IRM PROCEDURAL UPDATE

DATE: 08/06/2026

NUMBER: sbse-04-0826-0752

SUBJECT: IRC 6435 Dyed Fuel Claim Processing

AFFECTED IRM(s)/SUBSECTION(s): 4.24.22

CHANGE(s):

IRM 4.24.22.3.2 - Rescinded temporary guidance that IRC 6435 claims should not be processed but should be held in suspense until further notice.

(1) This section contains general research items applicable to all excise tax modules. Specific research steps and suggestions are provided in the IRM section addressing each excise tax form.

(2) For claim processing procedures in CSTO, refer to IRM 4.24.22.4.6, Specific Claims and Other Issues.

(3) Always contact the Large Corp Technical Unit before making an adjustment on a "Large Corp" case or notice. See IRM 21.7.1.4.11.4, Campus Contacts for Large Corp Cases, for additional information.

(4) For Form 720 filed returns that have not posted to the account, refer to IRM 25.23.9.4.1, BMF Returns Selected for Return Integrity and Compliance Services (RICS) Review, for how to identify if the return has been selected for RICS BMF Identify Theft (IDT) review. If there is no TC 150 posted because the return is being held pending a RICS review and it has been 23 weeks since RICS selected the return (TC 973), then fax a Form 4442, Inquiry Referral, to RICS at 844-201-5531. Indicate in Section B this is a request to review the Form 720 selected return to see if a case determination can be made and complete RICS case processing.

Note: Only RICS employees have the authority to determine if the return in question is RICS BMF IDT or not. Do not send any copies of a Form 720 return to be processed as the original return.

IRM 4.24.22.4.5.5 - Added additional guidance for processing IRC 6435 claims.

(1) A person who has paid and reported a section 4081 fuel tax to the government uses Form 8849, Schedule 5 to claim an IRC 4081(e) refund of that tax if another taxpayer has also paid and reported tax on the same fuel to the government. The tax liability has been paid and reported twice for the same fuel.

(2) IRC 4081(e) claims may only be made on Form 8849, Schedule 5, IRC 4081(e) Claims. They are not allowable on Form 720, Quarterly Federal Excise Tax Return, or Form 4136, Credit for Federal Tax Paid on Fuels. See Reg. Section 48.4081-7 of the Manufacturers and Retailers Excise Tax Regulations.

Note: Section 4081(e) claims may be filed electronically.

(3) The One, Big, Beautiful Bill Act (Public Law 119-21, 139 Stat. 282) created an IRC 6435 claim for payment, without interest, equal to the federal excise tax previously paid on clear diesel fuel or kerosene that is later indelibly dyed and removed at a terminal for a nontaxable use. Refer to IRM 4.24.22.4.5.5.2 for additional information and guidance.

(4) Taxpayers filing both IRC 4081(e) claims and IRC 6435 claims must file a separate Form 8849 and Schedule 5 for each set of claims. A taxpayer cannot make an IRC 6435 claim and an IRC 4081(e) claim on the same Form 8849, or with any other claim.

(5) Input adjustment on MFT 03, using TC 290 and the appropriate CRN. Input TC 770 zero to restrict interest.

IRM 4.24.22.4.5.5.2 - Added additional guidance about IRC 6435 claims. Rescinded guidance that IRC 6435 should not be processed.

(1) IRC 6435 claims include eligible fuels removed on or after December 31, 2025. Types of fuel that are allowable on the claim are:

- Dyed diesel fuel, CRN 472
- Dyed kerosene, CRN 473

(2) Eligible fuel means diesel fuel or kerosene that is:

a. Previously taxed (which was paid and not credited or refunded),
b. Indelibly dyed by mechanical injection, and
c. Removed from an approved terminal for a nontaxable use.

(3) Announcement 2026-1, issued December 22, 2025, provided information to potential claimants regarding IRC 6435 claims. The announcement notes that absent a statutory change, Treasury and the IRS lack the authority to pay the claims to anyone other than the person that paid the original tax on the dyed fuel to which the claim relates.

(4) Claimants were requested not to file any IRC 6435 claims until guidance is issued. Announcement 2026-1 stated that the IRS will not process any IRC 6435 claims until such guidance is issued.

(5) Temp. Treas. Reg. 48.6435-1T (and corresponding proposed regulations), published May 1, 2026, provides the anticipated guidance referenced in Announcement 2026-1 for

IRC 6435 claims, including definitions, rules, conditions, proper claimant, filing instructions, and reporting requirements.

(6) Only the person that paid and reported to the government the IRC 4081 tax on diesel fuel or kerosene and later removed that fuel from an approved terminal as dyed for nontaxable use under IRC 4082(a), is eligible to file an IRC 6435 claim.

(7) A copy of the Section 6435 Taxpayer's Report must be attached to the claim.

(8) There is no minimum amount for this claim.

(9) The claim may be filed after the removal of the dyed fuel and must be filed within 3 years from the time the return for the prior tax was filed or 2 years from the time the prior tax was paid to the government, whichever is later.

(10) No interest is allowable.

(11) Research master file to verify Form 720 was filed and tax paid.