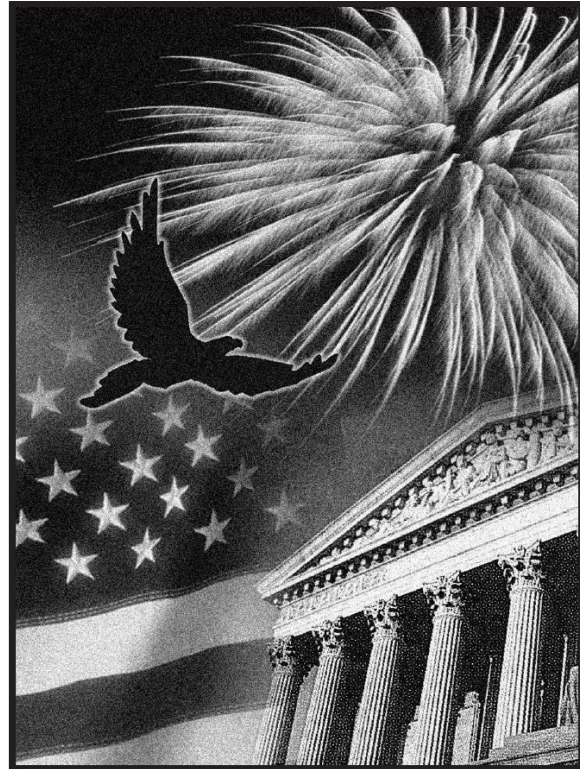


Publication 510

Excise Taxes

(Including Fuel Tax Credits and Refunds)

Volume 4 of 5



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5.

Manufacturers Taxes

The following discussion of manufacturers taxes applies to the tax on:

- Sport fishing equipment;
- Fishing rods and fishing poles;
- Electric outboard motors;
- Fishing tackle boxes;
- Bows, quivers, broadheads, and points;
- Arrow shafts;
- Coal;
- Taxable tires;
- Gas guzzler automobiles; and
- Vaccines.

Manufacturer. The term “manufacturer” includes a producer or importer. A

manufacturer is any person who produces a taxable article from new or raw material, or from scrap, salvage, or junk material, by processing or changing the form of an article or by combining or assembling two or more articles. If you furnish the materials and keep title to those materials and to the finished article, you're considered the manufacturer even though another person actually manufactures the taxable article.

A manufacturer who sells a taxable article in knockdown (unassembled) condition is liable for the tax. The person who buys these component parts and assembles a taxable article may also be liable for tax as a further manufacturer depending on the labor, material, and overhead required to assemble the completed article if the article is assembled for business use.

Importer. An importer is a person who brings a taxable article into the United States, or withdraws a taxable article from a customs

bonded warehouse for sale or use in the United States.

Sale. A sale is the transfer of the title to, or the substantial incidents of ownership in, an article to a buyer for consideration that may consist of money, services, or other things.

Use considered sale. A manufacturer who uses a taxable article is liable for the tax in the same manner as if it were sold.

Lease considered sale. The lease of an article (including any renewal or extension of the lease) by the manufacturer is generally considered a taxable sale. However, for the gas guzzler tax, only the first lease (excluding any renewal or extension) of the automobile by the manufacturer is considered a sale.

Manufacturers taxes based on sale price.

The manufacturers taxes imposed on the sale of sport fishing equipment, electric outboard motors, and bows are based on the sale price

of the article. The taxes imposed on coal are based either on the sale price or the weight.

The price for which an article is sold includes the total consideration paid for the article, whether that consideration is in the form of money, services, or other things. However, you include certain charges made when a taxable article is sold and you exclude others. To figure the price on which you base the tax, use the following rules.

1. **Include** both the following charges in the price.
 - a. Any charge for coverings or containers (regardless of their nature).
 - b. Any charge incident to placing the article in a condition packed ready for shipment.
2. **Exclude** all the following amounts from the price.

- a. The manufacturers excise tax, whether or not it's stated as a separate charge.
- b. The transportation charges pursuant to the sale. The cost of transportation of goods to a warehouse before their bona fide sale isn't excludable.
- c. Delivery, insurance, installation, retail dealer preparation charges, and other charges you incur in placing the article in the hands of the purchaser under a bona fide sale.
- d. Discounts, rebates, and similar allowances actually granted to the purchaser.
- e. Local advertising charges. A charge made separately when the article is sold and that qualifies as a charge for "local

advertising” may, within certain limits, be excluded from the sale price.

- f. Charges for warranty paid at the purchaser's option. However, a charge for a warranty of an article that the manufacturer requires the purchaser to pay to obtain the article is included in the sale price on which the tax is figured.

Bonus goods. Allocate the sale price if you give free nontaxable goods with the purchase of taxable merchandise. Figure the tax only on the sale price attributable to the taxable articles.

Example. A manufacturer sells a quantity of taxable articles and gives the purchaser certain nontaxable articles as a bonus. The sale price of the shipment is \$1,500. The normal sale price is \$2,000: \$1,500 for the taxable articles and \$500 for the nontaxable

articles. Since the taxable items represent 75% of the normal sale price, the tax is based on 75% of the actual sale price, or \$1,125 (75% of \$1,500). The remaining \$375 is allocated to the nontaxable articles.

Taxable Event

Tax attaches when the title to the article sold passes from the manufacturer to the buyer. When the title passes depends on the intention of the parties as gathered from the contract of sale. In the absence of expressed intention, the legal rules of presumption followed in the jurisdiction where the sale occurs determine when title passes.

If the taxable article is used by the manufacturer, the tax attaches at the time use begins.

The manufacturer is liable for the tax.

Partial payments. The tax applies to each partial payment received when taxable articles are:

- Leased,
- Sold conditionally,
- Sold on installment with chattel mortgage, or
- Sold on installment with title to pass in the future.

To figure the tax, multiply the partial payment by the tax rate in effect at the time of the payment.

Exemptions

The following sales by the manufacturer are exempt from the manufacturers tax.

- Sale of an article to a state or local government for the exclusive use of the state or local government. This exemption doesn't apply to the taxes on coal, gas

guzzlers, and vaccines. "State" is defined in [Definitions](#) in chapter 1.

- Sale of an article to a nonprofit educational organization for its exclusive use. This exemption doesn't apply to the taxes on coal, gas guzzlers, and vaccines. "Nonprofit educational organization" is defined under [Communications Tax](#) in chapter 4.
- Sale of an article to a qualified blood collector organization. This exemption doesn't apply to gas guzzlers, recreational equipment, and vaccines. "Qualified blood collector organizations" are defined under [Communications Tax](#) in chapter 4.
- Sale of an article for use by the purchaser as supplies for vessels. This exemption doesn't apply to the taxes on coal and vaccines. Supplies for vessels means ships' stores, sea stores, or legitimate equipment on vessels of war of the United States or any foreign nation, vessels

employed in the fisheries or whaling business, or vessels actually engaged in foreign trade.

- Sale of an article for use by the purchaser for further manufacture, or for resale by the purchaser to a second purchaser for use by the second purchaser for further manufacture. This exemption doesn't apply to the tax on coal and tires. Use for further manufacture means use in the manufacture or production of an article subject to the manufacturers excise taxes. If you buy articles tax free and resell or use them other than in the manufacture of another article, you're liable for the tax on their resale or use just as if you had manufactured and sold them.
- Sale of an article for export or for resale by the purchaser to a second purchaser for export. The article may be exported to a foreign country or to a possession of the United States. A vaccine shipped to a

possession of the United States isn't considered to be exported. If an article is sold tax free for export and the manufacturer doesn't receive proof of export, the manufacturer is liable for the tax.

- Sales of articles of native Indian handicraft, such as bows and arrow shafts, manufactured by Indians on reservations, in Indian schools, or under U.S. jurisdiction in Alaska.
- For tire exemptions, see section 4221(e) (2).

Requirements for Exempt Sales

The following requirements must be met for a sale to be exempt from the manufacturers tax.

Registration requirements. The manufacturer, first purchaser, and second purchaser in the case of resales must be

registered. See the Form 637 instructions for more information.

Exceptions to registration requirements.

Registration isn't required for:

- State or local governments,
- Foreign purchasers of articles sold or resold for export,
- The U.S. Government, or
- Parties to a sale of supplies for vessels and aircraft.

Certification requirement. If the purchaser is required to be registered, the purchaser must give the manufacturer its registration number and certify the exempt purpose for which the article will be used. The information must be in writing and may be noted on the purchase order or other document furnished by the purchaser to the seller in connection with the sale.

For a sale to a state or local government, an exemption certificate must be signed by an officer or employee authorized by the state or local government. See Regulations section 48.4221-5(c) for the certificate requirements.

For sales for use as supplies for vessels and aircraft, if the manufacturer and purchaser aren't registered, the owner or agent of the vessel must provide an exemption certificate to the manufacturer before or at the time of sale. See Regulations section 48.4221-4(d) for the certificate requirements.

Proof of export requirement. Within 6 months of the date of sale or shipment by the manufacturer, whichever is earlier, the manufacturer must receive proof of exportation. See Regulations section 48.4221-3(d) for evidence that qualifies as proof of exportation.

Proof of resale for further manufacture requirement. Within 6 months of the date of sale or shipment by the manufacturer,

whichever is earlier, the manufacturer must receive proof that the article has been resold for use in further manufacture. See Regulations section 48.4221-2(c) for evidence that qualifies as proof of resale.

Information to be furnished to purchaser. The manufacturer must indicate to the purchaser that the articles normally would be subject to tax and are being sold tax free for an exempt purpose because the purchaser has provided the required certificate.

Credits or Refunds

The manufacturer may be eligible to obtain a credit or refund of the manufacturers tax for certain uses, sales, exports, and price readjustments. The claim must set forth in detail the facts upon which the claim is based.

Uses, sales, and exports. A credit or refund (without interest) of the manufacturers taxes

may be allowable if a tax-paid article is, by any person:

- Exported;
- Used or sold for use as supplies for vessels (except for coal and vaccines);
- Sold to a state or local government for its exclusive use (except for coal, gas guzzlers, and vaccines);
- Sold to a nonprofit educational organization for its exclusive use (except for coal, gas guzzlers, and vaccines);
- Sold to a qualified blood collector organization for its exclusive use (except for gas guzzlers, recreational equipment, and vaccines); or
- Used for further manufacture of another article subject to the manufacturers taxes (except for coal).

Export. If a tax-paid article is exported, the exporter or shipper may claim a credit or

refund if the manufacturer waives its right to claim the credit or refund. In the case of a tax-paid article used to make another taxable article, the subsequent manufacturer may claim the credit or refund.

Price readjustments. In addition, a credit or refund (without interest) may be allowable for a tax-paid article for which the price is readjusted by reason of return or repossession of the article or a bona fide discount, rebate, or allowance for taxes based on price.

Conditions to allowance. To claim a credit or refund in the case of export; supplies for vessels; or sales to a state or local government, nonprofit educational organization, or qualified blood collector organization, the person who paid the tax must certify on the claim that one of the following applies and that the claimant has the required supporting information.

- The claimant sold the article at a tax-excluded price.
- The person has repaid, or agreed to repay, the tax to the ultimate vendor of the article.
- The person has obtained the written consent of the ultimate vendor to make the claim.

The ultimate vendor is generally the seller making the sale that gives rise to the overpayment of tax.

Claim for further manufacture. To claim a credit or refund for further manufacture, the claimant must include a statement that contains the following.

- The name and address of the manufacturer and the date of payment.
- An identification of the article for which the credit or refund is claimed.

- The amount of tax paid on the article and the date on which it was paid.
- Information indicating that the article was used as material in the manufacture or production of, or as a component part of, a second article manufactured or produced by the manufacturer, or was sold on or in connection with, or with the sale of, a second article manufactured or produced by the manufacturer.
- An identification of the second article.

For claims by the exporter or shipper, the claim must contain the proof of export and a statement signed by the person that paid the tax waiving the right to claim a credit or refund. The statement must include the amount of tax paid, the date of payment, and the office to which it was paid.

Claim for price readjustment. To claim a credit or refund for a price readjustment, the person who paid the tax must include with

the claim a statement that contains the following.

- A description of the circumstances that gave rise to the price readjustment.
- An identification of the article whose price was readjusted.
- The price at which the article was sold.
- The amount of tax paid on the article and the date on which it was paid.
- The name and address of the purchaser.
- The amount repaid to the purchaser or credited to the purchaser's account.

Sport Fishing Equipment

A tax of 10% of the sale price is imposed on many articles of sport fishing equipment sold by the manufacturer. This includes any parts or accessories sold on or in connection with the sale of those articles.

Pay this tax with Form 720. No tax deposits are required.

Sport fishing equipment includes all the following items.

1. Fishing rods and poles (and component parts), fishing reels, fly fishing lines, other fishing lines not over the 130 pounds test, fishing spears, spear guns, and spear tips.
2. Items of terminal tackle, including leaders, artificial lures, artificial baits, artificial flies, fishing hooks, bobbers, sinkers, snaps, drayles, and swivels (but not including natural bait or any item of terminal tackle designed for use and ordinarily used on fishing lines not described in (1)).
3. The following items of fishing supplies and accessories: fish stringers, creels, bags, baskets, and other containers designed to hold fish, portable bait

containers, fishing vests, landing nets, gaff hooks, fishing hook disgorgers, and dressing for fishing lines and artificial flies.

4. Fishing tip-ups and tilts.
5. Fishing rod belts, fishing rodholders, fishing harnesses, fish fighting chairs, fishing outriggers, and fishing downriggers.

See Revenue Ruling 88-52 in Cumulative Bulletin 1988-1 for a more complete description of the items of taxable equipment.

Fishing rods and fishing poles. The tax on fishing rods and fishing poles (and component parts) is 10% of the sales price not to exceed \$10 per article. The tax is paid by the manufacturer, producer, or importer.

Fishing tackle boxes. The tax on fishing tackle boxes is 3% of the sales price. The tax is paid by the manufacturer, producer, or importer.

Electric outboard boat motors. A tax of 3% of the sale price is imposed on the sale by the manufacturer of electric outboard motors. This includes any parts or accessories sold on or in connection with the sale of those articles.

Certain equipment resale. The tax on the sale of sport fishing equipment is imposed a second time under the following circumstances. If the manufacturer sells a taxable article to any person, the manufacturer is liable for the tax. If the purchaser or any other person then sells it to a person who is related (discussed next) to the manufacturer, that related person is liable for a second tax on any subsequent sale of the article. The second tax, however, isn't imposed if the constructive sale price rules under section 4216(b) apply to the sale by the manufacturer.

If the second tax is imposed, a credit for tax previously paid by the manufacturer is

available provided the related person can document the tax paid. The documentation requirement is generally satisfied only through submission of copies of actual records of the person that previously paid the tax.

Related person. For the tax on sport fishing equipment, a person is a related person of the manufacturer if that person and the manufacturer have a relationship described in section 465(b)(3)(C).

Bows, Quivers, Broadheads, and Points

The tax on bows is 11% of the sales price. The tax is paid by the manufacturer, producer, or importer. It applies to bows having a peak draw weight of 30 pounds or more. The tax is also imposed on the sale of any part or accessory suitable for inclusion in or attachment to a taxable bow and any

quiver, broadhead, or point suitable for use with arrows described below.

Pay this tax with Form 720. No tax deposits are required.

Arrow Shafts

Generally, the section 4161 tax on arrow shafts increases annually based on inflation adjustments. See Form 720 for the tax rate. The tax is paid by the manufacturer, producer, or importer of any arrow shaft (whether sold separately or incorporated as part of a finished or unfinished product) of a type used in the manufacture of any arrow that after its assembly meets either of the following conditions.

- It measures 18 inches or more in overall length.
- It measures less than 18 inches in overall length but is suitable for use with a taxable bow.

Exemption for certain wooden arrows.

The tax doesn't apply to any shaft made of all natural wood with no laminations or artificial means of enhancing the spine of such shaft (whether sold separately or incorporated as part of a finished or unfinished product) and used in the manufacture of any arrow that after its assembly meets both of the following conditions.

- It measures $\frac{5}{16}$ of an inch or less in diameter.
- It isn't suitable for use with a taxable bow.

Pay this tax with Form 720. No tax deposits are required.

Coal

Section 4121 imposes a tax on the first sale of coal mined in the United States. The producer of the coal is liable for the tax. The **producer** is the person who has vested ownership of the coal under state law

immediately after the coal is severed from the ground. Determine vested ownership without regard to any contractual arrangement for the sale or other disposition of the coal or the payment of any royalties between the producer and third parties. A producer includes any person who extracts coal from coal waste refuse piles (or from the silt waste product that results from the wet washing of coal).

The tax isn't imposed on coal extracted from a riverbed by dredging if it can be shown that the coal has been taxed previously.

Tax rates. The tax on underground-mined coal is the lower of:

- \$1.10 a ton, or
- 4.4% of the sale price.



The tax rate for underground-mined coal from 1/1/2022 to 9/30/2022 were the lower of 50 cents a ton or 2% of the sale price.

The tax on surface-mined coal is the lower of:

- 55 cents a ton, or
- 4.4% of the sale price.



The tax rate for surface-mined coal from 1/1/2022 to 9/30/2022 were the lower of 25 cents a ton or 2% of the sales price.

Coal will be taxed at the 4.4% (2% if sold between 01/01/2022 and 09/30/2022) rate if the selling price is less than \$25 a ton for underground-mined coal and less than \$12.50 a ton for surface-mined coal. Apply the tax proportionately if a sale or use includes a portion of a ton.

Example. If you sell 21,000 pounds (10.5 tons) of coal from an underground mine for \$525, the price per ton is \$50. The tax is $\$1.10 \times 10.5 \text{ tons}$ (\$11.55). If sold between 1/1/2022 9/30/2022, $\$.50 \times 10.5 \text{ tons}$ (\$5.25).

Coal production. Coal is produced from surface mines if all geological matter (trees, earth, rock) above the coal is removed before the coal is mined. Treat coal removed by auger and coal reclaimed from coal waste refuse piles as produced from a surface mine.

Treat coal as produced from an underground mine when the coal isn't produced from a surface mine. In some cases, a single mine may yield coal from both surface mining and underground mining. Determine if the coal is from a surface mine or an underground mine for each ton of coal produced and not on a mine-by-mine basis.

Determining tonnage or selling price. The producer pays the tax on coal at the time of sale or use. In figuring the selling price for applying the tax, the point of sale is f.o.b. (free on board) mine or f.o.b. cleaning plant if you clean the coal before selling it. This applies even if you sell the coal for a delivered price. The f.o.b. mine or f.o.b. cleaning plant is the point at which you figure the number of tons sold for applying the applicable tonnage rate, and the point at which you figure the sale price for applying the 4.4% rate (2% if sold between 1/1/2022 and 9/30/2022).

The tax applies to the full amount of coal sold. However, the IRS allows a calculated reduction of the taxable weight of the coal for the weight of the moisture in excess of the coal's inherent moisture content. Include in the sale price any additional charge for a freeze-conditioning additive in figuring the tax.

Don't include in the sales price the excise tax imposed on coal.

Coal used by the producer. The tax on coal applies if the coal is used by the producer in other than a mining process. A mining process means the same for this purpose as for percentage depletion. For example, the tax doesn't apply if, before selling the coal, you break it, clean it, size it, or apply any other process considered mining under the rules for depletion. In this case, the tax applies only when you sell the coal. The tax doesn't apply to coal used as fuel in the coal drying process since it's considered to be used in a mining process. However, the tax does apply when you use the coal as fuel or as an ingredient in making coke since the coal isn't used in a mining process.

You must use a constructive sale price to figure the tax under the 4.4% (2% if sold between 1/1/2022 and 9/30/2022) rate if you use the coal in other than a mining process.

Base your constructive sale price on sales of a like kind and grade of coal by you or other producers made f.o.b. mine or cleaning plant. Normally, you use the same constructive price used to figure your percentage depletion deduction.

Blending. If you blend surface-mined coal with underground-mined coal during the cleaning process, you must figure the excise tax on the sale of the blended, cleaned coal. Figure the tax separately for each type of coal in the blend. Base the tax on the amount of each type in the blend if you can determine the proportion of each type of coal contained in the final blend. Base the tax on the ratio of each type originally put into the cleaning process if you can't determine the proportion of each type of coal in the blend. However, the tax is limited to 4.4% (2% if sold between 1/1/2022 and 9/30/2022) of the sale price per ton of the blended coal.

Exemption from tax. The tax doesn't apply to sales of lignite and imported coal. The only other exemption from the tax on the sale of coal is for coal exported as discussed next.

Exported. The tax doesn't apply to the sale of coal if the coal is in the stream of export when sold by the producer and the coal is actually exported.

Coal is in the stream of export when sold by the producer if the sale is a step in the exportation of the coal to its ultimate destination in a foreign country. For example, coal is in the stream of export when:

1. The coal is loaded on an export vessel and title is transferred from the producer to a foreign purchaser, or
2. The producer sells the coal to an export broker in the United States under terms of a contract showing that the coal is to be shipped to a foreign country.

Proof of export includes any of the following items.

- A copy of the export bill of lading issued by the delivering carrier.
- A certificate signed by the export carrier's agent or representative showing actual exportation of the coal.
- A certificate of landing signed by a customs officer of the foreign country to which the coal is exported.
- If the foreign country doesn't have a customs administrator, a statement of the foreign consignee showing receipt of the coal.

Taxable Tires



Taxable tires are divided into three categories for reporting and figuring the tax as described below.

A tax is imposed on taxable tires sold by the manufacturer, producer, or importer at the

rate of \$.0945 (\$.04725 in the case of a biasply tire or super single tire) for each 10 pounds of the maximum rated load capacity over 3,500 pounds. The three categories for reporting the tax and the tax rate are listed below.

- Taxable tires other than biasply or super single tires at \$.0945.
- Taxable tires, biasply or super single tires (other than super single tires designed for steering) at \$.04725.
- Taxable tires, super single tires designed for steering at \$.0945.

A **taxable tire** is any tire of the type used on highway vehicles if wholly or partially made of rubber and if marked according to federal regulations for highway use. A biasply tire is a pneumatic tire on which the ply cords that extend to the beads are laid at alternate angles substantially less than 90 degrees to the centerline of the tread. A super single tire

is a tire greater than 13 inches in cross section width designed to replace 2 tires in a dual fitment.

Special rule, manufacturer's retail stores.

The excise tax on taxable tires is imposed at the time the taxable tires are delivered to the manufacturer-owned retail stores, not at the time of sale.

Tires on imported articles. The importer of an article equipped with taxable tires is treated as the manufacturer of the tires and is liable for the taxable tire excise tax when the article is sold (except in the case of an automobile bus chassis or body with tires).

Tires exempt from tax. The tax on taxable tires doesn't apply to the following items.

- Domestically recapped or retreaded tires if the tires have been sold previously in the United States and were taxable tires at the time of sale.

- Tire carcasses not suitable for commercial use.
- Tires for use on qualifying intercity, local, and school buses. For tax-free treatment, the registration requirements discussed earlier under [Requirements for Exempt Sales](#), apply.
- Tires sold for the exclusive use of the Department of Defense or the Coast Guard.
- Tires of a type used exclusively on mobile machinery. A taxable tire used on mobile machinery isn't exempt from tax.

Qualifying intercity or local bus. This is any bus used mainly (more than 50%) to transport the general public for a fee and that either operates on a schedule along regular routes or seats at least 20 adults (excluding the driver).

Qualifying school bus. This is any bus substantially all the use (85% or more) of

which is to transport students and employees of schools.

Credit or refund. A credit or refund (without interest) is allowable on tax-paid tires if the tires have been:

- Exported;
- Sold to a state or local government for its exclusive use;
- Sold to a nonprofit educational organization for its exclusive use;
- Sold to a qualified blood collector organization for its exclusive use in connection with a vehicle the organization certifies will be primarily used in the collection, storage, or transportation of blood;
- Used or sold for use as supplies for vessels; or
- Sold in connection with qualified intercity, local, or school buses.

Also, a credit or refund (without interest) is allowable on tax-paid tires sold by any person on, or in connection with, any other article that is sold or used in an activity listed above.

The person who paid the tax is eligible to make the claim.

Gas Guzzler Tax

Tax is imposed on the sale by the manufacturer of automobiles of a model type that has a fuel economy standard as measured by the EPA of less than 22.5 miles per gallon. If you import an automobile for personal use, you may be liable for this tax. Figure the tax on Form 6197, as discussed later. The tax rate is based on fuel economy rating. The tax rates for the gas guzzler tax are shown on Form 6197.

A person that lengthens an existing automobile is the manufacturer of an automobile.

Automobiles. An automobile (including limousines) means any four-wheeled vehicle that is:

- Rated at an unloaded gross vehicle weight of 6,000 pounds or less,
- Propelled by an engine powered by gasoline or diesel fuel, and
- Intended for use mainly on public streets, roads, and highways.

Vehicles not subject to tax. For the gas guzzler tax, the following vehicles aren't considered automobiles.

1. Limousines with a gross unloaded vehicle weight of more than 6,000 pounds.
2. Vehicles operated exclusively on a rail or rails.
3. Vehicles sold for use and used primarily:

- a. As ambulances or combination ambulance-hearses;
 - b. For police or other law enforcement purposes by federal, state, or local governments; or
 - c. For firefighting purposes.
- 4. Vehicles treated under 49 U.S.C. 32901 (1978) as non-passenger automobiles. This includes limousines manufactured primarily to transport more than 10 persons.

The manufacturer can sell a vehicle described in item (3) tax free only when the sale is made directly to a purchaser for the described emergency use and the manufacturer and purchaser (other than a state or local government) are registered.

Treat an Indian tribal government as a state only if the police or other law enforcement purposes are an essential tribal government function.

Model type. Model type is a particular class of automobile as determined by EPA regulations.

Fuel economy. Fuel economy is the average number of miles an automobile travels on a gallon of gasoline (or diesel fuel) rounded to the nearest 0.1 mile as figured by the EPA.

Imported automobiles. The tax also applies to automobiles that don't have a prototype-based fuel economy rating assigned by the EPA. An automobile imported into the United States without a certificate of conformity to U.S. emission standards and that has no assigned fuel economy rating must be either:

- Converted by installation of emission controls to conform in all material respects to an automobile already certified for sale in the United States, or
- Modified by installation of emission control components and individually tested to demonstrate emission compliance.

An imported automobile that has been converted to conform to an automobile already certified for sale in the United States may use the fuel economy rating assigned to that certified automobile.

A fuel economy rating isn't generally available for modified imported automobiles because the EPA doesn't require a highway fuel economy test on them. A separate highway fuel economy test would be required to devise a fuel economy rating (otherwise the automobile is presumed to fall within the lowest fuel economy rating category).

For more information about fuel economy ratings for imported automobiles, see Revenue Ruling 8620 and Revenue Procedure 869 in Cumulative Bulletin 19861, and Revenue Procedure 8710 in Cumulative Bulletin 19871.

Exemptions. No one is exempt from the gas guzzler tax, including the federal government, state and local governments, qualified blood

collector organizations, and nonprofit educational organizations. However, see [*Vehicles not subject to tax*](#), earlier.

Form 6197. Use Form 6197 to figure your tax liability for each quarter. Attach Form 6197 to your Form 720 for the quarter. See the Form 6197 instructions for more information and the one-time filing rules.

Credit or refund. If the manufacturer paid the tax on a vehicle that is used or resold for an emergency use, the manufacturer can claim a credit or refund. For information about how to file for credits or refunds, see the Instructions for Form 720 or Form 8849.

Vaccines

Tax is imposed on certain vaccines sold by the manufacturer in the United States. A taxable vaccine means any of the following vaccines.

- Any vaccine containing diphtheria toxoid.

- Any vaccine containing tetanus toxoid.
- Any vaccine containing pertussis bacteria, extracted or partial cell bacteria, or specific pertussis antigens.
- Any vaccine containing polio virus.
- Any vaccine against measles.
- Any vaccine against mumps.
- Any vaccine against rubella.
- Any vaccine against hepatitis A.
- Any vaccine against hepatitis B.
- Any vaccine against chicken pox.
- Any vaccine against rotavirus gastroenteritis.
- Any HIB vaccine.
- Any conjugate vaccine against streptococcus pneumoniae.
- Any trivalent vaccine against influenza or any other vaccine against influenza.

- Any meningococcal vaccine.
- Any vaccine against the human papillomavirus.

The effective date for the tax on any vaccine against influenza, other than trivalent influenza vaccines, is the later of August 1, 2013, or the date the Secretary of Health and Human Services lists a vaccine against seasonal influenza for purposes of compensation for any vaccine-related injury or death through the Vaccine Injury Compensation Trust Fund.

The tax is \$.75 per dose of each taxable vaccine. The tax per dose on a vaccine that contains more than one taxable vaccine is \$.75 times the number of taxable vaccines.

Taxable use. Any manufacturer (including a governmental entity) that uses a taxable vaccine before it's sold will be liable for the tax in the same manner as if the vaccine was sold by the manufacturer.

Credit or refund. A credit or refund (without interest) is available if the vaccine is:

- Returned to the person who paid the tax (other than for resale), or
- Destroyed.

The claim for a credit or refund must be filed within 6 months after the vaccine is returned or destroyed.

Conditions to allowance. To claim a credit or refund, the person who paid the tax must have repaid or agreed to repay the tax to the ultimate purchaser of the vaccine or obtained the written consent of such purchaser to allowance of the credit or refund.

6.

Retail Tax on Heavy Trucks, Trailers, and Tractors

A tax of 12% of the sales price is imposed on the first retail sale of the following articles, including related parts and accessories sold on or in connection with, or with the sale of, the articles.

- Truck chassis and bodies.
- Truck trailer and semitrailer chassis and bodies.
- Tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

A truck is a highway vehicle primarily designed to transport its load on the same chassis as the engine, even if it's equipped to tow a vehicle, such as a trailer or semitrailer.

A tractor is a highway vehicle designed to tow a vehicle, such as a trailer or semitrailer. A tractor may carry incidental items of cargo when towing or limited amounts of cargo when not towing.

A sale of a truck, truck trailer, or semitrailer is considered a sale of a chassis and a body.

The seller is liable for the tax.

Chassis or body. A chassis or body is taxable only if you sell it for use as a component part of a highway vehicle that is a truck, truck trailer or semitrailer, or a tractor of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

Highway vehicle. A highway vehicle is any self-propelled vehicle designed to carry a load over public highways, whether or not it's also designed to perform other functions.

Examples of vehicles designed to carry a load over public highways are passenger automobiles, motorcycles, buses, and

highway-type trucks and truck tractors. A vehicle is a highway vehicle even though the vehicle's design allows it to perform a highway transportation function for only one of the following.

- A particular type of load, such as passengers, furnishings, and personal effects (as in a house, office, or utility trailer).
- A special kind of cargo, goods, supplies, or materials.
- Some off-highway task unrelated to highway transportation, except as discussed next.

Vehicles not considered highway vehicles. Generally, the following kinds of vehicles aren't considered highway vehicles for purposes of the retail tax.

1. **Specially designed mobile machinery for nontransportation functions.** A self-propelled vehicle

isn't a highway vehicle if all the following apply.

- a. The chassis 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.
- b. The chassis has been specially designed to serve only as a mobile carriage and mount (and power source, if applicable) for the machinery or equipment, whether or not the machinery or equipment is in operation.
- c. The chassis couldn't, because of its special design and without

substantial structural modification, be used as part of a vehicle designed to carry any other load.

2. **Vehicles specially designed for off-highway transportation.** A vehicle isn't treated as a highway vehicle if the vehicle is specially designed for the primary function of transporting a particular type of load other than over the public highway and because of this special design, the vehicles's capability to transport a load over a public highway is substantially limited or impaired.

To make this determination, you can take into account the vehicle's size, whether the vehicle is subject to licensing, safety, or other requirements, and whether the vehicle can transport a load at a sustained speed of at least 25 miles per hour. It

doesn't matter that the vehicle can carry heavier loads off highway than it's allowed to carry over the highway.

3. **Nontransportation trailers and semitrailers.** A trailer or semitrailer isn't treated as a highway vehicle if it's specially designed to function only as an enclosed stationary shelter for carrying on a nontransportation function at an off-highway site. For example, a trailer that is capable only of functioning as an office for an off-highway construction operation isn't a highway vehicle.

Gross vehicle weight. The tax doesn't apply to truck chassis and bodies suitable for use with a vehicle that has a gross vehicle weight of 33,000 pounds or less. It also doesn't apply to truck trailer and semitrailer chassis and bodies suitable for use with a trailer or semitrailer that has a gross vehicle weight of 26,000 pounds or less. Tractors that have a

gross vehicle weight of 19,500 pounds or less and a gross combined weight of 33,000 pounds or less are excluded from the 12% retail tax.

The following four classifications of truck body types meet the **suitable for use standard** and will be excluded from the retail excise tax.

- Platform truck bodies 21 feet or less in length.
- Dry freight and refrigerated truck van bodies 24 feet or less in length.
- Dump truck bodies with load capacities of 8 cubic yards or less.
- Refuse packer truck bodies with load capacities of 20 cubic yards or less.

For more information on these classifications, see Revenue Procedure 2005-19, I.R.B. 2005-14, at [IRS.gov/PUB/IRB/IRB2015-14#RR2005-19](https://www.irs.gov/pub/irb/irb2015-14#RR2005-19).

The gross vehicle weight means the maximum total weight of a loaded vehicle. Generally, this maximum total weight is the gross vehicle weight rating provided by the manufacturer or determined by the seller of the completed article. The seller's gross vehicle weight rating is determined solely on the basis of the strength of the chassis frame and the axle capacity and placement. The seller may not take into account any readily attachable components (such as tires or rim assemblies) in determining the gross vehicle weight.

Parts or accessories. The tax applies to parts or accessories sold on or in connection with, or with the sale of, a taxable article. For example, if at the time of the sale by the retailer, the part or accessory has been ordered from the retailer, the part or accessory will be considered as sold in connection with the sale of the vehicle. The tax applies in this case whether or not the

retailer bills the parts or accessories separately.

If the retailer sells a taxable chassis, body, or tractor without parts or accessories considered essential for the operation or appearance of the taxable article, the sale of the parts or accessories by the retailer to the purchaser is considered made in connection with the sale of the taxable article even though they're shipped separately, at the same time, or on a different date. The tax applies unless there is evidence to the contrary. For example, if a retailer sells to any person a chassis and the bumpers for the chassis, or sells a taxable tractor and the fifth wheel and attachments, the tax applies to the parts or accessories regardless of the method of billing or the time at which the shipments were made. The tax doesn't apply to parts and accessories that are spares or replacements.

The tax imposed on parts and accessories sold on or in connection with the taxable articles listed earlier and the tax imposed on the separate purchase of parts and accessories for the taxable articles listed earlier don't apply to an idling reduction device or insulation that has an R value of at least R35 per inch.

Idling reduction device. An idling reduction device is any device or system of devices that provide the tractor with services, such as heat, air conditioning, and electricity, without the use of the main drive engine while the tractor is temporarily parked or stationary. The device must be affixed to the tractor and determined by the Administrator of the EPA, in consultation with the Secretary of Energy and Secretary of Transportation, to reduce idling while parked or stationary. The EPA discusses idling reduction technologies on its website at

www.epa.gov/smartway/technology/idling.htm.

Separate purchase. The tax generally applies to the price of a part or accessory and its installation if the following conditions are met.

- The owner, lessee, or operator of any vehicle that contains a taxable article installs any part or accessory on the vehicle.
- The installation occurs within 6 months after the vehicle is first placed in service.

The owners of the trade or business installing the parts or accessories are secondarily liable for the tax.

A vehicle is placed in service on the date the owner takes actual possession of the vehicle. This date is established by a signed delivery ticket or other comparable document indicating delivery to and acceptance by the owner.

The tax doesn't apply if the installed part or accessory is a replacement part or accessory. The tax also doesn't apply if the total price of the parts and accessories, including installation charges, during the 6-month period is \$1,000 or less. However, if the total price is more than \$1,000, the tax applies to the cost of all parts and accessories (and installation charges) during that period.

Example. You bought a taxable vehicle and placed it in service on April 8. On May 3, you bought and installed parts and accessories at a cost of \$850. On July 15, you bought and installed parts and accessories for \$300. Tax of \$138 (12% of \$1,150) applies on July 15. Also, tax will apply to any costs of additional parts and accessories installed on the vehicle before October 8.

First retail sale defined. The sale of an article is treated as the first retail sale, and the seller will be liable for the tax imposed on

the sale unless one of the following exceptions applies.

- There has been a prior taxable sale, lease, or use of the article (however, see [*Tax on resale of tax-paid trailers and semitrailers*](#), later).
- The sale qualifies as a tax-free sale under section 4221 (see [*Sales exempt from tax*](#), later).
- The seller in good faith accepts from the purchaser a statement signed under penalties of perjury and executed in good faith that the purchaser intends to resell the article or lease it on a long-term basis (a model certificate is shown in the Appendix as Model Certificate T). There is no registration requirement.

Leases. A long-term lease (a lease with a term of 1 year or more, taking into account options to renew) before a first retail sale is

treated as a taxable sale. The tax is imposed on the lessor at the time of the lease.

A short-term lease (a lease with a term of less than 1 year, taking into account options to renew) before a first retail sale is treated as a taxable use. The tax is imposed on the lessor at the time of the lease.

Exported vehicle. A vehicle exported before its first retail sale, used in a foreign country, and then returned to the United States is subject to the retail tax on its first domestic use or retail sale after importation.

Tax on resale of tax-paid trailers and semitrailers. The tax applies to a trailer or semitrailer resold within 6 months after having been sold in a taxable sale. The seller liable for the tax on the resale can claim a credit equal to the tax paid on the prior taxable sale. The credit can't exceed the tax on the resale. See Regulations section 145.4052-1(a)(4) for information on the conditions to allowance for the credit.

Use treated as sale. If any person uses a taxable article before the first retail sale of the article, that person is liable for the tax as if the article had been sold at retail by that person. Figure the tax on the price at which similar articles are sold in the ordinary course of trade by retailers. The tax attaches when the use begins. If the seller of an article regularly sells the articles at retail in arm's-length transactions, figure the tax on its use on the lowest established retail price for the articles in effect at the time of the taxable use.

If the seller of an article doesn't regularly sell the articles at retail in arm's-length transactions, a constructive price on which the tax is figured will be determined by the IRS after considering the selling practices and price structures of sellers of similar articles.

If a seller of an article incurs liability for tax on the use of the article and later sells or leases the article in a transaction that

otherwise would be taxable, liability for tax isn't incurred on the later sale or lease.

Presumptive retail sales price. There are rules to ensure that the tax base of transactions considered to be taxable sales includes either an actual or presumed markup percentage. If the person liable for tax is the vehicle's manufacturer, producer, or importer, the following discussions show how you figure the presumptive retail sales price depending on the type of transaction and the persons involved in the transaction. Table 6-1 outlines the appropriate tax base calculation for various transactions.

Table 6-1. **Tax Base**

IF the transaction is a...	THEN figure the base by using the...
Sale by the manufacturer,	Sales price plus (presumed markup

producer, importer, or related person	percentage × sales price)
Sale by the dealer	Total consideration paid for the item including any charges incident to placing it in a condition ready for use
Long-term lease by the manufacturer, producer, importer, or related person	Constructive sales price plus (presumed markup percentage × constructive sales price)
Short-term lease by the manufacturer, producer, importer, or related person	Constructive sales price at which such or similar articles are sold

Long- or Short-term lease by a lessor other than the manufacturer, producer, importer, or related person	Price for which the article was sold to the lessor plus the cost of parts and accessories installed by the lessor plus a presumed markup percentage
Short-term lease where the articles are regularly sold at arm's length	Lowest established retail price in effect at the time of the taxable use

The **presumed markup percentage** to be used for trucks and truck-tractors is 4%. But for truck trailers and semitrailers and remanufactured trucks and tractors, the presumed markup percentage is zero.

Sale. For a taxable sale by a manufacturer, producer, importer, or related person, you generally figure the tax on a tax base of the

sales price plus an amount equal to the presumed markup percentage times that sales price.

Long-term lease. In the case of a long-term lease by a manufacturer, producer, importer, or related person, figure the tax on a tax base of the constructive sales price plus an amount equal to the presumed markup percentage times the constructive sales price.

Short-term lease. When a manufacturer, producer, importer, or related person leases an article in a short-term lease considered a taxable use, figure the tax on a constructive sales price at which those or similar articles are generally sold in the ordinary course of trade by retailers.

But if the lessor in this situation regularly sells articles at retail in arm's-length transactions, figure the tax on the lowest established retail price in effect at the time of the taxable use.

If a person other than the manufacturer, producer, importer, or related person leases an article in a short-term lease considered a taxable use, figure the tax on a tax base of the price for which the article was sold to the lessor plus the cost of parts and accessories installed by the lessor and a presumed markup percentage.

Related person. A related person is any member of the same controlled group as the manufacturer, producer, or importer. Don't treat as a related person a person that sells the articles through a permanent retail establishment in the normal course of being a retailer if that person has records to prove the article was sold for a price that included a markup equal to or greater than the presumed markup percentage.

General rule for sales by dealers to the consumer. For a taxable sale, other than a long-term lease, by a person other than a manufacturer, producer, importer, or related

person, your tax base is the retail sales price as discussed next under *Determination of tax base*.

When you sell an article to the consumer, generally you don't add a presumed markup to the tax base. However, you do add a markup if all the following apply.

- You don't perform any significant activities relating to the processing of the sale of a taxable article.
- The main reason for processing the sale through you is to avoid or evade the presumed markup.
- You don't have records proving that the article was sold for a price that included a markup equal to or greater than the presumed markup percentage.

In these situations, your tax base is the sales price plus an amount equal to the presumed markup percentage times that selling price.

Determination of tax base. These rules apply to both normal retail sales price and presumptive retail sales price computations. To arrive at the tax base, the price is the total consideration paid (including trade-in allowance) for the item and includes any charge incident to placing the article in a condition ready for use. However, see [*Presumptive retail sales price*](#), earlier.

Exclusions from tax base. Exclude from the tax base the retail excise tax imposed on the sale. Exclude any state or local retail sales tax if stated as a separate charge from the price whether the sales tax is imposed on the seller or purchaser. Also exclude the value of any used component of the article furnished by the first user of the article.

Exclude charges for transportation, delivery, insurance, and installation (other than installation charges for parts and accessories, discussed earlier) and other expenses incurred in connection with the delivery of an

article to a purchaser. These expenses are those incurred in delivery from the retail dealer to the customer. In the case of delivery directly from the manufacturer to the dealer's customer, include the transportation and delivery charges to the extent the charges don't exceed what it would have cost to ship the article to the dealer.

Exclude amounts charged for machinery or equipment that doesn't contribute to the highway transportation function of the vehicle, provided those charges are supported by adequate records. For example, for an industrial vacuum loader vehicle, exclude amounts charged for the vacuum pump and hose, filter system, material separator, silencer or muffler, control cabinet, and ladder. Similarly, for a sewer cleaning vehicle, exclude amounts charged for the high pressure water pump, hose components, and the vacuum pipe.

Sales not at arm's length. For any taxable article sold (not at arm's length) at less than the fair market price, figure the excise tax on the price for which similar articles are sold at retail in the ordinary course of trade.

A sale isn't at arm's length if either of the following apply.

- One of the parties is controlled (in law or in fact) by the other or there is common control, whether or not the control is actually exercised to influence the sales price.
- The sale is made under special arrangements between a seller and a purchaser.

Installment sales. If the first retail sale is an installment sale, or other form of sale in which the sales price is paid in installments, tax liability arises at the time of the sale. The tax is figured on the entire sales price. No

part of the tax is deferred because the sales price is paid in installments.

Repairs and modifications. The tax doesn't apply to the sale or use of an article that has been repaired or modified unless the cost of the repairs and modifications is more than 75% of the retail price of a comparable new article. This includes modifications that change the transportation function of an article or restore a wrecked article to a functional condition. However, this exception generally doesn't apply to an article that wasn't subject to the tax when it was new.

Further manufacture. The tax doesn't apply to the use by a person of a taxable article as material in the manufacture or production of, or as a component part of, another article to be manufactured or produced by that person. Don't treat a person as engaged in the manufacture of any article merely because that person combines the article with a:

- Coupling device (including any fifth wheel);
- Wrecker crane;
- Loading and unloading equipment (including any crane, hoist, winch, or power liftgate);
- Aerial ladder or tower;
- Ice and snow control equipment;
- Earth moving, excavation, and construction equipment;
- Spreader;
- Sleeper cab;
- Cab shield; or
- Wood or metal floor.

Combining an article with an item in this list doesn't give rise to taxability. However, see [*Parts or accessories*](#), earlier.

Articles exempt from tax. The tax on heavy trucks, trailers, and tractors doesn't apply to sales of the articles described in the following discussions.

Rail trailers and rail vans. This is any chassis or body of a trailer or semitrailer designed for use both as a highway vehicle and a railroad car (including any parts and accessories designed primarily for use on and in connection with it). Don't treat a piggyback trailer or semitrailer as designed for use as a railroad car.

Parts and accessories. This is any part or accessory sold separately from the truck or trailer, except as described earlier under [Parts or accessories](#) and [Separate purchase](#).

Trash containers. This is any box, container, receptacle, bin, or similar article that meets all the following conditions.

- It's designed to be used as a trash container.

- It isn't designed to carry freight other than trash.
- It isn't designed to be permanently mounted on or affixed to a truck chassis or body.

House trailers. This is any house trailer (regardless of size) suitable for use in connection with either passenger automobiles or trucks.

Camper coaches or bodies for self-propelled mobile homes. This is any article designed to be mounted or placed on trucks, truck chassis, or automobile chassis and to be used primarily as living quarters or camping accommodations. Further, the tax doesn't apply to chassis specifically designed and constructed to accommodate and transport self-propelled mobile home bodies.

Farm feed, seed, and fertilizer equipment. This is any body primarily designed to process or prepare, haul, spread,

load, or unload feed, seed, or fertilizer to or on farms. This exemption applies only to the farm equipment body (and parts and accessories) and not to the chassis upon which the farm equipment is mounted.

Ambulances and hearses. This is any ambulance, hearse, or combination ambulance-hearse.

Truck-tractors. This is any truck-tractor specifically designed for use in shifting semitrailers in and around freight yards and freight terminals.

Concrete mixers. This is any article designed to be placed or mounted on a truck, truck trailer, or semitrailer chassis to be used to process or prepare concrete. This exemption doesn't apply to the chassis on which the article is mounted.

Sales exempt from tax. The following sales are ordinarily exempt from tax.

- Sales to a state or local government for its exclusive use.
- Sales to Indian tribal governments, but only if the transaction involves the exercise of an essential tribal government function.
- Sales to a nonprofit educational organization for its exclusive use.
- Sales to a qualified blood collector organization (as defined under [Communications Tax](#) in chapter 4) for its exclusive use in the collection, storage, or transportation of blood.
- Sales for use by the purchaser for further manufacture of other taxable articles.
- Sales for export or for resale by the purchaser to a second purchaser for export.
- Sales to the United Nations for official use.

Registration requirement. In general, the seller and buyer must be registered for a sale to be tax free. See the Form 637 instructions for more information. Certain registration exceptions apply in the case of sales to state and local governments, sales to foreign purchasers for export, and sales for resale or long-term leasing.

Further manufacture. If you buy articles tax free and resell or use them other than in the manufacture of another article, you're liable for the tax on their resale or use just as if you had manufactured and made the first retail sale of them.

Credits or refunds. A credit or refund (without interest) of the retail tax on the taxable articles described earlier may be allowable if the tax has been paid with respect to an article and, before any other use, such article is used by any person as a component part of another taxable article manufactured or produced. The person using the article as a

component part is eligible for the credit or refund.

A credit or refund is allowable if, before any other use, an article is, by any person:

- Exported,
- Used or sold for use as supplies for vessels,
- Sold to a state or local government for its exclusive use,
- Sold to a nonprofit educational organization for its exclusive use, or
- Sold to a qualified blood collector organization for its exclusive use in the collection, storage, or transportation of blood.

A credit or refund is also allowable if there is a price readjustment by reason of the return or repossession of an article or by reason of a bona fide discount, rebate, or allowance.

See [Conditions to allowance](#) in chapter 5.

Tire credit. A credit is allowed against the retail tax on the taxable articles described earlier if taxable tires are sold on or in connection with the sale of the article. The credit is equal to the manufacturers excise tax imposed on the taxable tires. This is the section 4051(d) taxable tire credit and is claimed on Form 720, Schedule C for the same quarter for which the tax on the heavy vehicle is reported.

7.

Ship Passenger Tax

A tax of \$3 per passenger is imposed on certain ship voyages, as explained later under [*Taxable situations*](#). The tax is imposed only once for each passenger, either at the time of first embarkation or disembarkation in the United States.

The person providing the voyage (the operator of the vessel) is liable for the tax.

Voyage. A voyage is the vessel's journey that includes the outward and homeward trips or passages. The voyage starts when the vessel begins to load passengers and continues until the vessel has completed at least one outward and one homeward passage. The tax may be imposed even if a passenger doesn't make both an outward and a homeward passage as long as the voyage begins or ends in the United States.

Passenger. A passenger is an individual carried on the vessel other than the master or a crew member or other individual engaged in the business of the vessel or its owners.

Example 1. John Smith works as a guest lecturer. The cruise line hired John for the engaged in the business of the vessel and isn't a passenger.

Example 2. Marian Green is a travel agent. Marian is taking the cruise as a promotional trip to determine if it should be offered to the clients of the travel agency. Marian is a passenger.

Taxable situations. There are two taxable situations. The first situation involves voyages on commercial passenger vessels extending over one or more nights. A voyage extends over one or more nights if it extends for more than 24 hours. A passenger vessel is any vessel with stateroom or berth accommodations for more than 16 passengers.

The second situation involves voyages on a commercial vessel transporting passengers engaged in gambling on the vessel beyond the territorial waters of the United States. Territorial waters of the United States are those waters within the international boundary line between the United States and any contiguous foreign country or within 3 nautical miles (3.45 statute miles) from low tide on the coastline. If passengers participate as players in any policy game or other lottery, or any other game of chance for money or other thing of value that the owner or operator of the vessel (or their employee, agent, or franchisee) conducts, sponsors, or operates, the voyage is subject to the ship passenger tax. The tax applies regardless of the duration of the voyage. A casual, friendly game of chance with other passengers that isn't conducted, sponsored, or operated by the owner or operator isn't gambling for determining if the voyage is subject to the ship passenger tax.

Exemptions. The tax doesn't apply when a vessel is on a voyage of less than 12 hours between two points in the United States or if a vessel is owned or operated by a state or local government.

8.

Foreign Insurance Taxes

Tax is imposed on insurance policies issued by foreign insurers. Any person who makes, signs, issues, or sells any of the documents and instruments subject to the tax, or for whose use or benefit they're made, signed, issued, or sold, is liable for the tax.

The following tax rates apply to each dollar (or fraction thereof) of the premium paid.

1. Casualty insurance and indemnity, fidelity, and surety bonds: 4 cents. For example, on a premium payment of \$10.10, the tax is 44 cents.
2. Life, sickness, and accident insurance, and annuity contracts: 1 cent. For example, on a premium payment of \$10.10, the tax is 11 cents.

3. Reinsurance policies covering any of the taxable contracts described in items (1) and (2): 1 cent.

However, the tax doesn't apply to casualty insurance premiums paid to foreign insurers for coverage of export goods in transit to foreign destinations.

Premium. Premium means the agreed price or consideration for assuming and carrying the risk or obligation. It includes any additional charge or assessment payable under the contract, whether in one sum or installments. If premiums are refunded, claim the tax paid on those premiums as an overpayment against tax due on other premiums paid or file a claim for refund.

When liability attaches. The liability for this tax attaches when the premium payment is transferred to the foreign insurer or reinsurer (including transfers to any bank, trust fund, or similar recipient designated by the foreign insurer or reinsurer) or to any nonresident

agent, solicitor, or broker. A person can pay the tax before the liability attaches if the person keeps records consistent with that practice.

Who must file. The person who pays the premium to the foreign insurer (or to any nonresident person such as a foreign broker) must pay the tax and file the return.

Otherwise, any person who issued or sold the policy, or who is insured under the policy, is required to pay the tax and file the return.



The person liable for this tax must keep accurate records that identify each policy or instrument subject to tax. These records must clearly establish the type of policy or instrument, the gross premium paid, the identity of the insured and insurer, and the total premium charged. If the premium is to be paid in installments, the records must also establish the amount and anniversary date of each installment.

The records must be kept at the place of business or other convenient location for at least 3 years after the later of the date any part of the tax became due, or the date any part of the tax was paid. During this period, the records must be readily accessible to the IRS.

The person having control or possession of a policy or instrument subject to this tax must keep the policy for at least 3 years after the date any part of the tax on it was paid.



For information on reinsurance premiums paid from one foreign insurer to another foreign insurer, see Revenue Ruling 200815, I.R.B. 200812, at [IRS.gov/PUB/IRB/IRB200812#RR200815](https://www.irs.gov/PUB/IRB/IRB200812#RR200815).

Treaty-based positions under I.R.C 6114.

You may have to file an annual report disclosing the amount of premiums exempt from U.S. excise tax as a result of the application of a treaty with the United States

that overrides (or otherwise modifies) any provision of the Internal Revenue Code.

Attach any disclosure statement to the first quarter Form 720. You may be able to use Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), as a disclosure statement. See the Instructions for Form 720 for information on how and where to file.

See Revenue Procedure 92-14 in Cumulative Bulletin 1992-1 for procedures you can use to claim a refund of this tax under certain U.S. treaties.

9.

Obligations Not in Registered Form

Tax is imposed on any person who issues a registration-required obligation not in registered form. The tax is:

- 1% of the principal of the obligation, multiplied by
- The number of calendar years (or portions of calendar years) during the period starting on the date the obligation was issued and ending on the date it matures.

A registration-required obligation is any obligation other than one that meets any of the following conditions.

1. It's issued by a natural person.
2. It isn't of a type offered to the public.

3. It has a maturity (at issue) of not more than 1 year.
4. It's a tax-exempt bond.
5. It's issued under an arrangement reasonably designed to ensure that the obligation will be sold only to foreign persons.

For item (5), if the obligation isn't in registered form, the interest on the obligation must be payable only outside the United States and its possessions. Also, the obligation must state on its face that any U.S. person who holds it shall be subject to limits under the U.S. income tax laws.

10.

Indoor Tanning Services Tax

The tax on indoor tanning service is 10% of the amount paid for that service. The tax is paid by the person paying for the services and is collected by the person receiving payment for the indoor tanning services.

Definition of indoor tanning services.

Indoor tanning service means a service employing any electronic product designed to incorporate one or more ultraviolet lamps and intended for the irradiation of an individual by ultraviolet radiation, with wavelengths in air between 200 and 400 nanometers, to induce skin tanning. The term doesn't include phototherapy service performed by, and on the premises of, a licensed medical professional (such as a dermatologist, psychologist, or registered nurse). See [*Regulation 49.5000B-1 Indoor Tanning Services*](#) for more information, and special

rules for qualified physical fitness facilities, undesignated payment cards, and bundled payments.

File Form 720. The person receiving the payment for indoor tanning services (collector) must collect and remit the tax and file the return. If the tax isn't collected for any reason, the collector is liable for the tax. The collector isn't required to make semimonthly deposits of the tax.

11.

Patient-Centered Outcomes Research Fee

The patient-centered outcomes research fee is imposed on issuers of specified health insurance policies (section 4375) and plan sponsors of applicable self-insured health plans (section 4376) for policy and plan years ending on or after October 1, 2012.

Generally, references to taxes on Form 720 include this fee.

Specified health insurance policies. See the Instructions for Form 720 revised for the second quarter of each year for information on the fee amount. Generally, issuers of specified health insurance policies must use one of the following four alternative methods to determine the average number of lives covered under a policy for the policy year.

1. The actual count method.

- 2. The snapshot method.**
- 3. The member months method.**
- 4. The state form method.**

Applicable self-insured health plans. See the Instructions for Form 720 revised for the second quarter of each year for information on the fee amount. Generally, plan sponsors of applicable self-insured health plans must use one of the following three alternative methods to determine the average number of lives covered under a plan for the plan year.

- 1. Actual count method.**
- 2. Snapshot method.**
- 3. Form 5500 method.**

Reporting and paying the fee. File Form 720 annually to report and pay the fee on the second quarter Form 720 no later than July 31 of the calendar year immediately following the last day of the policy year or plan year to which the fee applies. If you file Form 720

only to report the fee, don't file Form 720 for the first, third, or fourth quarters of the year. If you file Form 720 to report quarterly excise tax liability for the first, third, or fourth quarter of the year (for example, filers reporting the foreign insurance tax (IRS No. 30)), don't make an entry on the line for IRS No. 133 on those filings.

Deposits aren't required for this fee, so issuers and plan sponsors aren't required to pay the fee using the Electronic Federal Tax Payment System (EFTPS).

However, if the fee is paid using EFTPS, the payment should be applied to the second quarter. See [Electronic deposit requirement](#) under *How To Make Deposits* in chapter 13, later.

More information. For more information, including methods for calculating the average number of lives covered, see the Instructions for Form 720; sections 4375, 4376, 4377; and Regulations 46.43751; see T.D. 9602, I.R.B. 201252, at [IRS.gov/PUB/IRB/IRB2012-52#TD9602](https://www.irs.gov/pub/irb/irb2012-52#TD9602).

Part Three.

Quarterly Filing Information 12.

Filing Form 720

Use Form 720 to report and pay the excise taxes previously discussed in this publication. File Form 720 for each calendar quarter until you file a final Form 720. For information on filing Form 720 electronically, go to [IRS.gov/efile](https://www.irs.gov/efile).

You may be required to file your returns on a monthly or semimonthly basis instead of quarterly if you don't make deposits as required (see [Payment of Taxes](#), later) or are liable for the excise tax on taxable fuels and meet certain conditions.

Form 720 has three parts and three schedules.

- Part I consists of excise taxes generally required to be deposited (see *Payment of Taxes*, later).
- Part II consists of excise taxes that aren't required to be deposited.
- Part III is used to figure your tax liability for the quarter and the amount of any balance due or overpayment.
- **Schedule A**, Excise Tax Liability, is used to record your net tax liability for each semi-monthly period in a quarter. Complete it if you have an entry in Part I.
- **Schedule C**, Claims, is used to make claims. However, Schedule C can only be used if you're reporting a liability in Part I or Part II.
- **Schedule T**, Two-Party Exchange Information Reporting, is used to report certain exchanges of taxable fuel before or in connection with the removal at the terminal rack.

Attachments to Form 720. You may have to attach the following forms.

- Form 6197 for the gas guzzler tax.
- Form 6627 for environmental taxes.

Form 720-X. This form is used to make adjustments to Forms 720 filed in prior quarters. You can file Form 720-X by itself or, if it shows a decrease in tax, you can attach it to Form 720. See Form 720-X for more information.

Conditions to allowance. For tax decreases, the claimant must check the appropriate box on Form 720-X stating that:

1. For adjustments of communications or air transportation taxes, the claimant has:
 - a. Repaid the tax to the person from whom it was collected, or

- b. Obtained the consent of that person to the allowance of the adjustment.
- 2. For other adjustments, the claimant has:
 - a. Not included the tax in the price of the article and not collected the tax from the purchaser,
 - b. Repaid the tax to the ultimate purchaser, or
 - c. Attached the written consent of the ultimate purchaser to the allowance of the adjustment.

However, the conditions listed under (2) don't apply to environmental taxes, the ship passenger tax, obligations not in registered form, foreign insurance taxes, fuels used on inland waterways, cellulosic or second generation biofuel sold as but not used as fuel, biodiesel sold as fuel but not used as fuel, and certain fuel taxes if the tax was

based on use (for example, dyed diesel fuel used in trains, LPG, and CNG).

Final return. File a final return if:

- You go out of business, or
- You won't owe excise taxes that are reportable on Form 720 in future quarters.

Due dates. Form 720 must be filed by the following due dates.

<u>Quarter Covered</u>	<u>Due Dates</u>
January, February, March	April 30
April, May, June	July 31
July, August, September	October 31
October, November, December	January 31

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

One-time filing. If you import a gas guzzling automobile, you may be eligible to make a one-time filing using your SSN if you:

- Don't import gas guzzling automobiles in the course of your trade or business, and
- Aren't required to file Form 720 reporting other excise taxes for the calendar quarter, except for a one-time filing.

If you meet both requirements above, see *Gas guzzler tax (IRS No. 40)* in the Instructions for Form 720 for how to file and pay the tax.

Payment voucher. Form 720-V, Payment Voucher, must be included with Form 720 if you have a balance due on Form 720, line 10; and you're making your payment by check or money order.