

## IRM PROCEDURAL UPDATE

**DATE: 03/01/2017**

**NUMBER: wi-21-0317-0409**

**SUBJECT: Alternative Fuel Credits**

**AFFECTED IRM(s)/SUBSECTION(s): 21.7.8**

**CHANGE(s):**

### **IRM 21.7.8.4.1.6.3 Added new paragraph (1) to provide information regarding alternative fuel credits.**

1. The IRC 6426 alternative fuel credits (and IRS 6427 payments) expired after 12/31/16 (P.L. 114-113 (PATH) sec. 185), but may be restored by Extender legislation.
2. The **alcohol fuel mixture credit** (line 12) expired on claims for periods after 12/31/2011. The Schedule C section has been reserved for future use.
3. The **biodiesel or renewable diesel mixture credit** (line 13) expired on fuels and mixtures used or sold after 12/31/2013. The Tax Increase Prevention Act of 2014 (Pub. L. 113–295) reinstated the credits for the calendar year 2014; however, 2014 credits cannot be claimed on Schedule C. Taxpayers will use Form 8849, Schedule 3, or Form 4136 to claim the credits. Fuel claims reporting these credits for fuels and mixtures used or sold after 12/31/2014 must not be paid by the Service.

**NOTE:** Notice 2015–3 provides one-time claim requirements for biodiesel (including renewable diesel) mixtures and alternative fuels sold or used during the calendar year 2014. These credits are collectively known as 2014 biodiesel and alternative fuel incentives. IRM 21.7.8.4.7.3.1, 2014 Biodiesel and Alternative Fuel Incentive Claims, provides the one-time claim requirements.

**NOTE:** Form 720X must be used for 2012 retroactive claims. See IRM 21.7.8.4.7.2, American Taxpayer Relief Act (ATRA) of 2012 Retroactive Fuel Claims, for additional information.

4. For claims that relate to periods other than the calendar years of 2010, 2012, and 2014, a **biodiesel or renewable diesel mixture credit** must first be taken on Form 720, Schedule C, to reduce the taxable fuel liability for gasoline, diesel fuel, and kerosene (IRS Nos. 60, 104, 105, 107, 119, 35, 69, 77, 111, 62, and 14) reported on Form 720. Any excess credit may be filed on Form 720, Schedule C, Form 8849, Schedule 3, Certain Fuel Mixtures and

the Alternative Fuel Credit, Form 4136, Credit for Fuel Tax Paid on Fuels, or Form 8864, Biodiesel and Renewable Diesel Fuels Credit.

5. The biodiesel fuel credit may not be claimed for biodiesel produced outside the United States for use as a fuel outside the United States. The United States includes any possessions of the United States. The person that produced and sold or used the mixture in their trade or business is the only person eligible to make this claim. The credit is based on the gallons of biodiesel or renewable diesel in the mixture. The claim requirements are below:
  - The claim must be for a biodiesel or renewable diesel mixture sold or used during a period that is at least 1 week.
  - The amount of the claim must be at least \$200.00. To meet this minimum, amounts from lines 13 and 14 may be combined. (If this requirement and the one above cannot be met, the taxpayer must file an annual claim Form 4136, Credit for Federal Tax Paid on Fuels.)
  - The biodiesel used to produce the biodiesel mixture must meet ASTM D6751 and meet the Environmental Protection Agency's (EPA) registration requirements for fuels and fuel additives under section 211 of the Clean Air Act. Used in aviation, kerosene is treated as if it is diesel fuel.
  - The renewable diesel used to produce the renewable diesel mixture must be derived from biomass, meet ASTM D975, D396, or other equivalent standard approved by the IRS, and meet EPA's registration requirements for fuels and fuel additives under section 211 of the Clean Air Act. Renewable diesel also includes fuel derived from biomass that meets a Department of Defense specification for military jet fuel or an ASTM specification for aviation turbine fuel.
  - The Certificate for Biodiesel and if applicable, Statement of Biodiesel Reseller, must be attached to the first claim filed that is supported by the certificate or statement. (See the Form 720 Instructions for additional information.)
6. The **alternative fuel credit and alternative fuel mixture credit** (line 14) expired on fuels and mixtures used or sold after 12/31/2013. In the case of any liquefied hydrogen mixtures, the credit expired on September 30, 2014. The Tax Increase Prevention Act of 2014 (Pub. L. 113–295) reinstated the credits for the calendar year 2014; however, 2014 credits cannot be claimed on Schedule C. Taxpayers will use Form 8849, Schedule 3, or Form 4136 to claim the credits. If a taxpayer is not required to file an income tax return, an annual claim can be filed with Form 8849. The Form 8849 instructions provide "Annual Claim" guidance. Fuel claims reporting these credits for fuels and mixtures used or sold after 12/31/2014 must not be paid by the Service.

**NOTE:** Notice 2015–3 provides one-time claim requirements for biodiesel (including renewable diesel) mixtures and alternative fuels sold or used during the calendar year 2014. These credits are collectively known as 2014 biodiesel and alternative fuel incentives. IRM 21.7.8.4.7.3.1, 2014 Biodiesel and Alternative Fuel Incentive Claims, provides the one-time claim

requirements.

**NOTE:** For 2014, all alternative fuel mixture credit claims allowed under IRC 6426(e), including claims for the fourth quarter, must be submitted on Form 720X, Amended Quarterly Federal Excise Tax Return. IRM 21.7.8.4.7.3.2, Alternative Fuel Mixture Claim Under IRC 6426(e), provides additional detail.

**NOTE:** The 2012 retroactive claims must be filed on Form 720X. See IRM 21.7.8.4.7.2, American Taxpayer Relief Act (ATRA) of 2012 Retroactive Fuel Claims, for additional information.

**IRM 21.7.8.4.1.7 Added Note after (3) for additional information regarding alternative fuel credits.**

3. A claimant must be registered to file a claim for an alternative fuel credit and/or an alternative fuel mixture credit. If the claimant is **not** registered, they must apply for registration on Form 637, Application for Registration. Form 720X, line 2, must be used to report any adjustment to IRC 6426, fuel credits. The claimant must have **first** used Form 720, Schedule C, to reduce their IRC 4041 or IRC 4081 fuel liability. (See Form 720 X instructions, line 2.) The claimant must use a separate line for each adjustment. See the table below for applicable types of credit, CRNs and credit rates.

**REMINDER:** Per the American Taxpayer Relief Act of 2012, retroactive fuel claims must be filed on Form 720X. For additional information see IRM 21.7.8.4.7.2, American Taxpayer Relief Act (ATRA) of 2012 Retroactive Fuel Claims.

**REMINDER:** Per the Tax Increase Prevention Act of 2014 and Notice 2015–3, all 2014 alternative fuel mixture credit claims allowed under IRC 6426(e), including claims for the fourth quarter, must be submitted on Form 720X, Amended Quarterly Federal Excise Tax Return. IRM 21.7.8.4.7.3.2, Alternative Fuel Mixture Claim Under IRC 6426(e), provides additional detail.

Credit	CRN	Credit Rate
Alcohol fuel mixtures containing ethanol	393	\$.45
Alcohol fuel mixtures containing alcohol (other than ethanol)	394	\$.60
Biodiesel (other than agri-biodiesel) mixtures	388	\$1.00
Agri-biodiesel mixtures	390	\$1.00
Renewable diesel mixtures	307	\$1.00
Liquefied petroleum gas (LPG)	426	\$.50
"P Series" fuels	427	\$.50
Compressed natural gas (LPG)	428	\$.50
Liquefied hydrogen	429	\$.50 (Does not

		expire until 9/30/2014)
Any liquid fuel derived from coal (including peat through the Fischer- Tropsch process)	430	\$.50
Liquid hydrocarbons	431	\$.50
Liquefied natural gas (LNG)	432	\$.50
Liquefied gas derived from biomass	436	\$.50
Compressed gas derived from biomass	437	\$.50

**NOTE:** Form 720X, line 6, must be completed and provide a detailed explanation of each adjustment and the computation of the amount. The computation must include the number of gallons and credit rate per gallon. Any certificates or statements required for Schedule C lines, 12, 13, and 14 must also be attached. See Form 720X for additional information

**NOTE:** The IRC 6426 alternative fuel credits (and IRS 6427 payments) expired after 12/31/16 (P.L. 114-113 (PATH) sec. 185), but may be restored by Extender legislation.

4. The IRC 6415 conditions for claim allowance on Form 720X apply to IRS Nos. 22, 26, 27, and 28. The claimant must have repaid the amount of the tax to the person from whom it was collected or have the consent of that person for the allowance of the adjustment.
5. The IRC 6416(a) conditions for claim allowance on Form 720X apply to all other IRS Nos. except 18, 19, 20, 21, 29, 30, 31, 51, 64, 98, and 115, 116 and 117; or if tax is based on use of IRS Nos. 61, 71, 79, and 112, 118, 120-124, and 101. IRS Nos. 61 and 101 can only be adjusted for periods ending before October 1, 2006. The claimant must not have included the tax in the price of the article and has not collected the tax from the purchaser or has the written consent of the ultimate purchaser for the allowance of the adjustment.
6. For each adjustment reported on line one of Form 720X, a statement must be attached, or line 6 can be used for providing:
  - a. A detailed description of each adjustment, and
  - b. A computation of the amount claimed

**NOTE:** The supporting evidence is not required to be submitted with the claim.

7. Input any adjustment on MFT 03 for the quarter in which the tax was originally reported, or should have been reported, using TC 291 for a tax decrease or TC 290 for a tax increase, using the appropriate IRS No. Credit interest is allowable on an overpayment of tax liability reported on a Form 720 filed for previous quarters.
8. If the box on line 5b of Form 720X is checked, the overpayment is shown on line 7 of Form 720. Line 6 of Form 720 should include the amount from line 7, if any, as an overpayment from a previous quarter.
9. Input any adjustment on MFT 03 for the quarter in which the tax was originally reported, or should have been reported, using TC 291 for a tax decrease or

TC 290 for a tax increase on MFT 03 and appropriate IRS No. See IRM 20.1.4.10, Form 720 Reporting Requirements, if a failure to deposit penalty may apply.

**IRM 21.7.8.4.5.4 Added Note after (2) for additional information regarding alternative fuel credits.**

2. Claims for Biodiesel, Renewable Diesel Mixture Credits, Alternative Fuel Credits, and Alternative Fuel Mixture Credits allowable under IRC 6426 and IRC 6427 expired for fuels sold or used after December 31, 2013. The liquefied hydrogen mixture credit expired on September 30, 2014. The Tax Increase Prevention Act of 2014 (Pub. L. 113–295) reinstated the credits for the calendar year 2014. Fuel claims reporting these credits for claim periods after December 31, 2014 must not be paid by the Service.

**NOTE:** Notice 2015–3 provides one-time claim requirements for biodiesel (including renewable diesel) mixtures and alternative fuels sold or used during the calendar year 2014. These credits are collectively known as 2014 biodiesel and alternative fuel incentives. IRM 21.7.8.4.7.3.1, 2014 Biodiesel and Alternative Fuel Incentives Claims, provides the one-time claim requirements. For 2014, all alternative fuel mixture credit claims allowed under IRC 6426(e), including claims for the fourth quarter, must be submitted on Form 720X. IRM 21.7.8.4.7.3.2, 2014 Alternative Fuel Mixtures Claim Under 6426(e), provides additional claim detail.

**NOTE:** Per the American Taxpayer Relief Act of 2012, retroactive fuel claims must be filed on Form 720X. For additional information see IRM 21.7.8.4.7.2, *American Taxpayer Relief Act (ATRA) of 2012 Retroactive Fuel Claims*.

**NOTE:** The IRC 6426 alternative fuel credits (and IRS 6427 payments) expired after 12/31/16 (P.L. 114-113 (PATH) sec. 185), but may be restored by Extender legislation.

3. Before claiming a refund on Form 8849, Schedule 3, any biodiesel or renewable diesel mixture credit must first be taken on Form 720, Quarterly Federal Excise Tax Return, Schedule C, as a credit against the taxable fuel liability for gasoline, diesel fuel, or kerosene (IRS Nos. 60, 104, 105, 107, 119, 35, 69, 77, 111, 62, and 14) reported on Form 720. The alternative fuel credit must first be taken on Form 720 as a credit against the taxable alternative fuel liabilities reported on Form 720 (IRS Nos. 112, 118, 120, 121, 122, 123, 124, and 79). Any excess credit may be taken on Schedule C (Form 720), Form 8849 (Schedule 3), or Form 4136.
4. The **alcohol fuel mixture credit** (line 1) expired for claim periods after 12/31/2011. The Schedule 3 (Rev. December 2012), line 1, has been marked reserved.

5. The **biodiesel mixture credit** is allowed for each gallon of biodiesel used to produce a biodiesel mixture that is at least 0.1 percent (by volume) diesel fuel. The person that produced and sold or used the mixture in their trade or business is the only person eligible to make this claim. The biodiesel used to produce the mixture must:
  - a. Meet ASTM D6751
  - b. Meet EPA's registration requirements for fuels and fuel additives under section 211 of the Clean Air Act

**NOTE:** Claimant must attach the Certificate for Biodiesel and, if applicable, the Statement of Biodiesel Reseller.

6. The **renewable diesel mixture credit** is allowed for each gallon of renewable diesel in the mixture if the claimant produced a mixture by mixing renewable diesel with liquid fuel (other than renewable diesel). The renewable diesel used to produce the renewable diesel mixture must:
  - a. Be derived from biomass
  - b. Meet EPA's registration requirements for fuels and fuel additives
  - c. Meet ASTM D975, D396, or other equivalent standard approved by the IRS
  - d. Be sold by the claimant to any person for use as a fuel or was used as a fuel by the claimant

**NOTE:** Claimant must attach the Certificate for Biodiesel and, if applicable, the Statement of Biodiesel Reseller.

**NOTE:** Renewable diesel is considered a taxable fuel. If the claimant did not report IRS No. 60 on Form 720, it does not mean that the tax has not been paid and further IRS Number (abstract) research may be needed to determine whether the excise tax was paid.

See the chart below for the rates and requirements for Biodiesel and Renewable Diesel Mixture Credit.

<b>Biodiesel or Renewable Diesel Mixture Credit</b>	<b>The Rate Is:</b>	<b>Requirements Are:</b>
Biodiesel Mixture Credit (other than agri-biodiesel mixtures)	\$1.00 per gallon of biodiesel (CRN 388, effective 01/01/2009)	<ul style="list-style-type: none"> <li>o Claim must be for a biodiesel fuel mixture sold or used during a period that is at least one week.</li> <li>o Claim amount must be at least \$200 unless filed electronically.</li> </ul>

		<ul style="list-style-type: none"> <li>○ Combine lines 2 and 3 of Schedule 3 to meet the minimum requirement.</li> <li>○ The claim must be filed by the last day of the first quarter following the earliest quarter of the claimant's income tax year included in the claim.</li> </ul>
Agri-biodiesel mixtures (derived solely from virgin oils, including virgin vegetable oils from corn, soybeans, sunflower seeds, cottonseeds, canola, safflowers, flaxseeds, rice bran, mustard seeds, and from animal fats)	\$1.00 per gallon of biodiesel (CRN 390)	Same as above
Renewable diesel mixture	\$1.00 per gallon of renewable diesel mixture (CRN 307)	Same as above

7. The **alternative fuel credit** is allowed for each gallon or gallon equivalent of alternative fuel. The registered alternative fueler is the only person eligible to make the claim and must have:
- a. Sold an alternative fuel at retail and delivered it into the fuel supply tank of a motor vehicle or motorboat; or
  - b. Delivered the alternative fuel in bulk for taxable use in a motor vehicle or motor boat and received the required statement of taxable use from the buyer; or
  - c. Used an alternative fuel (not sold at retail or in bulk) in a motor vehicle or motorboat; or
  - d. Sold the alternative fuel for use as a fuel in aviation

See the chart below for the alternative fuel credit rates and requirements:

Alternative Fuel	Credit per Gallons or Gasoline	Requirements Are:

	<b>Gallon Equivalents</b>	
Liquefied petroleum gas (LPG)	\$.50 (CRN 426)	<ul style="list-style-type: none"> <li>○ Claim must be for an alternative fuel or alternative fuel mixture sold or used during a period of at least one week.</li> <li>○ Claimant must be registered with the IRS.</li> <li>○ Claim amount must be at least \$200 unless filed electronically.</li> <li>○ Combine lines 2 and 3 of Schedule 3 to meet minimum requirement (electronically, any amount).</li> <li>○ Claim must be filed by the last day of the first quarter following the earliest quarter of the claimant's income tax year included in the claim.</li> </ul>
"P Series fuels"	.50 (CRN 427)	Same as above
Compressed natural gas (CNG)	.50 (CRN 428)	Same as above
Liquefied hydrogen	.50 (CRN 429)	Same as above
Fischer-Tropsch process liquid fuel derived from coal (including peat)	.50 (CRN 430)	Same as above
Liquid fuel derived from biomass	.50 (CRN 431)	Same as above
Liquefied natural gas (LNG)	.50 (CRN 432)	Same as above
Liquefied gas derived from biomass	.50 (CRN 436)	Same as above
Compressed gas derived from biomass	.50 (CRN 437 GGE = 121 cu.ft.)	Same as above



8. The **alternative fuel mixture credit** must first be taken on Schedule C to reduce the taxable fuel liability for gasoline, diesel fuel, and kerosene reported on Form 720.

**NOTE:** Alternative fuel mixtures produced after 12/31/2011 can only be claimed on Form 720, Schedule C, and limited to Part I fuel tax liabilities IRS Nos. 112, 118, 120, 121, 122, 123, 124, and 79.

9. The biodiesel mixture credit and alternative fuel credit may not be claimed for biodiesel or alternative fuel produced outside the United States for use as a fuel outside the United States. The United States includes any possession of the United States.
10. IRM 21.7.8.4.5.4.2, Form 8849, Schedule 3, Processing Claims for Certain Fuel Mixtures and the Alternative Fuel Credit, provides adjustment procedures.