discussed later). See the form instructions for information you have to attach.

- 1) A copy of the vendor's registration letter,
- 2) The name, address, telephone number, and employer identification number of the person that sold the diesel fuel to the vendor,
- 3) The date of each purchase,
- 4) The name, address, telephone number, and taxpayer identification number of each person (farmer, custom harvester,

or governmental unit) that bought the diesel fuel from the vendor,

- 5) The number of gallons of diesel fuel sold to each person,
- 6) The number of gallons of diesel fuel covered by the claim,
- 7) A statement that such diesel fuel did not contain visible evidence of dye,
- 8) A statement that the excise tax was not included in the price of the diesel fuel sold by the vendor and was not collected by the buyer, and
- 9) A statement that the vendor has an unexpired certificate from the buyer and does not know that any information in the certificate is false.

A registered ultimate vendor can claim a refund of the tax for such fuel sold for any period for which the claim is \$200 or more and the period is not less than one week. No claim for refund will be allowed unless filed by the end of the first quarter following the earliest quarter included in the claim. The IRS will pay interest on properly filed claims that are not paid within 20 days. See the Form 8849 instructions for the procedures for claiming the refund and the special addresses to use when filing the claim.

Aviation Fuel

Uses of aviation fuel for which credit or refund may be allowable:

- Use other than as a fuel in an aircraft
- Commercial aviation
- On a farm for farming purposes
- Aircraft museums and certain helicopters
- Exclusive use of state and local governments
- Exclusive use of nonprofit educational organizations
- Export, including shipment to a possession of the U.S.

Aviation fuel is any liquid, other than gasoline or diesel fuel, that is suitable for use as fuel in an aircraft.

Diesel-Powered Highway Vehicles

If you buy a qualified diesel-powered car, van, or light truck, you may be eligible for a one-time credit or refund. You can purchase the vehicle for either business or personal use. You generally claim the credit on the tax return for the year of purchase. However, if you can claim a refund for excise taxes, you may be able to use Form 8849 to claim a refund for the purchase of a vehicle. See *How to claim a refund*, later.

Caution: At the time this publication went to print, Congress was considering legislation

that would repeal this credit or refund for vehicles purchased after December 31, 1995.

Original purchaser. You must be the original purchaser to be eligible for the refund or credit. An original purchaser is the first person to buy a new qualified diesel-powered vehicle for use other than resale. Treat the lease or rental of a vehicle as a use other than resale.

If you buy and register a qualified diesel-powered vehicle subject to a lien (even if the lien-holder holds title to the vehicle), you can claim the credit or refund.

The following do not qualify as original purchasers:

- 1) State and local governments,
- 2) Nonprofit educational organizations,
- 3) Dealers who use the vehicle as a demonstrator vehicle. However, the first person to buy the demonstrator vehicle for use other than resale qualifies as the vehicle's original purchaser.

Qualified diesel-powered highway vehicle.

A qualified diesel-powered highway vehicle is one that:

- 1) Has at least four wheels;
- 2) Has a gross vehicle weight rating of 10,000 pounds or less; and
- 3) Is registered for highway use in the United States under the laws of any state.

Amount of credit or refund. You can claim a credit or refund of \$102 for a car and \$198 for a light truck or van. A van is a vehicle with no body sections protruding more than 30 inches ahead of the leading edge of the windshield.

Basis reduction. Reduce the basis of any qualified diesel-powered highway vehicle by the credit or refund payable for such vehicle. Consider the basis reduction to occur on the date of purchase.

How to claim a credit. You claim the credit for the purchase of a qualified diesel-powered vehicle on Form 4136. Complete Part I and Part III and attach Form 4136 to your income tax return.

If you are not required to file an income tax return, you should do so to take advantage of this refundable credit. If you do not file a return, you cannot claim the credit. Do not claim a credit for any tax for which you have filed a refund claim.

How to claim a refund. You may be eligible to use Form 8849 to claim the refund available to you as the original purchaser of a qualifying diesel-powered highway vehicle. Use Form 8849 only if you qualify to file a quarterly refund claim, as discussed under *Claiming a Refund*, later.

How to Claim a Credit or Refund

This part tells you when and how to make a claim for credit or refund of excise taxes included in the price of fuels you use for nontaxable purposes. These rules also apply to the credit or refund available to the original purchaser of a qualifying diesel-powered highway vehicle.

Taxpayer identification number. In order to file a claim for credit or refund, you **MUST** have a taxpayer identification number—either a social security number (SSN) or an employer identification number (EIN). If you normally only file a U.S. individual income tax return (such as Form 1040), use your SSN. You obtain a social security number by filing Form SS-5, *Application for a Social Security Card*.

If you operate a business, use your EIN. To obtain an EIN, complete Form SS-4, *Application for Employer Identification Number*. The instructions tell you how and where to file Form SS-4.

Records. Keep at your principal place of business all records needed to enable the IRS to verify the amount you claimed. No special form is required, but the records should establish:

- 1) The number of gallons purchased and used during the period covered by your claim;
- 2) The dates of the purchases;
- 3) The names and addresses of suppliers and amounts purchased from each in the period covered by your claim;
- 4) The purpose for which you purchased and used the fuel; and
- 5) The number of gallons used for each purpose.

It is important that your records show separately the number of gallons used for a purpose that qualifies as a claim.

Claiming a Credit

You make a claim for credit on Form 4136 and attach it to your income tax return. Do not claim a credit for any tax for which you have filed a refund claim.

When. You can claim a fuel tax credit on your income tax return for the year you used the fuels. Also, you may make a fuel tax claim on an amended return for that year filed within the time prescribed by law. Ordinarily, you must file an amended return by the **later** of 3 years from the date you filed your original income tax return or within 2 years from the time you paid the income tax. A return filed early is considered to have been filed on the due date.

How to claim a credit. How you claim a credit depends on whether you are an individual, partnership, corporation, S corporation, or farmers' cooperative.

Individuals. You claim the credit on line 60 of Form 1040. Check box b on line 60. If you would not otherwise have to file an income tax return, you must do so to get a fuel tax credit. See the instructions for Form 1040.

Partnerships. The partnership itself cannot claim the credit on Form 1065, *U.S. Partnership Return of Income*. The partnership must attach a statement to Form 1065 showing the number of gallons allocated to each partner and the rate that applies. Each partner claims the credit on his or her income tax return for his or her share of the fuel used by the partnership.

Corporations. To claim the credit, corporations use either line 32g of Form 1120, *U.S. Corporation Income Tax Return*, or line 28g of Form 1120-A, *U.S. Corporation Short-Form Income Tax Return*.

S corporations. To claim the credit, S corporations use line 23c of Form 1120S, *U.S. Income Tax Return for an S Corporation*.

Farmers' cooperative associations. If the cooperative is required to file Form 990-C, *Farmers' Cooperative Association Income Tax Return*, it uses line 32g to claim the credit.

Trusts. Trusts required to file Form 1041, *U.S. Fiduciary Income Tax Return*, use line 24g to claim the credit.

Claiming a Refund

You may be eligible to claim a refund during 1996 rather than waiting until you file your 1996 income tax return to claim a credit. However, you cannot claim a refund for excise tax on gasoline, special motor fuel, and compressed natural gas you use on your farm for farming purposes.

Form 8849. If you meet the quarterly amount requirements (discussed later), you can use Form 8849 to file a claim for refund. Fill out the appropriate lines and follow the line instructions for additional information you need to include with your claim for refund. If there is no line for the refund you are claiming, include a statement with Form 8849 showing:

- 1) The total number of gallons (you used during the period covered by your claim) multiplied by the appropriate rate of tax;
- 2) The purpose or purposes (for example, off-highway business use) for which you used the fuels;
- 3) The amount of fuel used for each purpose (a list of uses by general categories will do); and
- 4) The Internal Revenue Service Center where you filed your last income tax return (if applicable).

Form 720. If you file Form 720, you can use the Schedule C portion of Form 720 for your claims, rather than Form 8849. You must still meet the quarterly amount requirements (discussed next).

Quarterly amount requirements. You can file a quarterly refund claim for any of the first three quarters of your tax year for which you qualify. To qualify for a quarterly refund, you

must claim the following amounts for fuel used during the quarter:

- 1) At least \$1,000 for **gasoline** used for a qualifying purpose (other than use on a farm for farming purposes) listed under *Gasoline* and *Gasoline used in Aircraft*. Blendstocks are included under item (2).
- 2) At least \$1,000 for:
 - a) **Special motor fuels and compressed natural gas** used for a qualifying purpose (other than use on a farm for farming purposes) listed in the discussions on those fuels,
 - b) **Gasoline blendstocks** not used to produce gasoline,
 - c) **Undyed diesel fuel** used in intercity and local buses discussed under *Fuels Used in Buses*,
 - d) **Gasohol used in noncommercial aviation**, and
 - e) The refund available to the original purchaser of a **diesel-powered highway vehicle** (unless provision is repealed).
- 3) At least \$750 for **undyed diesel fuel and aviation fuel** used for a qualifying purpose listed in the discussions on those fuels. This does not apply to undyed diesel fuel used on a farm for farming purposes, used by a state or local government, or included in item (2).

These quarterly amount requirements apply to the first three quarters of your tax year. You must meet the requirement for each category for which you are making a refund claim. Generally, you cannot claim a refund if you do not meet the requirement for the quarter. To claim the amount, you must file a claim for credit on Form 4136.

If you do not meet the quarterly amount (at least \$750) for the third category, you carry the amount to the next quarter to determine if you can claim at least \$750 for that quarter.

Fourth quarter claims. You cannot file a quarterly claim for refund for the fourth quarter of your tax year. You file claims for the fourth quarter as a credit on your income tax return.

Note. Special rules apply to refund claims filed by gasohol blenders (if extended) and registered ultimate vendors of undyed diesel fuel, as discussed earlier. See the Form 8849 instructions for more information.

When. You must file a quarterly claim by the last day of the quarter following the end of the quarter for which the claim is being filed. If you file your claim late, you are not allowed a refund. Instead, you add the disallowed refund amount to any claim for credit and claim it on your income tax return, as explained earlier.

You file Form 8849 in the same name and with the same Internal Revenue Service Center where you filed your latest income tax return, if you do not file an excise tax return. A partnership files a claim for refund in the name of the partnership, and one of the partners must sign it. A corporation files the claim in the

name of the corporation and one of its officers must sign it.

Exempt organizations with unrelated business income. If the exempt organization is required to file Form 990-T, *Exempt Organization Business Income Tax Return*, then use these same procedures for claiming a refund.

Users not subject to income tax. The following can file a yearly claim for refund:

- 1) A department, agency, or instrumentality of the United States;
- 2) A state (including an Indian tribal government), county, city, or other subdivision of a state;
- 3) An agency or instrumentality of one or more states, counties, cities, etc.; and
- 4) An organization granted an exemption from the income tax, and not required to file an income tax return. (Aircraft museums are in this category.)

If at the close of your tax year, you are eligible for an amount for which you have not filed quarterly claims (including your fourth quarter), you can file an annual refund claim for these amounts within the time allowed for filing a claim for refund of overpayment of income tax.

For these users, a tax year is the 12-month period normally used to keep financial records. If the user has no regularly established tax year, then the tax year will be the calendar year.

File the claim for refund on Form 8849 in the name of the Government, agency, or instrumentality, or the exempt organization. The appropriate official signs Form 8849 and files it with the Internal Revenue Service Center for the region in which the principal place of business or principal office of the agency, organization, etc., is located.

Interest

IRS pays no interest on refunds described in this publication other than on expedited refunds not paid within 20 days to gasohol blenders (if extended) and registered ultimate vendors (discussed earlier). Refunds resulting from credits claimed on income tax returns may qualify for interest.

Penalties

There are criminal penalties for false or fraudulent claims. In addition, any person who claims an excessive amount (without reasonable cause) may be charged a penalty. The penalty is the greater of two times the excessive amount or \$10.

Including the Credit or Refund in Income

Include any credit or refund of excise taxes on fuels in your gross income if you claimed the taxes as an expense deduction that reduced your income tax liability. Do not include as income any credit or refund related to the purchase of a qualified diesel-powered highway vehicle.

The year you include a credit or refund in gross income depends on whether you use the cash or accrual method of accounting.

Cash method. If you use the cash method and file a claim for **refund**, include the refund in your gross income for the tax year in which you receive the refund. If you claim a **credit** on your income tax return, include the credit in gross income for the tax year in which you file Form 4136. If you file an **amended return** and claim a credit, include the credit in gross income for the tax year in which you receive it.

Example 1. Ed Brown, a cash-basis farmer, filed his 1995 Form 1040 on March 1, 1996. On his Schedule F, Ed deducted the total cost of gasoline (including \$110 of excise taxes) used on the farm. Then, on Form 4136, Ed claimed the \$110 of excise tax paid on the gasoline as a credit. Ed reports the \$110 as additional income on his 1996 Schedule F.

Example 2. March Corporation uses the calendar year as its tax year. For 1995, the corporation claimed the following amounts for gasoline excise tax included in the gasoline it used each quarter:

January 1 through March 31	\$1,500
April 1 through June 30	1,200
July 1 through September 30	900
October 1 to December 31	1,300

The corporation deducts the entire cost of the gasoline (including the \$4,900 in excise taxes) that it used during the year as a business expense on its corporation income tax return, thereby reducing its corporate income tax liability for that year.

Form 8849. March Corporation files quarterly refund claims for the first two quarters (ending March 31 and June 30). It cannot file a quarterly refund claim for the third quarter ending September 30 because the claim was under \$1,000. Neither can it file a quarterly refund claim for the fourth quarter ending December 31 because this is the last quarter of its tax year.

March Corporation files Form 8849 for two of the four quarters. Since it uses the cash method of accounting, the corporation includes \$2,700 (\$1,500 + \$1,200) in its gross income for the tax year in which it receives the refunds (1995).

Form 4136. The corporation claims the remaining amounts as a credit (\$900 + \$1,300) on its 1995 income tax return by attaching Form 4136. It includes this credit (\$2,200) in its 1996 gross income.

Accrual method. If you use an accrual method, include the entire claim in gross income for the tax year in which the qualifying use occurred. It does not matter if an accrual-basis taxpayer filed for a quarterly refund or claimed the entire amount as a credit.

Example 3. Todd Green uses an accrual method. He filed his 1995 return on April 15, 1996. On Schedule C he deducted the total cost of gasoline (including \$155 of excise

taxes) used in an off-highway business vehicle during 1995. On Form 4136, Todd claimed the \$155 excise tax as a credit. He must report the \$155 as additional income on his 1995 Schedule C.

Example 4. Use the same facts as in Example 2 above. However, March Corporation uses an accrual method of accounting. Since the qualifying use occurred in 1995, the corporation reports \$4,900 (the \$2,700 it filed on Form 8849 and the \$2,200 it filed on Form 4136) as income on its 1995 income tax return.

Alcohol Fuels Credit

If you sell or use alcohol as a fuel, you may be eligible for an income tax credit. The credit applies both to straight alcohol and to certain alcohol mixtures.

Alcohol covered by the credit includes methanol and ethanol. But it does not include alcohol produced from petroleum, natural gas, or coal (including peat), alcohol with a proof of less than 150, or ethanol produced as a by-product from manufacturing ethylcellulose derived from ethane. Methanol produced from methane gas formed in waste disposal sites is not "alcohol produced from natural gas."

Straight alcohol. You can claim the credit for any alcohol not mixed with any other fuel. You do not produce a mixture by adding denaturants to alcohol.

You are eligible for the credit for straight alcohol only if during the tax year:

- 1) You used it as a fuel in your trade or business, or
- 2) You sold it at retail and placed it in the fuel tank of the buyer's vehicle.

The buyer cannot claim the credit for the alcohol bought at retail, even if the buyer uses it as a fuel in a trade or business.

Mixing or failure to use as fuel. If the credit applied to alcohol that you bought, and you later mix the alcohol or do not use it as a fuel, you must pay a tax equal to the credit. Report this tax on Form 720, *Quarterly Federal Excise Tax Return*.

Alcohol mixture. You can take the credit for alcohol you use to produce a qualified mixture. A qualified mixture is a mixture of alcohol with gasoline or with a special fuel. You do not treat adding denaturants to alcohol as the production of a mixture.

You can take the credit only if you produce and sell the mixture for use as a fuel, and not merely as an octane enhancer, or you produce and use it as a fuel in your trade or business. You can claim the credit whether you sell the fuels directly to the user or to a buyer for resale to the user. Alcohol you use to produce a qualified mixture is taken into account only if the sale or use is in your trade or business and only for the tax year in which the sale or use occurs.

A special fuel is any liquid fuel, other than gasoline, which is suitable for use in an internal combustion engine.

You are not allowed a credit for the casual off-farm production of a qualified mixture.

Separation or failure to use as fuel. If the credit applied to alcohol used in the production of a qualified mixture, and you later separate the alcohol from the mixture or do not use the mixture as fuel, you must pay a tax equal to the credit. Report this tax on Form 720.

Amount of credit. The proof content of the alcohol determines the amount of the credit. You figure the proof without considering denaturants added to the alcohol.

The credit is 60 cents a gallon for alcohol (other than ethanol) that is at least 190 proof. The credit is 45 cents a gallon for alcohol (other than ethanol) that is at least 150 proof but less than 190 proof.

For ethanol the rates are 54 cents a gallon if at least 190 proof, and 40 cents a gallon if at least 150 proof but less than 190 proof.

You may have been entitled to a reduced rate or an exemption for the federal excise tax on gasoline and special motor fuels used in certain alcohol mixtures. You must reduce the amount of credit allowable on certain alcohol mixtures (such as gasohol) by any benefit provided by the reduced rate or exemption available for such alcohol mixtures.

When figuring the number of gallons of alcohol sold or used, or the percentage of any mixture that consists of alcohol, include the volume of any denaturant (including gasoline) which is added under formulas approved by the Secretary of the Treasury. However, denaturants can be counted only up to 5% of the total volume of alcohol.

Small ethanol producer credit. If you are an eligible small ethanol producer, you qualify for a credit on up to 15 million gallons of your qualified ethanol fuel production. This additional alcohol fuel credit is 10 cents for each gallon.

You are an eligible producer if, at all times during the tax year, you have an annual productive capacity for alcohol of not more than 30 million gallons.

For a partnership, trust, or S corporation, the gallon limitations apply at both the entity level and the partner, beneficiary, or shareholder level.

Your qualified ethanol fuel production is any ethanol you produce and which during the tax year you sell to another person:

- For use in the production of a qualified mixture in that person's trade or business (except casual off-farm production),
- For use as a fuel in that person's trade or business, or
- For sale at retail to another person and the ethanol is put in the fuel tank of the buyer's vehicle.

It also includes your use or sale of the ethanol for these purposes.

Qualified ethanol fuel production does not include any alcohol purchased by a producer who then increases the proof of the alcohol by additional distillation.

How to claim the alcohol fuels credit. You take the alcohol fuels credit by completing Form 6478, *Credit for Alcohol Used as Fuel*, and attaching it to your income tax return. All individuals and corporations taking the credit use Form 6478. Partnerships, S corporations, estates, and trusts figure the credit on Form 6478, but divide the credit among their partners, shareholders, or beneficiaries.

If you take the alcohol fuels credit, you must include the credit for the tax year in your gross income for that year.

You may elect not to take the alcohol fuels credit even though you qualify to take it. You can make (or revoke) this election at any time before the end of the 3-year period that begins on the last day (without regard to extensions) for filing your return for the tax year in which the credit arises.

General business credit. You combine the alcohol fuels credit with other credits to figure your general business credit for the year. See the Form 6478 instructions for a list of these credits.

If, in addition to the alcohol fuels credit, you have any of the other credits for the tax year, or a carryover of any of these credits, or if this credit is from a passive activity, complete Form 6478 only through line 11. Then complete Form 3800, *General Business Credit*, to

figure your general business credit. File both Form 6478 and Form 3800 with your tax return. For more information, see Form 3800.

Comprehensive Example

Steven S. Sands used undyed diesel fuel in vehicles used off the highway in his construction business. The vehicles were not registered (or required to be registered) for highway use. He used 17,290 gallons in 1995. He purchased the fuel at a price that included the excise tax. His records show the following:

Quarter	Gallons		Claim Amount
	Used	Tax Rate	
First	5,690	24.4	\$1,388.36
Second	2,000	24.4	488.00
Third	3,600	24.4	878.40
Fourth	6,000	24.4	1,464.00

Steven filed a Form 8849 (not shown) for the first quarter of 1995. He claimed a refund of \$1,388.36. Steven did not file for the second quarter because his claim was less than \$750. For the third quarter, Steven used the special rule for undyed diesel fuel which allowed him to add together the second and third quarter totals ($\$488 + 878.40 = \$1,366.40$). He filed a refund claim for \$1,366.40 on Form 8849 (shown later).

Caution: At the time this publication went to print, Congress was considering legislation that could affect Form 8849. A revised form may have replaced the one used in this example, but will not affect the amounts shown.

For the fourth quarter, Steven filed Form 4136 (shown later) with his 1995 income tax return on March 1, 1996. Steven includes the information required by the form (not shown).

He received the \$1,388.36 refund in May of 1995 and the \$1,366.40 refund in December of 1995.

Steven used the cash method of accounting. On his 1995 Schedule C, he deducted the total cost of the fuel which included the excise tax. Steven must include on line 6 of Schedule C the excise tax refunds (\$2,754.76) that he received in 1995 by filing Form 8849. When Steven files his 1996 Form 1040, he will include \$1,464 as additional income on Schedule C.

In August, Steven purchased a diesel-powered van for his personal use. The van qualified for the \$198 diesel-powered highway vehicle credit, which he claims on Form 4136. He could not claim a refund because he did not meet the quarterly amount requirement (discussed earlier) for that category.

Claim for Refund of Excise Taxes

▶ See separate instructions.

Please type or print	Name of claimant Steven S. Sands	Employer identification number 10: 9876543
	Address (number, street, and room or suite no.) 987 West St.	Social security number :
	City or town, state, and ZIP code Anytown, VA 12345	Daytime telephone number (703) 555-0000

Name and address shown on Form 720, 730, or 2290 if different from above

1 Type of return filed, if any (see instructions)

720 730 2290

Amount to be refunded
\$1,366.40

3 Gasoline Wholesale Distributors (See instructions.)

Claimant bought gasoline or a gasohol mixture at a price that included the excise tax and (a) sold it directly to a state or local government for its exclusive use, (b) sold it directly to a nonprofit educational organization for its exclusive use, (c) used or sold it as supplies for vessels or aircraft, or (d) sold it for export. Claimant qualifies as a gasoline wholesale distributor, sold the fuel at a tax-excluded price, and obtained a certificate of ultimate purchaser or proof of export from the buyer.

Period of claim ▶ From _____, 19____, to _____, 19____.

CRN	Type of fuel	Rate	Gallons of fuel	Amount of refund
301	Gasoline	\$.184		
312	Gasohol containing at least 10% alcohol	.13		
312	Gasohol containing at least 7.7% alcohol but less than 10% alcohol	.1424		
312	Gasohol containing at least 5.7% alcohol but less than 7.7% alcohol	.1532		

4 Gasohol Blenders (See instructions.)

Claimant bought gasoline taxed at the full rate (\$.184) and blended it with alcohol to make gasohol. The gasohol was used or sold for use in a trade or business.

Period of claim ▶ From _____, 19____, to _____, 19____.

CRN	Percentage of alcohol in the gasohol	Rate	Gallons of gasoline	Amount of refund
302	At least 10% alcohol	\$.0398		
302	At least 7.7% alcohol but less than 10% alcohol	.0298		
302	At least 5.7% alcohol but less than 7.7% alcohol	.0218		

5 Off-Highway Business Use of Gasoline (See instructions.)

Claimant used gasoline for an off-highway business use.

Period of claim ▶ From _____, 19____, to _____, 19____. Income Tax Year ▶ _____

CRN		Rate	Gallons	Amount of refund
301	Gasoline, off-highway business use	\$.184		

6 Registered Ultimate Vendors of Diesel Fuel (claims for fuel sold to a buyer for the buyer's use on a farm for farming purposes or to a state or local government for its exclusive use) (See instructions.)

Claimant sold undyed diesel fuel (a) to a state or local government for its exclusive use or (b) for use on the buyer's farm for farming purposes. Claimant qualifies as a registered ultimate vendor, sold the fuel at a tax-excluded price, certifies that the diesel fuel did not contain visible evidence of dye, and obtained the required certificate from the buyer and has no reason to believe any information in the certificate is false.

Period of claim ▶ From _____, 19____, to _____, 19____.

CRN		Rate	Gallons	Amount of refund
303	Diesel fuel	\$.244		

7 Nontaxable Use of Undyed Diesel Fuel (except for use on a farm for farming purposes or the exclusive use of a state or local government) (See instructions.)

Claimant bought undyed diesel fuel, certifies that the diesel fuel did not contain visible evidence of dye, and used that diesel fuel for a nontaxable use.

Period of claim ▶ From April 1, 1995, to Sept. 30, 1995 Income Tax Year ▶ 9512

CRN	Nontaxable use	Rate	Gallons	Amount of refund
303		\$1.75	5,600	\$1,366.40

8 Train and Intercity Bus Use of Undyed Diesel Fuel (See instructions.)

Claimant bought undyed diesel fuel, certifies that the diesel fuel did not contain visible evidence of dye, and used the diesel fuel in an engine that propels a diesel-powered train or an automobile bus.

Period of claim ▶ From _____, 19____, to _____, 19____ Income Tax Year ▶ _____

CRN	Nontaxable use	Rate	Gallons	Amount of refund
305	Diesel-powered trains	\$1.75		
305	Certain buses	\$1.7		

9 Explanations and additional claims. Explain why you believe this claim should be allowed, and show computation of amount to be refunded. Also include claims for fuel not covered on lines 3-8.

I USED THE SPECIAL RATE FOR UNDYED DIESEL FUEL AND COMBINED THE TOTALS FOR THE SECOND AND THIRD QUARTERS.

*2nd qtr. — 2,000 gals.
3rd qtr. — 3,600 gals.
Total — 5,600 gals.*

ALL THE FUEL WAS PURCHASED FROM:

*ABC OIL and Supply Co.
123 EAST ST.
ANYTOWN, VA 12345
(703) 555-1111
10-1234567*

THE FUEL WAS USED IN AN OFF-HIGHWAY BUSINESS USE, IN VEHICLES NOT REGISTERED FOR HIGHWAY USE.

THE SELLER'S STATEMENT THAT THE DIESEL FUEL DID NOT CONTAIN VISIBLE EVIDENCE OF DYE AND THE DATES OF EACH PURCHASE ARE SHOWN ON THE ATTACHED INVOICES. [NOT ILLUSTRATED FOR THIS EXAMPLE.]

Signature. Claims filed by corporations must be signed by a corporate officer authorized to sign, and the signature must be accompanied by the officer's title.

Under penalties of perjury, I declare that I have examined this claim, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Director's Stamp
(Date received)

Steven S. Sandoz
Signature (Title, if applicable. Claims by corporations must be signed by an officer.)

10/14/95
Date

Credit for Federal Tax Paid on Fuels
 (And Credit for Purchase of Diesel-Powered Highway Vehicles)
 ▶ See the instructions for Form 4136.
 ▶ Attach this form to your income tax return.

Department of the Treasury
Internal Revenue Service (7)

Name (as shown on your income tax return) STEVEN S. Sands Taxpayer identification number 514-00-3894

Part I Diesel-Powered Highway Vehicle Credit

	(a) Number of vehicles	(b) Credit per vehicle	(c) Credit (col. (a) × col. (b))	CRN
1 Diesel-powered cars	1	\$102.00	\$	
2 Diesel-powered light trucks and vans	/	198.00	198.00	
3 Total diesel-powered highway vehicle credit. Add lines 1 and 2, column (c) . . . ▶	3		\$ 198.00	318

Part II Fuel Tax Credit Caution: You cannot claim any amounts on Form 4136 that you claimed on Form 8849, Form 843, or Schedule C (Form 720).

4 Nontaxable Use of Gasoline (See instructions.)

	Type of use	Rate	Gallons	Amount of credit	CRN
a Off-highway business use		\$.184	}		301
b Use on a farm for farming purposes		.184			
c Other		.184			

5 Nontaxable Use of Gasohol (See instructions.)

	Type of use	Rate	Gallons	Amount of credit	CRN
a Gasohol containing at least 10% alcohol		\$.13	}		312
b Gasohol containing at least 7.7% alcohol but less than 10% alcohol		.1424			
c Gasohol containing at least 5.7% alcohol but less than 7.7% alcohol		.1532			

**6 Nontaxable Use of Undyed Diesel Fuel (Lines 6a, b, and c)
Sales by Registered Ultimate Vendors of Undyed Diesel Fuel (Line 6d) (See instructions.)**

	Type of use	Rate	Gallons	Amount of credit	CRN	
<p><small>Lines 6a, b, and c: Purchaser bought undyed diesel fuel, certifies that the diesel fuel did not contain visible evidence of dye, and used that diesel fuel for a nontaxable use. Caution: No claim is allowed on lines 6a, b, or c for use on a farm for farming purposes or for use by a state or local government.</small></p>						
a Heating oil		\$.244	}		303	
b Off-highway business use		.244				6,000
c Other nontaxable use		.244				
d Claimant sold undyed diesel fuel (a) to a state or local government for its exclusive use or (b) for use by the buyer on a farm for farming purposes. Claimant is a registered ultimate vendor, sold the fuel at a tax-excluded price, certifies that the diesel fuel did not contain visible evidence of dye, and obtained the required certificate from the buyer and has no reason to believe any of the information in the certificate is false.		.244		\$1,464.00		

7 Nontaxable Use of Special Fuels

	Type of use	Rate	Gallons	Amount of credit	CRN
a	Special motor fuel (other than LPG)	\$.184	} MCF		304
b	Liquified petroleum gas (LPG)	.183			
c	LPG used in intercity or local buses	.109			
d	Compressed natural gas (credit rate per thousand cubic feet)	.4854			

8 Nontaxable Use of Gasoline Used in Aviation (See instructions.)

	Type of use	Rate	Gallons	Amount of credit	CRN
a	Used in foreign trade, on a farm, or in certain helicopters	\$.184	}		307
b	Used in commercial aviation (other than foreign trade)	.183/ .14*			

9 Nontaxable Use of Aviation Fuel (other than gasoline)

	Type of use	Rate	Gallons	Amount of credit	CRN
a	Used in foreign trade, on a farm, or in certain helicopters	\$.219	}		310
b	Used in commercial aviation (other than foreign trade)	.218/ .175*			

10 Gasohol Blenders (Caution: Do not claim for any gasohol sold or used after September 30, 1995. See instructions on page 4.)

Percentage of alcohol in the gasohol	Rate	Gallons of gasoline	Amount of credit	CRN
Claimant bought gasoline taxed at the full rate (\$.184) and blended it with alcohol to make gasohol. The gasohol was used or sold for use in a trade or business.				
a At least 10% alcohol	\$.0396	}		302
b At least 7.7% alcohol but less than 10% alcohol	.0296			
c At least 5.7% alcohol but less than 7.7% alcohol	.0216			

11 Use of Undyed Diesel Fuel—Train and Intercity and Local Bus (See instructions.)

Claimant bought undyed diesel fuel, certifies that the diesel fuel did not contain visible evidence of dye, and used the diesel fuel in an engine that propels a diesel-powered train or an automobile bus.	Rate	Gallons	Amount of credit	CRN
a Diesel-powered trains	\$.175/ .1875*	}		305
b Certain intercity and local buses	.17			

12 Total fuel tax credit. Add lines 4-11

12 \$ 1,464.00

Part III Total Income Tax Credit

13 Total income tax credit claimed (add lines 3 and 12). Enter here and on Form 1040, line 60 (also check box b on line 60); Form 1120, line 32g; Form 1120-A, line 28g; Form 1120S, line 23c; Form 1041, line 24g; or the proper line of other returns

13 \$ 1,662.00

* This rate is only for fuel purchased and used after September 30, 1995. However, pending legislation may change the rates for lines 8b and 9b. Get Pub. 583, Highlights of 1995 Tax Changes.