



Instructions for Form 6478

Biofuel Producer Credit

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

Future Developments

For the latest information about developments related to Form 6478 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form6478.

What's New

The section 40 biofuel producer credit has been extended.

General Instructions

Purpose of Form

Use Form 6478 to figure your section 40 biofuel producer credit. You claim the credit for the tax year in which the sale or use occurs. This credit consists of the second generation biofuel producer credit.

You may claim or elect not to claim the biofuel producer credit at any time within 3 years from the due date of your return (determined without regard to extensions) on either an original or an amended return for the tax year of the sale or use.

Partnerships, S corporations, cooperatives, estates, and trusts must file this form to claim the credit. All other taxpayers are not required to complete or file this form if their only source for this credit is a partnership, S corporation, cooperative, estate, or trust. Instead, they can report this credit directly on line 4c in Part III of Form 3800, General Business Credit.

Qualified Second Generation Biofuel Production

This is second generation biofuel which during the tax year:

1. Is sold by the producer to another person—
 - a. For use by the buyer in the buyer's trade or business to produce a qualified second generation biofuel mixture (other than casual off-farm production),
 - b. For use by the buyer as a fuel in a trade or business, or
 - c. Who sells the second generation biofuel at retail to another person and puts the second generation biofuel in the retail buyer's fuel tank; or
2. Is used or sold by the producer for any purpose described in (1) above.

Qualified second generation biofuel production does not include purchasing alcohol and increasing the proof of the alcohol through additional distillation. Nor does it include second generation biofuel that is not both

produced in the United States or a U.S. possession and used as a fuel in the United States or a U.S. possession.

A qualified second generation biofuel mixture combines second generation biofuel with gasoline or a special fuel. The producer of the mixture either:

- Used it as a fuel, or
- Sold it as fuel to another person.

Second Generation Biofuel

Generally, second generation biofuel, for credit purposes, is any liquid fuel, which:

- Is derived by, or from, qualified feedstocks;
- Meets the registration requirements for fuels and fuel additives established by the Environmental Protection Agency under section 211 of the Clean Air Act (42 U.S.C. 7545); and
- Is not alcohol of less than 150 proof. In figuring the proof of any alcohol, disregard any added denaturants (additives that make the alcohol unfit for human consumption).

A qualified feedstock is:

- Any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis; and
- Any cultivated algae, cyanobacteria, or lemna.

However, second generation biofuel does not include any fuel if:

- More than 4% of the fuel (determined by weight) is any combination of water and sediment,
- The ash content of the fuel is more than 1% (determined by weight), or
- The fuel has an acid number greater than 25.

Special rules for algae. For sales described in (1) under *Qualified Second Generation Biofuel Production*, earlier, second generation biofuel also includes certain liquid fuel, which:

- Is derived by, or from, any cultivated algae, cyanobacteria, or lemna; and
- Is not alcohol of less than 150 proof (disregard any added denaturants).

But only if this fuel is sold by the producer to another person for refining by such other person into a liquid fuel which will meet the registration requirements for fuels and fuel additives established by the Environmental Protection Agency under section 211 of the Clean Air Act (42 U.S.C. 7545), and not include any fuel if:

- More than 4% of the fuel (determined by weight) is any combination of water and sediment,
- The ash content of the fuel is more than 1% (determined by weight), or
- The fuel has an acid number greater than 25.

Also, once this fuel is sold by the producer to another person for refining by such person into a fuel which will

meet these requirements, neither the producer nor any other person can use such fuel (or any fuel derived from such fuel) to figure a second credit for qualified second generation biofuel production.

Registration

All producers of second generation biofuel must be registered with the IRS. See Form 637, Application for Registration.

Recapture of Credit

You must pay a tax on each gallon of second generation biofuel at the rate you used to figure the credit if you do not use the fuel for the purposes described under *Qualified Second Generation Biofuel Production*, earlier.

Report the tax on Form 720, Quarterly Federal Excise Tax Return.

Specific Instructions

Line 1

Enter the number of gallons of second generation biofuel sold or used after 2014 and before 2016 that meets the conditions listed under *Qualified Second Generation Biofuel Production*, earlier. Multiply by the rate of \$1.01 per gallon.

Line 2

The credit shown in column (c) on line 1 must be included in income under "other income" on the applicable line of your income tax return, even if you cannot use all of the credit because of the tax liability limit. However, if you are subject to the alternative minimum tax (AMT), this amount is not income in figuring AMT and must be subtracted when figuring your alternative minimum taxable income. Do this by including this amount on line 27 of Form 6251, line 23 of Schedule I (Form 1041), or line 2o of Form 4626.

Registration number. To claim a second generation biofuel producer credit on line 1, you must be registered with the IRS. Enter your CB registration number in the space provided. For more information, see Form 637 and Publication 510, Excise Taxes.

Line 3

Enter total biofuel producer credits from:

- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., box 15 (code I);
- Schedule K-1 (Form 1120S), Shareholder's Share of Income, Deductions, Credits, etc., box 13 (code I);
- Schedule K-1 (Form 1041), Beneficiary's Share of Income, Deductions, Credits, etc., box 13 (code H); and

- Form 1099-PATR, Taxable Distributions Received From Cooperatives, box 10, or other notice of credit allocation.

Partnerships, S corporations, cooperatives, estates, and trusts must always report the above credits on line 3. All other taxpayers:

- Report the above credits directly on Form 3800, Part III, line 4c; and
- Do not file Form 6478.

Line 5

Cooperatives. A cooperative described in section 1381(a) can elect to allocate any part of the biofuel producer credit to patrons of the cooperative. The credit is allocated pro rata among the patrons eligible to share in patronage dividends on the basis of the quantity or value of business done with or for the patrons for the tax year.

If the cooperative is subject to the passive activity rules, include on line 3 any Form 6478 credits from passive activities disallowed for prior years and carried forward to this year. Complete Form 8810, Corporate Passive Activity Loss and Credit Limitations, to determine the allowed producer credits that can be allocated to patrons. For details, see the Instructions for Form 8810.

The cooperative is deemed to have made the election by completing line 5. However, the election is not effective unless:

- It is made on a timely filed tax return (including extensions), and
- The cooperative designates the apportionment in a written notice or on Form 1099-PATR mailed to its patrons during the payment period described in section 1382(d).

If you timely filed your return without making an election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding extensions). Write "Filed pursuant to section 301.9100-2" on the amended return.

Once made, the election cannot be revoked.

Estates and trusts. Allocate the biofuel producer credit on line 4 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries' share on line 5.

If the estate or trust is subject to the passive activity rules, include on line 3 any Form 6478 credits from passive activities disallowed for prior years and carried forward to this year. Complete Form 8582-CR, Passive Activity Credit Limitations, to determine the allowed credit that must be allocated between the estate or trust and the beneficiaries. For details, see the Instructions for Form 8582-CR.

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

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	4 hr., 32 min.
Learning about the law or the form	53 min.
Preparing and sending the form to the IRS	1 hr.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.
