

Quarterly Federal Excise Tax Return

Use To Report Excise Taxes for 1987

For Paperwork Reduction Act Notice, see instructions.

Please enter your name, address, employer identification number, and calendar quarter of return, if not preprinted. (If not correctly printed, please change.)

Quarter ending [] Employer identification number []

Table with 2 columns: Code (T, FF, FD, FP, I, T) and empty space.

If address is different from prior return, check here.

Note: Be sure to enter the tax on the correct line to ensure proper credit.

Part I Computation of Tax Items

Table with 4 columns: Description, Rate, Tax, IRS No. Includes categories like Facilities and Services Taxes, Manufacturers Taxes, Retail and Use Taxes, and Environmental Taxes.

Part II Computation of Net Tax Liability

Form with numbered sections 1-10 for calculating net tax liability, including a table for Record of Tax Liability and a section for undeposited taxes.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature Title (Owner, etc.) Date

General Instructions

(Section references are to the Internal Revenue Code, unless otherwise noted.)

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 report and pay the excise taxes listed on page 1. You must file a return for each quarter even if you do not owe any tax. (If you have no tax to report, write "None" on lines 1 and 3 and sign the return.) For more information obtain **Publication 510**, Excise Taxes for 1987.

Exemptions.—Some transactions are exempt from tax. For example, export transactions and transactions involving states, political subdivisions, certain nonprofit educational organizations, certain aircraft museums, certain items used on a farm for farming purposes, and certain helicopter usage are exempt. Indian tribes when exercising an essential tribal government function are considered states and are exempt.

Records.—Keep copies of your tax return, records, and accounts of all transactions to show that the correct tax has been paid. Keep records to support all adjustments claimed and all exemptions at least 4 years from the latest of the following dates: (1) when the tax became due, (2) when you paid the tax, (3) when you claimed an adjustment, or (4) when you filed a claim for a refund. Your records must be available at all times for IRS inspection.

Penalties and Interest.—Avoid penalties and interest by filing returns and depositing and paying taxes when due. The law provides penalties for:

- Filing a return late, 5% of the tax per month, or part of a month, the return is late (maximum 25%).
- Depositing taxes late, 10% of the underpayment.
- Overstating deposits, 25% of the overstatement.
- Paying taxes late, 1/2 of 1% of the unpaid amount for each month or part of a month it remains unpaid—up to 25% of the unpaid amount. The penalty applies to unpaid tax shown on a return and to any part of additional tax shown on a bill if it is not paid within 10 days from the date of the bill.
- Willfully failing to collect and pay tax, keep records, or file a return, 100%.
- Filing false or fraudulent returns, 75% of the underpayment plus 50% of the interest attributable to the underpayment.

If you can show reasonable cause for late filing, late payment, or not depositing the proper amount of tax when due, the penalty does not apply. If you are late filing a return or depositing taxes, send in a full explanation with the return.

These penalties are in addition to the interest charge on late payments.

Also, be sure to sign the return. An unsigned return is not considered filed.

When To File.—Except as otherwise provided in the instructions, you must file a return for each quarter of the calendar year as follows:

Quarter covered	All excise taxes other than air trans., comm., and windfall profit due by	Air trans., comm., and windfall profit due by
January, February, March	April 30	May 31
April, May, June	July 31	August 31
July, August, September	October 31	November 30
October, November, December	January 31	February 28

If any due date for filing a return falls on a Saturday, Sunday, or legal holiday, the due date is extended to the next succeeding day that is not a Saturday, Sunday, or legal holiday.

For excise taxes other than those on air transportation, communications, or windfall profits you may have an additional 10 days to file your return if you have made deposits of the taxes due for the quarter on time and in full.

If you are reporting two or more excise taxes, and they are due on different dates, the later filing date will be acceptable provided timely deposits were made. Only one return should be filed each quarter.

Where To File.

If your principal business, office or agency, or legal residence in the case of an individual is located in	File with the Internal Revenue Service Center at
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 31101
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201

California (all other counties), Hawaii Fresno, CA 93888

Arkansas, Indiana, North Carolina, Tennessee, Virginia Memphis, TN 37501

If you have no legal residence, principal place of business, or principal office or agency in any Internal Revenue district, file your return with the Internal Revenue Service Center, Philadelphia, PA 19255.

Specific Instructions

Name, Address, and Employer Identification Number.—The first time you file Form 720, enter the required information. After that, IRS will mail you a preaddressed return every 3 months. Please use the preaddressed form.

If you are not using a preaddressed form, type or print your name and employer identification number (EIN) exactly as shown on earlier returns. Do not use an EIN of a former owner of a business. For information on applying for an EIN, or filing a return if the EIN has not been received, see **Publication 583**, Information for Business Taxpayers.

Part I.—Computation of Tax Items

Tax Computation Columns.—Figure the taxes that apply by using the appropriate figures in the "rate" columns. Add the amounts of tax in the "tax" columns and enter the total tax in Part II, on line 1. Do not enter adjustments in the tax column. Enter all adjustments on line 2, Part II.

Facilities and Services Taxes

a. Communications services (IRS No. 22).—The tax is on amounts paid for toll telephone service, teletypewriter exchange service, and local telephone service. The person paying for the service or facility is liable for the tax, and the person receiving the payment is required to collect the tax and file Form 720. Amounts paid for communications services do not include state or local taxes paid if the amount is separately stated in the bill to the customer.

Toll telephone service means a telephonic quality communication for which a toll charge is made that varies in amount with the distance and the elapsed transmission time to each individual communication, but only if the charge is paid within the United States. It also includes WATS (wide area telephone service). Microwave relay service used for the transmission of television programs and not for telephonic communication is not a toll telephone service and is not subject to the communication tax.

Teletypewriter exchange service means access from a teletypewriter or other data station to a teletypewriter exchange system, and the privilege of intercommunication by that station with substantially all persons having teletypewriter or other data stations in the same exchange system, to which the subscriber is entitled upon payment of a charge or charges.

Local telephone service means the access to a local telephone system and the privilege of telephonic quality communication together with facilities or services provided with this service.

Quarterly Federal Excise Tax Return

Use To Report Excise Taxes for 1987

For Paperwork Reduction Act Notice, see instructions.

Type or print in this space your name, address, and employer identification number as shown on original.

Return for calendar quarter ending (Enter month and year as on original)

YOUR COPY

Part I Computation of Tax Items

Table with columns: Facilities and Services Taxes, Rate, Tax, IRS No. Includes rows for Toll telephone service, Coal, Gasoline, and Environmental Taxes.

Part II Computation of Net Tax Liability

Form with numbered sections 1-10 for Total tax, Adjustments, Record of Tax Liability, and Total liability for quarter.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and, to the best of my knowledge and belief, they are true, correct, and complete.

Signature Title (Owner, etc.) Date

b. Transportation of persons by air (IRS No. 26).—The tax applies to amounts paid for taxable transportation of persons by air, including amounts paid for related seating or sleeping accommodations. This includes amounts paid for layover or waiting time and movement of aircraft in deadhead service. Also, the tax applies to amounts paid outside the United States but only for taxable transportation that begins and ends in the United States. Certain transportation that takes place entirely outside the United States (and the 225-mile zone) and that meets specified tests is not subject to the tax. See Publication 510.

The person paying for taxable transportation is liable for the tax, and ordinarily, the person receiving the payment must collect the tax and file Form 720.

c. International air travel facilities (IRS No. 27).—The tax is imposed on amounts paid within or outside the United States for international flights that begin in the United States, even if the flight is the return part of a round trip to a foreign country. The tax applies whenever a portion of a domestic-international flight is exempt from the 8% transportation tax.

d. Transportation of property by air (IRS No. 28).—Amounts paid for transportation of property by air within or outside the United States are subject to the tax. The tax applies only to amounts paid for transportation (including layover time and movement of aircraft in deadhead service) that begins and ends in the United States. Thus, transportation of property by air that begins outside, but ends within, the United States is not taxable.

e. Policies issued by foreign insurers (IRS No. 30).—Tax rates are as follows:

- (1) *Casualty insurance and indemnity bonds.*—4¢ on each dollar (or fraction of a dollar) of the premium paid on the policy or bond.
- (2) *Life insurance, sickness and accident policies, and annuity contracts.*—1¢ on each dollar (or fraction of a dollar) of the premium paid on the policy or contract.
- (3) *Reinsurance.*—1¢ on each dollar (or fraction of a dollar) of the premium paid on the policy of reinsurance covering any of the contracts taxable in (1) or (2) above.

f. Obligations not issued in registered form (IRS No. 31).—The tax is imposed on any person who issues a registration-required obligation that is not in registered form. The tax is 1% of the principal amount of the obligation multiplied by the number of calendar years (or portions thereof) during the period beginning on the issue date and ending on the maturity date.

A registration-required obligation is any obligation other than an obligation that:

- (1) Is issued by a natural person,
- (2) Is not of a type offered to the public,
- (3) Has a maturity (at issue) of not more than one year, or
- (4) Is described in section 163(f)(2)(B).

Manufacturers Taxes

These taxes apply to the sale or use by the manufacturer, producer, or importer of the articles listed. These taxes may also apply to one part of an otherwise nontaxable article, such as tires on imported vehicles.

See Publication 510 for information on tax-free purchases of tires, and use of **Form 637**, Registration for Tax-Free Transactions Under Chapters 31, 32, and 38 of the Internal Revenue Code.

Compute the tax on the price for which the taxable article is sold or leased. For a taxable article that is sold or leased under a conditional sales contract, installment payment contract, or chattel mortgage arrangement, compute and pay the tax on each payment received during the quarter covered by the return. For exclusions from the sale price such as local advertising charges, and the cost of transportation, see Publication 510. There are also special rules that apply to the lease of any article.

You may adjust the manufacturer's sale price for discounts, rebates, and similar allowances granted to the purchaser. You may not anticipate such discounts. The purchaser must have taken the discount before the return is required to be filed.

If you make adjustments or obtain the required evidence after you file your return, you may be able to take a credit on a later return or file a refund claim.

You must compute the tax on a price established by the Commissioner of Internal Revenue if an article is sold by the manufacturer or producer at retail, on consignment, or in a way other than through an arm's-length transaction at less than the fair market price, or if an article is used by the manufacturer or producer in a manner subject to tax.

a. Coal (IRS Nos. 36, 37, 38, 39).—The tax on coal per ton (2,000 lbs.) may not be more than 4.4% of the price at which a ton is sold in each category.

Coal is produced from a surface mine if all geological matter, such as trees, earth, or rock, above the coal being mined is removed before the coal is mined. When coal is removed by auger and when coal is reclaimed from coal waste refuse piles, the coal is considered produced from a surface mine. Coal is considered produced from an underground mine when the coal is not produced from a surface mine.

The tax on coal is paid by the producer at the time of sale or use. The selling price for applying the tax is the point of sale f.o.b. mine or f.o.b. cleaning plant if the producer cleans the coal before selling it.

b. Sport fishing equipment, outboard motors, and sonar devices (IRS Nos. 41, 42).—The tax is on the sale of sport fishing equipment which includes: fishing rods and poles (and component parts therefor), reels, fly fishing lines, and other lines not over 130 pounds test, fishing spears, spear guns, spear tips, terminal tackle including—leaders, artificial lures, baits, and 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 subject to the tax); and the following items of fishing supplies and accessories—fish stringers, creels, tackle boxes, bags, baskets, and other containers designed to hold fish, portable bait containers, fishing vests, landing nets, gaff hooks, fishing hook disgorgers, dressing for fishing lines and artificial flies, tip-ups and tilts, rod belts, rodholders, harnesses,

fighting chairs, fishing outriggers, fishing downriggers, electric outboard motors, and sonar devices suitable for finding fish. Also, the tax is on any parts or accessories sold on or in connection with these articles.

A sonar device suitable for finding fish will not include any sonar device that is a graph recorder, a digital type, a meter readout, or a combination graph recorder or combination meter readout. The tax is limited to \$30 for each sonar device.

The tax on these articles may be imposed a second time if the sale of these articles is by any wholesale distributor or retailer who:

- (1) Is a related party to the manufacturer or importer; and
- (2) Acquires the article from a party other than the manufacturer or importer.

If the tax is imposed a second time, a credit for the prior tax is available provided the distributor or retailer can establish the amount of tax paid on the first sale. See Publication 510 for more information.

c. Bows and arrows (IRS No. 44).—The tax is on the sale of any bow having a draw weight of 10 pounds or more, and of any arrow measuring 18 inches or more in overall length. Arrows that measure less than 18 inches are taxable if they are suitable for use with a bow that has a draw weight of 10 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 or arrow, and any quiver suitable for use with taxable arrows. The tax on parts and accessories does not apply to an article on which the tax on bows and arrows has been imposed.

d. Firearms (IRS Nos. 32, 46, 49).—The tax is on the sale of pistols, revolvers, shells, cartridges and firearms, other than pistols and revolvers. Parts or accessories for firearms, pistols, etc., are not subject to the tax when sold separately or when sold with a complete firearm as spare parts or accessories. However, the tax does apply to the sale of complete firearms, pistols, etc., sold in a knockdown condition.

e. Gasoline and gasohol (IRS Nos. 62, 58, 59).—The tax on gasoline is 9¢ a gallon. Gasoline means all products commonly or commercially known or sold as gasoline that are suitable for use as a motor fuel. This does not include casinghead and natural gasoline unless they are blended with other compounds to make gasoline used in motors.

The sale of gasohol (gasoline mixed with 10% alcohol that is at least 190 proof) by a producer of gasoline is taxable at 3¢ a gallon. The alcohol can be methanol or ethanol, but it cannot be produced from petroleum, natural gas, or coal. The sale of gasoline for use in the manufacture of gasohol is taxable at 3½¢ a gallon.

If you plan to make gasohol, using specially denatured alcohol, you must first get a permit from the Bureau of Alcohol, Tobacco, and Firearms.

Anyone who separates the gasoline from an alcohol mixture that has been taxed at a rate equivalent to 3¢ a gallon will be subject to the additional 5¾¢ a gallon excise tax on the separated fuels. Also, if gasoline is purchased tax paid at the 3½¢ rate for the

purpose of blending with alcohol, the failure to blend the gasoline with the alcohol will result in a 5¢ a gallon excise tax. Report the amount of this tax on the line for IRS No. 62.

If gasoline is used in a qualified taxicab, you may qualify for a credit or refund of 4¢ a gallon.

For a refund or credit of the fuel tax, see **Form 4136**, Computation of Credit for Federal Tax on Gasoline and Special Fuels.

f. Alcohol sold as but not used as a fuel (IRS No. 51).—Alcohol, either mixed or straight, designated for use as fuel is eligible for a credit. **Form 6478**, Credit for Alcohol Used as Fuel, is used to compute the credit. If the credit was determined and any person later either (1) uses a mixture or straight alcohol for a purpose other than fuel, (2) separates the alcohol from the mixture, or (3) mixes the straight alcohol, an excise tax is imposed. The tax is 60¢ a gallon for each gallon of alcohol that is at least 190 proof and 45¢ a gallon for each gallon of alcohol that is at least 150 proof but less than 190 proof.

g. Highway-type tires (IRS No. 66).—The tax applies only to highway-type tires and is as follows:

- (1) For tires weighing more than 40 pounds but not more than 70 pounds—15¢ a pound for each pound over 40 pounds.
- (2) For tires weighing more than 70 pounds but not more than 90 pounds—\$4.50 PLUS 30¢ a pound for each pound over 70 pounds.
- (3) For tires weighing more than 90 pounds—\$10.50 PLUS 50¢ a pound for each pound over 90 pounds.

h. Gas guzzler tax (IRS No. 40).—Compute the tax on **Form 6197**, Gas Guzzler Tax, and report it quarterly on Form 720. File Form 6197 annually as an attachment to Form 720. See the instructions on Form 6197 for *When To File*.

Retail and Use Taxes

a. Truck and trailer chassis and bodies; tractors (IRS No. 33).—The excise tax is on the first retail sale of truck and trailer chassis and bodies, and tractors. The sale of a vehicle includes related parts and accessories sold on or in connection with the sale of the vehicle. It applies to vehicles designed for highway transportation that have a gross vehicle weight (GVW) over 33,000 pounds. It also applies to truck trailer and semitrailer chassis and bodies for use with a trailer or semitrailer with a GVW over 26,000 pounds. Tractors of the kind chiefly used for highway transportation with a trailer or semitrailer are taxable.

The **first retail sale** means the first sale of a vehicle after manufacture, production, or importation. The sale by a manufacturer, producer, or importer is not the first retail sale if either (a) the buyer is not in the business of leasing and intends to resell the vehicle, or (b) if the buyer is in the business of leasing, both the buyer and seller are registered on Form 637 and the buyer certifies on an exemption certificate that it intends to resell the vehicle. If a vehicle is sold tax-free but is later leased by the buyer, the leasing of the vehicle is considered the first retail sale. When a lease is treated as the first retail sale, the tax is computed on a constructive sales price established by the Commissioner of the Internal Revenue Service. If the first retail sale is a lease, an

installment sale, or any sale, when the selling price is paid in installments, the entire tax is due at the time of the lease or installment sale.

b. Diesel fuel and special motor fuels (IRS No. 61).—A 15¢ a gallon tax applies to diesel fuel sold for use or used in a highway motor vehicle, and a 9¢ a gallon tax applies to special motor fuel sold for use or used in a motor vehicle or motor boat (other than a commercial fishing boat).

Special motor fuels include benzol, benzene, naphtha, liquid petroleum gas, casinghead and natural gasoline, and any other liquid fuel (except gasoline otherwise taxable and kerosene, gas oil, and fuel oil). Products called kerosene, gas oil, or fuel oil that do not fall within certain specifications are taxable as special motor fuel.

Off-highway business use of fuels is exempt from the tax. However, a 3¢ a gallon tax applies to qualified methanol and ethanol. Qualified methanol or ethanol fuels mean any liquid 85% of which consists of alcohol produced other than from petroleum or natural gas. If the methanol or ethanol fuels are at least 85% alcohol produced from natural gas, the fuel is taxed at 4½¢ a gallon.

A 9¢ a gallon tax applies to the sale or use of any mixture containing diesel fuel and 10% alcohol that is at least 190 proof. A 3¢ a gallon tax applies to the sale or use of any mixture containing special motor fuel and 10% alcohol that is at least 190 proof. The proof of alcohol is determined without regard to added denaturants. The alcohol can be methanol or ethanol, but it cannot be produced from petroleum, natural gas, or coal (including peat).

If you plan to make diesel fuel or special fuel mixed with alcohol, you must first obtain a permit from the Bureau of Alcohol, Tobacco, and Firearms.

Anyone who separates the fuel from the alcohol mixture that has been taxed will be subject to the excise tax on the separated fuel reduced by the tax paid on the mixture.

If you are a retailer of diesel fuel, you may elect to have the tax on diesel fuel paid by the seller on sales to you after March 1987. To make this election file **Form 8587**, Election by Qualified Diesel Fuel Retailer.

For a refund or credit of the fuel tax, see Form 4136.

c. Inland waterways fuel use tax (IRS No. 64).—In addition to the tax on special motor fuel used in a motorboat, there is a tax of 10¢ a gallon imposed on any liquid used in the propulsion system of commercial transportation vessels while traveling on certain inland and intracoastal waterways. Generally, the tax applies to all types of vessels including ships, barges, and tugboats. See Publication 510 for more information.

d. Fuel used in noncommercial aviation (IRS Nos. 62, 69, 14).—A tax is imposed on aviation fuel sold for use or used in noncommercial aviation. The tax rate on any liquid other than gasoline is 14¢ a gallon. The tax rate for gasoline is 2.9¢ a gallon plus the 9¢ a gallon manufacturers tax. Also, see the *Additional Tax on Fuels*, below. If the gasoline is purchased tax paid (9¢ a gallon manufacturers tax), only the additional 2.9¢ a gallon tax rate applies to the gasoline used in noncommercial aviation. If the gasoline is purchased tax free, the 9¢ a gallon

manufacturers tax (IRS No. 62) applies in addition to the 2.9¢ a gallon retailers tax.

Noncommercial aviation is the use of an aircraft other than in the business of transporting persons or property by air for compensation or hire. Also, it means any use (including the business of transportation) of an aircraft that:

- (1) Has a maximum certificated takeoff weight of 6,000 pounds or less, except when the aircraft is operated on an established line; or
- (2) Is owned or leased by a member of an affiliated group and that is not available for hire to nonmembers.

If the tax is paid and the fuel is used in commercial aviation or other nontaxable use, a credit or refund may be available. See **Publication 378**, Fuel Tax Credits, for more information about fuel tax credits or refunds.

Additional Tax on Fuels (IRS No. 15).—Beginning January 1, 1987, there is a new excise tax imposed on the sale of fuels, which is in addition to other taxes on fuels reported on this form. This new tax is computed on the same tax base as other taxes on fuels. The tax rate is 1/10 of 1¢ (.001) a gallon on gasoline, gasoline sold for gasohol production, gasohol, diesel and special fuels, special fuels mixed with alcohol, fuels used in aviation, fuels used on inland waterways, and fuels sold for use or used in trains. The tax rate for qualified methanol and ethanol is 1/20 of 1¢ (.0005) a gallon.

Crude Oil Windfall Profit Taxes (IRS Nos. 50, 56, 52)

The tax on windfall profit is computed on **Form 6047**, Windfall Profit Tax, which must be attached to Form 720 on a quarterly basis by the purchasers, qualified disbursers, operators, and certain producers having oil not subject to withholding.

For oil subject to withholding, producers will receive **Form 6248**, Annual Information Return of Windfall Profit Tax, from their purchasers at the end of each year. The form shows total tax liability, tax paid by the purchaser, and the amount of any tax underwithheld or overwithheld.

If the tax was underwithheld, the producer must file Form 720 to report and pay the balance due on the first quarter return by May 31. This amount should be entered in the space marked "Annual return" on the line for IRS No. 52, and the social security number of the producer should be entered in the space under line 10, Part II. If tax was overwithheld, see **Form 6249**, Computation of Overpaid Windfall Profit Tax.

Environmental Taxes (IRS Nos. 53, 16, 54)

The tax rates for the environmental taxes are shown on **Form 6627**, Environmental Taxes. Form 6627 is used to compute the liability for these taxes and must be attached to Form 720 each quarter.

Part II.—Computation of Net Tax Liability

Line 2, Adjustments.—Generally, you may make adjustments for taxes reported on Form 720 to correct mathematical errors, or to adjust payments of tax on transactions, charges, or processings that are entitled to be made tax free.

On line 2, enter the total of any adjustments claimed. If an amount is included on line 2, a statement must be attached for each adjustment that includes the following:

- The IRS Nos. being adjusted.
- An explanation of why you are claiming a reduction in tax.
- A statement that you have the required supporting evidence.
- The amount of adjustment claimed for each.
- The period in which the tax liability was previously reported.

See the applicable regulations and Publication 510 for the circumstances under which you may make adjustments and the evidence you need to support adjustments. See Form 6047 for special rules and restrictions on Form 720, line 2, Adjustments, for windfall profit tax.

Line 4, Record of Federal Tax Liability.—You must deposit all excise taxes over \$100 reportable on Form 720 at an authorized depository or the Federal Reserve Bank (FRB) serving the area in which you are located.

To avoid a penalty, make your deposit timely and do not mail your deposits directly to the IRS. Records of your deposits will be sent to IRS for crediting to your business accounts.

Line 5, Credit for Overpaid Windfall Profit Tax.—The amount of credit that you may enter on line 5 is the amount of overpaid windfall profit tax. You may use line 5 for the net income limitation only if this is the first calculation of the net income limitation and the calculation is made within one year of the removal year.

Attach Form 6249 to Form 720 when claiming this overpayment. Be sure to reduce the amount of overpayment by the reduction in your deposits of windfall profit tax due to the estimated effects of the net income limitation that you have claimed on line 11 (Form 6047) during your removal year.

If you recalculate your net income limitation after claiming a credit on line 5 and the result is an additional overpayment, you may not claim the credit on line 5. Instead, you must file **Form 843**, Claim, and attach Form 6249.

How To Make Deposits

Deposit Federal excise tax payments with a Federal Tax Deposit Coupon (**Form 8109**). See the instructions in the coupon book for additional information.

To obtain more deposit coupons, use the reorder form (**Form 8109A**) provided in the coupon book. Be sure to enter the number of books you need. If you do not have a coupon book, please contact your IRS district office.

When To Make Deposits

The following rules explain how often you must make deposits for excise taxes other than windfall profit taxes, sport fishing equipment taxes, or inland waterways fuel use taxes. **For special rules on depositing windfall profit taxes, see the instructions for Form 6047.** No deposits are required for the sport fishing equipment tax and inland waterways fuel use tax. The tax is payable with the return.

In general, the frequency of deposits is based on the amount of tax you owe for a certain period. You must make deposits monthly or semimonthly, as explained below.

Monthly Deposits.—You must make monthly deposits if you are liable in any month (except the last month of the quarter) for more than \$100 of taxes reportable on Form 720 AND you are not required to make semimonthly deposits (see below).

Monthly deposits are due by the last day of the month following the month you incur more than \$100 liability.

If you owe taxes of \$100 or less at the end of the first or second month, carry them over to the next month. At the end of the third month, taxes of \$100 or less may be deposited or paid with the return.

If you owe taxes of more than \$100 at the end of the third month, you must deposit them by the last day of the following month.

For air transportation and communications taxes, the tax that is computed on the basis of amounts billed (communications) or tickets sold (air transportation) for a month is considered collected during the next month and should be deposited during the month following the month it is considered collected.

Semimonthly Deposits.—If you are liable for over \$2,000 of excise taxes for any month of a quarter, you must make semimonthly deposits of taxes in the following quarter. A **semimonthly** period means the first 15 days of a month or the 16th through the last day of a month.

The rules for making semimonthly deposits are as follows:

In General.—Deposit the amount you owe by the 9th day following the semimonthly period for which it is reported.

Air Transportation and Communications Taxes.—If the amount for these taxes is computed on the basis of the amount billed (communications) or tickets sold (air transportation), the tax computed for a semimonthly period is considered as collected during the second following semimonthly period. Deposit these taxes within 3 banking days after the end of the semimonthly period for which they are considered collected.

If the taxes are computed on any other basis, deposit the taxes within 3 banking days after the end of the semimonthly period in which they are collected. In determining banking days, do not count local banking holidays observed by depositories or Saturdays, Sundays, and legal holidays.

Gasoline Taxes.—Qualified persons whose liability for the manufacturers excise tax on gasoline is payable semimonthly may pay the tax by the 14th day after the close of the semimonthly period if the payment is made by wire transfer to any government depository or by transfer between accounts in the same government depository.

A **qualified person** is any person whose average daily production of crude oil for the preceding calendar quarter is 1,000 barrels or less and any independent refiner as defined in section 4995(b)(4).

If the due date falls on a Saturday, Sunday, or legal holiday, the due date will be the immediately **preceding** day that is not a Saturday, Sunday, or legal holiday.

Policies Issued by Foreign Insurers.—If the amount of tax on these policies is for the first semimonthly period, deposit it by the first day of the next month. If the amount is for the second semimonthly period, deposit it by the 15th day of the next month.

Exceptions.—You are considered to meet the semimonthly deposit requirements if the amount you deposit for the semimonthly period is one of the following:

- (1) At least 90% of the total tax collected during (or reportable for) the semimonthly period.
- (2) At least 45% of the total tax collected during (or reportable for) the month.
- (3) At least 50% of the total tax collected during (or reportable for) the second preceding month (first preceding month for air transportation and communications).
- (4) Manufacturers, retailers, and environmental taxes: An amount deposited for the second semimonthly period in a month that, when added to the deposit for the first semimonthly period, is at least 90% of the total taxes reportable for the month.

If you claim one of the exceptions, please check the appropriate box on page 1, Form 720.

In addition, if the semimonthly period is in either of the first 2 months of the quarter, you must deposit the underpayment for the month by the following dates:

- Tax on foreign insurance policies—The first day of the second month following the month involved.
- Manufacturers, retailers, and environmental taxes—The ninth day of the second month following the month involved.
- Air transportation and communications taxes—The last day of the month following the month involved.

The above provisions do not extend the time for depositing taxes for the last month of the quarter. Nor do they remove penalties for failure to make other required deposits on time.

Notes.

If you meet the semimonthly deposit exception under (2), (3), or (4) above, you may be exempt from certain recordkeeping requirements. You may not have to:

- Keep books and records on a semimonthly basis (except for deposits), or
- Record your tax liability on a semimonthly basis on line 4 of the form. See Regulations sections 46.6302(c)-1, 48.6302(c)-1, 49.6302(c)-1 and 52.6302(c)-1.

You do not meet the requirements under (2) or (3) above if you collect more than 75% of air transportation or communications taxes (or incur more than 75% of the monthly liability for other taxes) in the first semimonthly period in each month.

Lines 6 and 9, Overpayment.—If you deposited more than the amount you owed for a quarter, you may have the overpayment applied to your next return or refunded to you. Enter the appropriate amount in the space on line 9. Enter on line 6 of your next return any amount you want to have applied to that return.