

Environmental Taxes

▶ See instructions.
▶ Attach to Form 720.

Name (as shown on Form 720)	Employer identification number (as shown on Form 720)	
	Date quarter ended	S.I.C. number

Part I Tax on Petroleum	(a) Barrels	(b) Rate	(c) Tax
1 Crude oil received at a U.S. refinery			
2 Crude oil taxed prior to receipt at refinery			
3 Taxable crude oil (subtract line 2 from line 1)		\$.082 bbl.	\$
4 Crude oil used in or exported from the U.S. before the tax was imposed		\$.082 bbl.	\$
5 Total domestic petroleum tax (add lines 3 and 4). Enter here and on Form 720 on the line for IRS No. 53 ▶			\$
6 Total petroleum tax on products imported into the U.S. Enter here and on Form 720 on the line for IRS No. 16 ▶		\$.117 bbl.	\$

Part II Tax on the Sale or Use of Certain Chemicals							
Chemical (General Formula or Symbol)	(a) Tons	(b) Rate	(c) Amount	Chemical (General Formula or Symbol)	(a) Tons	(b) Rate	(c) Amount
1 Acetylene (HC≡CH)		\$ 4.87		22 Hydrochloric acid (HCl)		0.29	
2 Ammonia (NH ₃)		2.64		23 Hydrogen fluoride (HF)		4.23	
3 Antimony (Sb)		4.45		24 Lead oxide (PbO)		4.14	
4 Antimony trioxide (Sb ₂ O ₃)		3.75		25 Mercury (Hg)		4.45	
5 Arsenic (As)		4.45		26 Methane (CH ₄)		3.44	
6 Arsenic trioxide (As ₂ O ₃)		3.41		27 Naphthalene (C ₁₀ H ₈)		4.87	
7 Barium sulfide (BaS)		2.30		28 Nickel (Ni)		4.45	
8 Benzene (C ₆ H ₆)		4.87		29 Nitric acid (HNO ₃)		0.24	
9 Bromine (Br)		4.45		30 Phosphorus (P)		4.45	
10 Butadiene (C ₄ H ₆)		4.87		31 Potassium dichromate (K ₂ Cr ₂ O ₇)		1.69	
11 Butane (C ₆ H ₁₀)		4.87		32 Potassium hydroxide (KOH)		0.22	
12 Butylene (C ₄ H ₈)		4.87		33 Propylene (C ₃ H ₆)		4.87	
13 Cadmium (Cd)		4.45		34 Sodium dichromate (Na ₂ Cr ₂ O ₇)		1.87	
14 Chlorine (Cl)		2.70		35 Sodium hydroxide (NaOH)		0.28	
15 Chromite (Mg, Fe ₂ +) (Cr, Al, Fe ₃ +) ₂ O ₄		1.52		36 Stannic chloride (SnCl ₄)		2.12	
16 Chromium (Cr)		4.45		37 Stannous chloride (SnCl ₂)		2.85	
17 Cobalt (Co)		4.45		38 Sulfuric acid (H ₂ SO ₄)		0.26	
18 Cupric oxide (CuO)		3.59		39 Toluene (C ₇ H ₈)		4.87	
19 Cupric sulfate (CuSO ₄)		1.87		40 Xylene (C ₈ H ₁₀)		10.13	
20 Cuprous oxide (Cu ₂ O)		3.97		41 Zinc chloride (ZnCl ₂)		2.22	
21 Ethylene (C ₂ H ₄)		4.87		42 Zinc sulfate (ZnSO ₄)		1.90	
43 Total Chemical Tax. Enter here and on Form 720 on the line for IRS No. 54 ▶				\$			

General Instructions

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Purpose of Form.—Use this form to figure the tax liability for petroleum and chemicals subject to the environmental taxes. Attach this form to **Form 720**, Quarterly Federal Excise Tax Return, as a supporting schedule.

Who Must File.—The following must complete this form and pay these taxes:

For petroleum—

1. The operator of a U.S. refinery that receives crude oil;
2. Any person that imports petroleum products for consumption, use, or warehousing; or
3. Any person using or exporting crude oil on which the environmental tax has not been paid.

*For chemicals—*Any manufacturer, producer, or importer who sells or uses taxable chemicals.

When To File.—File Form 720 quarterly by the last day of the month following the end of the quarter. You may have an additional 10 days to file your return if you have made all deposits of the taxes due for the quarter on time and in full. See Form 720 for rules on depositing the taxes. If you are reporting two or more excise taxes, and they are due on different dates, you may file by the later filing date if you made all deposits on time.

Where To File.—See *Where To File* in the Form 720 instructions for addresses of service centers where Forms 6627 and 720 must be filed.

(Continued on back)

Definitions

Barrel.—42 U.S. gallons.

Crude oil.—Includes crude oil condensates and natural gasoline.

Domestic crude oil.—Any crude oil produced from a well located in the United States.

Petroleum product.—Includes crude oil.

Refineries that produce natural gasoline.—Means any U.S. refinery that produces natural gasoline from natural gas. This gasoline is treated as having been received at the refinery at the time it is produced.

United States.—Includes the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, any U.S. possession, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, the Continental Shelf areas, and any foreign trade zone of the U.S.

U.S. Refinery.—Any facility in the U.S. where crude oil is refined.

Importer.—Any person importing the taxable chemical or petroleum product into the U.S. for consumption, use, or warehousing. A taxable chemical or petroleum product is considered to be entered into the U.S. for consumption or use when an entry summary for consumption (**Customs Form 7501 or 3311**) is filed with Customs with estimated duties attached, and is considered to be entered into the U.S. for warehousing when an entry summary for warehouse (**Customs Form 7502**) is filed with Customs.

Ton.—Means 2,000 pounds. If the chemical is a gas, the term "ton" means the amount of gas (in cubic feet) which equals 2,000 pounds. You must take the number of cubic feet of the gas and convert it into pounds. For example, to compute the taxable tons of ammonia you must multiply the cubic feet of ammonia by .0482 (pounds per cubic foot) and divide the answer by 2,000.

Part I—Tax on Petroleum

Fractional barrels are taxed at a proportionate rate using the fraction produced by the number of gallons involved over 42 gallons and then applying the fraction against the price per barrel.

Products may only be taxed once. If an environmental tax has been paid on an item, it cannot be reimposed on a subsequent person who would ordinarily be liable for the tax.

Credit When Crude Oil Is Returned to Pipeline.

A credit is allowed if an operator of a U.S. refinery removes crude oil from a pipeline and returns a portion of crude oil into a stream of other crude oil in the same pipeline. The credit is the rate of tax of the crude oil removed times the number of barrels of crude oil returned to the pipeline.

Exemptions.—Crude oil used for extracting oil or natural gas on the premises where the crude oil was produced is exempt from the tax.

Part II—Tax on the Sale or Use of Certain Chemicals

The list of taxable chemicals is on page 1 of this form.

Metals listed on page 1 are taxable only when they are processed to a stage where they are commercially known or sold as the metal. Consequently, ores (other than chromite), concentrates, alloys, and scrap of any metal listed as taxable are not taxable.

Xylene does not include any separated isomer of xylene, except for the import or export of any substance.

If a taxable chemical is present in a mixture only in commercially insignificant amounts, the chemical is not taxable. For example, a liquid

natural gas feedstock contains small quantities of methane (2.4%), butane (4.4%), and ethylene (0.3%). However, these quantities are so small that methane, butane, and ethylene cannot be commercially used without further processing. Therefore, the methane, butane, and ethylene contained in the liquid natural gas feedstock are not taxable. Also, see item 10 below for tax-free treatment of sales of hydrocarbon streams containing mixtures of organic taxable chemicals.

Conversion Table

Density of gases at standard conditions (0°C., 1 atm) pounds per cubic foot			
Ammonia	.0482	Chlorine	.2011
Acetylene	.0732	Ethylene	.0783
Butane	.1686	Methane	.0448
Butylene	.1665	Propylene	.1194

No Chemical Tax Is Imposed on.—

- Methane or butane if it is used as a fuel or used in the manufacture or production of a fuel. The person using the chemical for the taxable purpose (nonfuel use) is considered to be the manufacturer and is liable for filing the return and paying the tax.
- Nitric acid, sulfuric acid, ammonia, or methane that is used in the production of ammonia, is sold for use, sold for resale for ultimate use, or used by any purchaser in the manufacture or production of fertilizer or for direct application as a fertilizer. These chemicals are subject to the tax if they are diverted from use in the manufacture or use as a fertilizer.
- Sulfuric acid produced solely as a byproduct of, and on the same site as, air pollution control equipment.
- Any substance to the extent derived from coal.
- Acetylene, benzene, butylene, butadiene, ethylene, naphthalene, propylene, toluene, and xylene when used or sold for use in the manufacture or production of any motor, diesel, aviation, or jet fuel, or used as such a fuel.
- Barium sulfide, cupric sulfate, cupric oxide, cuprous oxide, lead oxide, zinc chloride, zinc sulfate, and any mixture or solution containing these chemicals because of their transitory presence during any process of smelting, refining, or otherwise extracting any substance not subject to the tax.
- Chromium, cobalt, or nickel that is diverted or recovered in the U.S. from any solid waste as part of a recycling process. For further information, see section 4662(b)(8).
- Nitric acid, sulfuric acid, ammonia, or methane used to produce ammonia, which is a qualified animal feed. Qualified animal feed means any substance used in a qualified animal feed by the manufacturer, producer, or importer, sold for use by any purchaser in a qualified animal feed use, or sold for resale by any purchaser for use, or resale for use, in a qualified animal feed use. Qualified animal feed use is any use in the manufacture or production of animal feed or animal supplements, or of ingredients used in animal feed or animal feed supplements.
- Taxable chemicals that are sold for export or sold for resale to a second purchaser for export.
- Inventory exchanges of taxable chemicals and sales of hydrocarbon streams containing mixtures of organic taxable chemicals. In order to make these tax-free transactions the manufacturers must be registered on Form 637.

Credit or Refund.—If the environmental tax is paid on any taxable chemical and that chemical is later used to manufacture or produce any other substance subject to the environmental tax, an amount equal to the tax paid will be allowed as a credit or refund. If an environmental tax has been paid on nitric acid, sulfuric acid, ammonia, or methane used to make ammonia, and any person later uses that substance or sells it for use as a fertilizer or qualified fuel or in the manufacture of fertilizer or animal feed, an amount equal to the excess of the tax actually paid over the amount of tax that was due will be allowed as a credit or refund. Credits may be taken on line 2 of Form 720. **Form 843**, Claim, should be used to claim a refund. In both instances the credit or refund (without interest) is allowable as if it were an overpayment of an environmental tax.

Specific Instructions

Name.—Enter the name that will be shown on Form 720 as the taxpayer.

Employer identification number.—Enter the employer identification number shown on Form 720.

S.I.C. number.—Enter the four-digit code number that best describes the activity that results in your having to report and pay the environmental tax. See Notice 603 for a listing of these code numbers.

Part I.—Enter on:

Line 1.—The number of barrels of crude oil received at the refinery.

Line 2.—The number of barrels on which the tax has been paid. For example, enter the number of barrels of crude oil imported into the U.S. for which the tax was paid and which was later delivered to a refinery. Your records must show that the tax was previously paid. A statement from the person who paid the tax that the tax has been paid will fulfill this requirement.

Line 3.—Subtract line 2 from line 1. This will be the number of barrels that are subject to the tax. Enter this amount in column (a) of line 3. Line 3 column (b) is the tax rate. Multiply column (a) by column (b) and enter the tax liability in column (c).

Line 4.—The number of barrels of crude oil used in or exported from the U.S. Enter this figure in column (a), multiply it by the rate in column (b), and enter the tax liability in column (c).

Line 5, column (c).—Add the figures on line 3, column (c) and line 4, column (c) and enter the total on line 5, column (c). This figure must also be shown on the line for IRS No. 53 on Form 720.

Line 6.—The number of barrels of petroleum products imported into the U.S. Enter this figure in column (a), multiply it by the tax rate in column (b), and enter the tax liability in column (c). This figure must also be shown on the line for IRS No. 16 on Form 720.

Part II.—Enter on:

Line 1, column (a).—The number of tons sold or used. If the chemical is in a gaseous form, see the conversion table above.

Line 1, column (c).—The amount of tax due. Multiply the figure in column (a) by the tax rate in column (b).

Lines 2 through 42.—Repeat the procedure explained for line 1 on the appropriate line for any other chemical you have sold or used.

Line 43, column (c).—Add the figures on lines 1 through 42 and enter the total tax due on chemicals. This figure must also be shown on the line for IRS No. 54 on Form 720.