



Also effective August 27, 1996, the tax on aviation gasoline is imposed in the same manner as on other gasoline, rather than partly at the retail level. The former retail level tax of one cent per gallon is repealed. Thus, a tax of 19.3 cents per gallon will be imposed on the removal of aviation gasoline from a terminal at the terminal rack.

II. TAX ON AVIATION FUEL (OTHER THAN GASOLINE)

Tax is imposed on aviation fuel (other than gasoline) (IRS No. 69) at a rate of 21.8 cents per gallon beginning on August 27, 1996, and ending December 31, 1996.

III. FLOOR STOCKS TAX ON AVIATION FUEL (OTHER THAN GASOLINE)

A floor stocks tax is imposed on any person that holds previously-taxed aviation fuel (other than gasoline) on the first moment of August 27, 1996. The rate of the floor stocks tax is 17.5 cents per gallon. The floor stocks tax payment is due by March 1, 1997.

The floor stocks tax does not apply to aviation fuel held for use in foreign trade or in military aircraft. Also, the floor stocks tax does not apply if the aggregate amount of aviation fuel held by a person or related group of persons on August 27, 1996, is not more than 2,000 gallons. Aviation fuel held for an exempt use is not taken into account for purposes of calculating the 2,000 gallons.

IV. DIESEL FUEL FOR MOTORBOATS

Between August 27, 1996, and December 31, 1997, the use of diesel fuel in a motorboat is exempt from tax and the penalty for misuse of dyed diesel fuel does not apply to use in a motorboat. Thus, you may now use either dyed diesel fuel (which has not been previously taxed) or undyed diesel fuel (on which tax has been paid) in a motorboat. If you use dyed fuel, no penalty will be imposed on that use. If you use undyed diesel fuel, you may claim a credit or refund of the tax paid on that fuel. Only the purchaser may make this claim. The seller of the fuel is not eligible for a credit or refund.

V. GASOHOL BLENDERS

The gasohol blender credit (or refund) under section 6427(f) has been reinstated, retroactive to October 1, 1995.

Excise Tax Changes

Announcement 96-85

The Small Business Job Protection Act of 1996, which was signed into law on August 20, 1996, makes the following changes to Federal excise taxes. These changes will be reflected on Form 720, Quarterly Federal Excise Tax Return; Form 4136, Credit for Federal Tax Paid on Fuels; and Form 8849, Refund of Excise Taxes.

I. TAX ON AVIATION GASOLINE

Tax is imposed on aviation gasoline (IRS No. 14) at a rate of 19.3 cents per gallon beginning on August 27, 1996, and ending December 31, 1996.

Claims for gasoline used to produce gasohol that was sold or used before April 1, 1996, must be taken as an income tax credit on Form 4136.

For sales or uses after March 31, 1996, you may use Form 8849 (Rev. April 1996). Print the rate and amount in the shaded area of line 10. The rates per gallon of gasoline used in blending are:

| <i>Percentage of alcohol in the gasohol</i> | <i>Rate</i> |
|---|-------------|
| At least 10% | \$.03967 |
| At least 7.7% alcohol but less than 10% | .02979 |
| At least 5.7% alcohol but less than 7.7% | .02158 |

Write "GASOHOL CLAIM" at the top of Form 8849 and on the envelope. Mail your claim to the service center using the special addresses under Where to File on page 1 of the Instructions for Form 8849. Note that refund claims for sales or uses between April 1, 1996, and June 30, 1996, must be filed by September 30, 1996.

VI. AIR TRANSPORTATION TAXES

The following taxes apply to amounts paid on or after August 27, 1996, for transportation beginning on or after August 27, 1996, and before January 1, 1997. No tax applies to amounts paid before August 27, 1996, and, unless extended by future legislation, these taxes will not apply to amounts paid for transportation beginning after December 31, 1996.

| <i>IRS No.</i> | <i>Tax</i> | <i>Tax rate</i> |
|--------------------|--|---------------------|
| 26 | Transportation of persons by air | 10% |
| 28 | Transportation of property by air | 6.25% |
| 27 | Use of international air travel facilities | \$6.00 |

The exemption for emergency medical transportation now includes flights by certain fixed-wing aircraft. Also, the exemption relating to affiliated corporations applies on a flight-by-flight basis.

VII. DIESEL-POWERED HIGHWAY VEHICLE CREDIT

Effective for vehicles bought after August 20, 1996, the diesel-powered highway vehicle credit is repealed. For vehicles purchased between January 1, 1996, and August 20, 1996, the credit is claimed on Form 4136, Part I.

VIII. OZONE-DEPLETING CHEMICALS (ODCs)

Effective August 27, 1996, no tax is imposed on ODCs (IRS No. 98) used as propellants in metered-dose inhalers.

IX. LUXURY TAX

Effective for sales after August 27, 1996, the luxury tax on passenger automobiles (IRS No. 92) decreases from 10% to 9% and applies to the amount by which the sales price exceeds \$34,000. The base amount for 1996 (\$34,000) has not changed. For example, for a sale after August 27, 1996, if the sales price of the automobile is \$35,000, the tax is \$90 (9% of \$1,000). This tax will be phased down one percentage point each year through the year 2002.

X. HOW TO GET FORMS

IRS Forms can be obtained by calling 1-800-829-3676 or downloaded from the IRS Internet Home Page at <ftp://irs.ustreas.gov>.