Publication 510  Cat. No. 15014!

Excise Taxes
(Including Fuel Tax Credits and Refunds)

For use in preparing 2008 Returns

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Introduction

This publication covers the excise taxes for which you may be liable during 2008 and which are reported on Form 720. It also covers fuel tax credits and refunds.

Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

Useful Items

You may want to see:

Publication

Form (and Instructions)

Section 52.4862-3(f), "Imported products table.

Qualified blood collector organizations.

The list of activities for which you must register, the effective date of the registration, and your registration number: A copy of Form 637 is not a Letter of Registration.

Domestic segment tax.

For amounts paid for use of international air travel facilities for domestic segments that begin or end in Alaska or Hawaii (applies only to departures).

A Letter of Registration showing the activities for which you are registered, the effective date of the registration, and your registration number: A copy of Form 637 is not a Letter of Registration.

Arrow shafts. The tax on arrow shafts sold during 2008 is $4.34 per arrow shaft. See Arrow Shafts in chapter 5.

Disregarded entities and qualified subchapter S subsidiaries. After December 31, 2007, qualified subchapter S subsidiaries (QSubs) and eligible single-owner disregarded entities are treated as separate entities for excise tax and reporting purposes. QSubs and eligible single-owner disregarded entities must pay and report excise taxes (other than IRS Nos. 31, 51, and 117), register for excise tax activities, and claim any refunds, credits, and payments under the entity’s employer identification number (EIN). These actions cannot take place under the owner’s taxpayer identification number (TIN). Some QSubs and disregarded entities may already have an EIN. However, if you are unsure, please call the IRS Business and Specialty Tax line at 1-800-829-4933.

Generally, QSubs and eligible single-owner disregarded entities will continue to be treated as disregarded entities for other federal tax purposes (other than employment taxes). Thus, taxpayers filing Form 4136, Credit for Federal Tax Paid on Fuels, with Form 1040, Individual Income Tax Return, can use the credits.


Reminders

Wagering taxes. You can find the information in the instructions for Forms 730 and 11-C, as applicable.

Registration for certain activities. You are required to be registered for certain excise tax activities, such as blending of gasoline, diesel fuel, or kerosene outside the bulk transfer/terminal system. See the instructions for Form 637 for the list of activities for which you must register. Also see Registration Requirements under Fuel Taxes in chapter 1 for information on registration for activities related to fuel. Each business unit that has, or is required to have, a separate employer identification number must be registered.

To apply for registration, complete Form 637 and provide the information requested in its instructions. If your application is approved, you will receive a Letter of Registration showing the activities for which you are registered, the effective date of the registration, and your registration number: A copy of Form 637 is not a Letter of Registration.

Imported products table. The imported products table can be found in Regulations section 42.11-4. The imported products table includes products that are subject to special excise taxes.

Qualified blood collector organizations.

Qualified blood collector organizations are generally exempt from many federal excise taxes including the tax on fuels, tires, communication services, and for heavy vehicles. Each blood collector organization must be registered with the IRS as a condition for applying for the exemption (or credit or payments). To apply for registration, see Form 637, Application for Registration (For Certain Excise Tax Activities).

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

Excise Taxes Not Covered

In addition to the taxes discussed in this publication, you may have to report certain other excise taxes.

For tax forms relating to alcohol and tobacco, visit the Alcohol and Tobacco Tax and Trade Bureau website at www.ttb.gov.

Heavy Highway Vehicle Use Tax

You report the federal excise tax on the use of certain trucks, truck tractors, and buses used on public highways on Form 2290, Heavy Highway Vehicle Use Tax Return. The tax applies to highway motor vehicles with a taxable gross weight of 55,000 pounds or more. Vans, pickup trucks, panel trucks, and similar trucks generally are not subject to this tax.

Note. A Spanish version (Formulario 2290(SPI)) and a French version (Formulaire 2290(FR)) and separate instructions for each are also available. See How To Get Tax Help in chapter 15.

Registration of vehicles. Generally, you must prove that you paid your heavy highway vehicle use tax to register your taxable vehicle with your state motor vehicle department or to enter the United States in a Canadian or Mexican registered taxable vehicle. Generally, a copy of Schedule 1 (Form 2290) is stamped by the IRS and returned to you as proof of payment.

Wagering Tax and Occupational Tax

The information on wagering tax can be found in the instructions for Form 730, Tax on Wagering, and Form 11-C, Occupational Tax and Registration Return for Wagering.
Part One.

Fuel Taxes and Fuel Tax Credits and Refunds

Chapter 1 defines the types of fuel, taxable events, and exemptions or exceptions to the fuel taxes. Chapter 2 provides information on, and definitions of, the nontaxable uses and explains how to make a claim.

1. Fuel Taxes

Definitions

Excise taxes are imposed on all the following fuels.

- Gasoline, including aviation gasoline and gasoline blendstocks.
- Diesel fuel, including dyed diesel fuel.
- Diesel-water fuel emulsion.
- Kerosene, including dyed kerosene and kerosene used in aviation.
- Other Fuels (including alternative fuels).
- Compressed natural gas (CNG).
- Fuels used in commercial transportation on inland waterways.

The following terms are used throughout the discussion of fuel taxes. Other terms are defined in the discussion of the specific fuels to which they pertain.

Agri-biodiesel. Agri-biodiesel means biodiesel derived solely from virgin oils, including esters derived from virgin vegetable oils from corn, soybeans, sunflower seeds, cottonseeds, canola, crambe, rapeseeds, safflowers, flaxseeds, rice bran, and mustard seeds, and from animal fats.

Approved terminal or refinery. This is a terminal operated by a registrant that is a terminal operator or a refinery operated by a registrant that is a refiner.

Biodiesel. Biodiesel means the monoalkyl esters of long chain fatty acids derived from plant or animal matter that meet the registration requirements for fuels and fuel additives established by the Environmental Protection Agency (EPA) under section 211 of the Clean Air Act, and the requirements of the American Society for Testing Materials (ASTM) D6751.

Blended taxable fuel. This means any taxable fuel produced outside the bulk transfer/terminal system by mixing taxable fuel on which excise tax has been imposed and any other liquid on which excise tax has not been imposed. This does not include a mixture removed or sold during the calendar quarter if all such mixtures removed or sold by the blender contain less than 400 gallons of a liquid on which the tax has not been imposed by the position holder.

Blender. This is the person that produces blended taxable fuel.

Bulk transfer. This is the transfer of taxable fuel by pipeline or vessel.

Bulk transfer/terminal system. This is the taxable fuel distribution system consisting of refineries, pipelines, vessels, and terminals. Fuel in the supply tank of any engine, or in any tank car, railcar, trailer, truck, or other equipment suitable for ground transportation is not in the bulk transfer/terminal system.

Diesel-water fuel emulsion. A diesel-water fuel emulsion means an emulsion at least 14 percent of which is water. The emulsion additive used to produce the fuel must be registered by a United States manufacturer with EPA under section 211 of the Clean Air Act.

Enterer. This is the importer of record (under customs law) for the taxable fuel. However, if the importer of record is acting as an agent, such as a customs broker, the person for whom the agent is acting is the enterer. If there is no importer of record, the owner at the time of entry into the United States is the enterer.

Entry. Taxable fuel is entered into the United States when it is brought into the United States and applicable customs law requires that it be entered for consumption, use, or warehousing. This does not apply to fuel brought into Puerto Rico, which is part of the U.S. customs territory, but does apply to fuel brought into the United States from Puerto Rico.

Measurement of taxable fuel. Volumes of taxable fuel can be measured on the basis of actual volumetric gallons or gallons adjusted to 60 degrees Fahrenheit.

Other Fuels (including alternative fuels). Other Fuels means any liquid except gas oil, fuel oil, or any product taxable under Internal Revenue Code section 4081. It includes the alternative fuels: LPG, “P Series” fuels, CNG, liquefied hydrogen, any liquid fuel derived from coal (including peat) through the Fischer-Tropsch process, liquid fuel derived from biomass, and LNG. See Alternative Fuel Credits in chapter 2.

Pipeline operator. This is the person that operates a pipeline within the bulk transfer/terminal system.

Position holder. This is the person that holds the inventory position in the taxable fuel in the terminal, as reflected in the records of the terminal operator. You hold the inventory position when you have a contractual agreement with the terminal operator for the use of the storage facilities and terminating services for the taxable fuel.

A terminal operator that owns taxable fuel in its terminal is a position holder.

Rack. This is a mechanism capable of delivering fuel into a means of transport other than a pipeline or vessel.

Refiner. This is any person that owns, operates, or otherwise controls a refinery.

Refinery. This is a facility used to produce taxable fuel and from which taxable fuel may be removed by pipeline, by vessel, or at a rack. However, this term does not include a facility where only blended fuel, and no other type of fuel, is produced. For this purpose, blended fuel is any mixture that would be blended taxable fuel if produced outside the bulk transfer/terminal system.

Registrant. This is a taxable fuel registrant (see Registration Requirements, later).

Removal. This is any physical transfer of taxable fuel. It also means any use of taxable fuel other than as a material in the production of taxable fuel or Other Fuels. However, taxable fuel is not removed when it evaporates or is otherwise lost or destroyed.

Renewable diesel. See Renewable Diesel Credits in chapter 2.

Sale. For taxable fuel not in a terminal, the terminal is the transfer of title to, or substantial incidents of ownership in, taxable fuel to the buyer for money, services, or other property. For taxable fuel in a terminal, this is the transfer of the inventory position if the transferee becomes the position holder for that taxable fuel.

State. This includes any state, any of its political subdivisions, the District of Columbia, and the American Red Cross. An Indian tribal government is treated as a state only if transactions involve the exercise of an essential tribal government function.

Taxable fuel. This means gasoline, diesel fuel, and kerosene.

Terminal. This is a storage and distribution facility supplied by pipeline or vessel, and from which taxable fuel may be removed at a rack. It does not include a facility where gasoline blendstocks are used in the manufacture of products other than finished gasoline if no gasoline is removed from the facility. A terminal does not include any facility where finished gasoline, diesel fuel, or kerosene is stored if the facility is operated by a registrant and all such taxable fuel stored at the facility has been previously taxed upon removal from a refinery or terminal.

Terminal operator. This is any person that owns, operates, or otherwise controls a terminal.
Throughputer. This is any person that is a position holder or that owns taxable fuel within the bulk transfer/terminal system (other than in a terminal).

Vessel operator. This is the person that operates a vessel within the bulk transfer/terminal system. However, vessel does not include a deep draft ocean-going vessel.

Information Returns
Form 720-TO and Form 720-CS are information returns used to report monthly receipts and disbursements of liquid products. A liquid product is any liquid transported into storage at a terminal or delivered out of a terminal. For a list of products, see the product code table in the Instructions for Forms 720-TO and 720-CS.

The returns are due the last day of the month following the month in which the transaction occurs. Generally, these returns can be filed on paper or electronically. For information on filing electronically, see Publication 3536, Motor Fuel Excise Tax EDI Guide. Publication 3536 is only available on the IRS website.

Form 720-TO. This information return is used by terminal operators to report receipts and disbursements of all liquid products to and from all approved terminals. Each terminal operator must file a separate form for each approved terminal.

Form 720-CS. This information return must be filed by bulk transport carriers ( barges, vessels, and pipelines) who receive liquid product from an approved terminal or deliver liquid product to an approved terminal.

Registration Requirements
The following discussion applies to excise tax registration requirements for activities relating to fuels only. See Form 637 for other persons who must register and for more information about registration.

Persons that are required to be registered. You are required to be registered if you are a:

- Blender,
- Enterer,
- Pipeline operator,
- Position holder,
- Refiner,
- Terminal operator,
- Vessel operator,
- Train operator who uses dyed diesel fuel in his or her trains and incurs liability for tax at the train rate, or
- Producer or importer of alcohol, biodiesel, agriott-biodiesel, and renewable diesel.

Persons that may register. You may, but are not required to, register if you are a:

- Feedstock user,
- Industrial user,
- Throughputter that is not a position holder,
- Ultimate vendor,
- Diesel-water fuel emulsion producer,
- Credit card issuer, or
- Alternative fuel claimant.

Ultimate vendors, credit card issuers, and alternative fuel claimants do not need to be registered to buy or sell fuel. However, they must be registered to file claims for certain sales and uses of fuel. See Form 637 for more information.

Taxable fuel registrant. This is an enterer, an industrial user, a refiner, a terminal operator, or a throughputter who received a Letter of Registration under the excise tax registration provisions and whose registration has not been revoked or suspended. The term registrant as used in the discussions of these fuels means a taxable fuel registrant.

Additional information. See the Form 637 instructions for the information you must submit when you apply for registration.

Failure to register. The penalty for failure to register if you must register, unless due to reasonable cause, is $10,000 for the initial failure, and then $1,000 each day thereafter you fail to register.

Gasoline and Aviation Gasoline
Gasoline. Gasoline means all products commonly or commercially known or sold as gasoline with an octane rating of 75 or more that are suitable for use as a motor fuel. Gasoline includes any gasoline blend other than:

- Qualified ethanol and methanol fuel (at least 85 percent of the blend consists of alcohol produced from coal, including peat),
- Partially exempt ethanol and methanol fuel (at least 85 percent of the blend consists of alcohol produced from natural gas), or
- Denatured alcohol.

Gasoline also includes gasoline blendstocks, discussed later.

Aviation gasoline. This means all special grades of gasoline suitable for use in aviation reciprocating engines and covered by ASTM specification D910 or military specification MIL-G-5572.

Taxable Events
The tax on aviation gasoline is $1.194 per gallon. Tax is imposed on the removal, entry, or sale of gasoline. Each of these events is discussed later. Also, see the special rules that apply to gasoline blendstocks, later.

If the tax is paid on the gasoline in more than one event, a refund may be allowed for the “second” tax paid. See Refunds of Second Tax in chapter 2.

Removal from terminal. All removals of gasoline at a terminal rack are taxable. The position holder for that gasoline is liable for the tax.

Two-party exchanges. In a two-party exchange, the receiving person, not the delivering person, is liable for the tax imposed on the removal of taxable fuel from the terminal at the terminal rack. A two-party exchange means a transaction (other than a sale) where the delivering person and receiving person are both taxable fuel registrants and all of the following apply:

- The transaction includes a transfer from the delivering person, who holds the inventory position for the taxable fuel in the terminal as reflected in the records of the terminal operator.
- The exchange transaction occurs before or at the same time as removal across the rack by the receiving person.
- The terminal operator in its records treats the receiving person as the person that removes the product across the terminal rack for purposes of reporting the transaction on Form 720-TO.
- The transaction is subject to a written contract.

Terminal operator’s liability. The terminal operator is jointly and severally liable for the tax if the position holder is a person other than the terminal operator and is not a registrant.

However, a terminal operator meeting all the following conditions at the time of the removal will not be liable for the tax.

- The terminal operator is a registrant.
- The terminal operator has an unexpired notification certificate (discussed later) from the position holder.
- The terminal operator has no reason to believe any information on the certificate is false.

Removal from refinery. The removal of gasoline from a refinery is taxable if the removal meets either of the following conditions.

- It is made by bulk transfer and the refiner, the owner of the gasoline immediately before the removal, or the operator of the pipeline or vessel is not a registrant.
- It is made at the refinery rack. The refiner is liable for the tax.

Exception. The tax does not apply to a removal of gasoline at the refinery rack if all the following requirements are met:

- The gasoline is removed from an approved refinery not served by pipeline (other than for receiving crude oil) or vessel.
- The gasoline is received at a facility operated by a registrant and located within the bulk transfer/terminal system.
- The removal from the refinery is by railcar.
• The same person operates the refinery and the facility at which the gasoline is received.

Entry into the United States. The entry of gasoline into the United States is taxable if the entry meets either of the following conditions:
• It is made by bulk transfer and the enterer or the operator of the pipeline or vessel is not a registrant.
• It is not made by bulk transfer.

The enterer is liable for the tax. The importer of record’s liability. The importer of record is jointly and severally liable for the tax with the enterer if the importer of record is not the enterer of the taxable fuel and the enterer is not a taxable fuel registrant. However, an importer of record meeting both of the following conditions at the time of the entry will not be liable for the tax:
• The importer of record has an unexpired notification certificate (discussed later) from the enterer.
• The importer of record has no reason to believe any information in the certificate is false.

Customs bond. The customs bond will not be charged for the tax imposed on the entry of the gasoline if at the time of entry the surety has an unexpired notification certificate from the enterer and has no reason to believe any information in the certificate is false.

Removal from a terminal by unregistered position holder or unregistered pipeline or vessel operator. The removal by bulk transfer of gasoline from a terminal is taxable if the position holder for the gasoline or the operator of the pipeline or vessel is not a registrant. The position holder is liable for the tax. The terminal operator is jointly and severally liable for the tax if the position holder is a person other than the terminal operator. However, see Terminal operator’s liability under Removal from terminal, earlier, for an exception.

Bulk transfers not received at approved terminal or refinery. The removal by bulk transfer of gasoline from a terminal or refinery, or the entry of gasoline by bulk transfer into the United States, is taxable if the following conditions apply:
1. No tax was previously imposed (as discussed earlier) on any of the following events:
   a. The removal from the refinery.
   b. The entry into the United States.
   c. The removal from a terminal by an unregistered position holder.
2. Upon removal from the pipeline or vessel, the gasoline is not received at an approved terminal or refinery (or at another pipeline or vessel).

The owner of the gasoline when it is removed from the pipeline or vessel is liable for the tax. However, an owner meeting all the following conditions at the time of the removal will not be liable for the tax:
• The owner is a registrant.
• The owner has an unexpired notification certificate (discussed later) from the operator of the terminal or refinery where the gasoline is received.
• The owner has no reason to believe any information on the certificate is false.

The operator of the facility where the gasoline is received is liable for the tax if the owner meets these conditions. The operator is jointly and severally liable if the owner does not meet these conditions.

Sales to unregistered person. The sale of gasoline located within the bulk transfer/terminal system to a person that is not a registrant is taxable if the sale was not previously imposed under any of the events discussed earlier.

The seller is liable for the tax. However, a seller meeting all the following conditions at the time of the sale will not be liable for the tax:
• The seller is a registrant.
• The seller has an unexpired notification certificate (discussed later) from the buyer.
• The seller has no reason to believe any information on the certificate is false.

The buyer of the gasoline is liable for the tax if the seller meets these conditions. The buyer is jointly and severally liable if the seller does not meet these conditions.

Exception. The tax does not apply to a sale if all of the following apply:
• The buyer’s principal place of business is not in the United States.
• The sale occurs as the fuel is delivered into a transport vessel with a capacity of at least 20,000 barrels of fuel.
• The seller is a registrant and the exporter of record.
• The fuel was exported.

Removal or sale of blended gasoline. The removal or sale of blended gasoline by the blender is taxable. See Blended taxable fuel under Definitions, earlier.

The blender is liable for the tax. The tax is figured on the number of gallons not previously subject to the tax on gasoline.

Persons who blend alcohol with gasoline to produce an alcohol fuel mixture outside the bulk transfer/terminal system must pay the gasoline tax on the volume of alcohol in the mixture. See Form 720 to report this tax. You also must register with the IRS as a blender. See Form 637.

However, if an untaxed liquid is sold as taxed taxable fuel and that untaxed liquid is used to produce blended taxable fuel, the person that sold the untaxed liquid is jointly and severally liable for the tax imposed on the blender’s sale or removal of the blended taxable fuel.

Notification certificate. The notification certificate is used to notify a person of the registration status of the registrant. A copy of the registrant’s list of registration cannot be used as a notification certificate. A model notification certificate is shown in the Appendix as Model Certificate C. A notification certificate must contain all information necessary to complete the model.

The certificate may be included as part of any business records normally used for a sale. A certificate expires on the earlier of the date the registrant provides a new certificate, or the date the recipient of the certificate is notified that the registrant’s registration has been revoked or suspended. The registrant must provide a new certificate if any information on a certificate has changed.

Additional persons liable. When the person liable for the tax willfully fails to pay the tax, joint and several liability for the tax is imposed on:
• Any officer, employee, or agent of the person who is under a duty to ensure the payment of the tax and who willfully fails to perform that duty, or
• Anyone who willfully causes the person to fail to pay the tax.

Gasoline Blendstocks
Gasoline blendstocks may be subject to $.001 per gallon LUST tax as discussed below.

Gasoline includes gasoline blendstocks. The previous discussions apply to these blendstocks. However, if certain conditions are met, the removal, entry, or sale of gasoline blendstocks are taxed at $.001 per gallon or are not subject to the excise tax.

Blendstocks. Gasoline blendstocks include:
• Alkylate,
• Butane,
• Butene,
• Catalytically cracked gasoline,
• Coker gasoline,
• Ethyl tertiary butyl ether (ETBE),
• Hexane,
• Hydrocrackate,
• Isomerate,
• Methyl tertiary butyl ether (MTBE),
• Mixed xylene (not including any separated isomer of xylene),
• Natural gasoline,
• Pentane,
• Pentane mixture,
• Polymer gasoline,
• Raffinate,
• Reformate,
• Straight-run gasoline,
• Straight-run naphtha,
• Tertiary amyl methyl ether (TAME),
• Tertiary butyl alcohol (gasoline grade) (TBA),
• Thermally cracked gasoline, and
• Toluene.

However, gasoline blendstocks do not include any product that cannot be used without further processing in the production of finished gasoline.

Not used to produce finished gasoline. Gasoline blendstocks not used to produce finished gasoline are not taxable (other than LUST) if the following conditions are met.

Removals and entries not connected to sale. Nonbulk removals and entries are not taxable if the person otherwise liable for the tax (position holder, refiner, or enterer) is a registrant.

Removals and entries connected to sale. Nonbulk removals and entries are not taxable if the person otherwise liable for the tax (position holder, refiner, or enterer) is a registrant, and at the time of the sale, meets the following requirements.

• The person has an unexpired certificate (discussed later) from the buyer.
• The person has no reason to believe any information in the certificate is false.

Sales after removal or entry. The sale of a gasoline blendstock that was not subject to tax on its nonbulk removal or entry, as discussed earlier, is taxable. The seller is liable for the tax. However, the sale is not taxable if, at the time of the sale, the seller meets the following requirements.

• The seller has an unexpired certificate (discussed next) from the buyer.
• The seller has no reason to believe any information in the certificate is false.

Certificate of buyer. The certificate from the buyer certifies the gasoline blendstocks will not be used to produce finished gasoline. The certificate may be included as part of any business records normally used for a sale. A model certificate is shown in the Appendix as Model Certificate D. The certificate must contain all information necessary to complete the model.

A certificate expires on the earliest of the following dates.

• The date 1 year after the effective date (not earlier than the date signed) of the certificate.
• The date a new certificate is provided to the seller.
• The date the seller is notified that the buyer’s right to provide a certificate has been withdrawn.

The buyer must provide a new certificate if any information on a certificate has changed.

The IRS may withdraw the buyer’s right to provide a certificate if that buyer uses the gasoline blendstocks in the production of finished gasoline or resells the blendstocks without getting a certificate from its buyer.

Received at approved terminal or refinery. The nonbulk removal or entry of gasoline blendstocks received at an approved terminal or refinery is not taxable if the person otherwise liable for the tax (position holder, refiner, or enterer) meets all the following requirements.

• The person is a registrant.
• The person has an unexpired notification certificate (discussed earlier) from the operator of the terminal or refinery where the gasoline blendstocks are received.
• The person has no reason to believe any information on the certificate is false.

Bulk transfers to registered industrial user. The removal of gasoline blendstocks from a pipeline or vessel is not taxable (other than LUST) if the blendstocks are received by a registrant that is an industrial user. An industrial user is any person that receives gasoline blendstocks by bulk transfer for its own use in the manufacture of any product other than finished gasoline.

Credits or Refunds

A credit or refund of the gasoline tax may be allowable if gasoline is used for a nontaxable purpose or exempt use. For more information, see chapter 2.

Diesel Fuel and Kerosene

Generally, diesel fuel and kerosene are taxed in the same manner as gasoline (discussed earlier). However, special rules (discussed later) apply to dyed diesel fuel and dyed kerosene, and to undyed diesel fuel and undyed kerosene sold or used in Alaska for certain nontaxable uses and undyed kerosene used for a feedstock purpose.

Diesel fuel means:

• Any liquid that without further processing or blending is suitable for use as a fuel in a diesel-powered highway vehicle or train, and
• Transmix.

A liquid is suitable for this use if the liquid has practical and commercial fitness for use in the propulsion engine of a diesel-powered highway vehicle or diesel-powered train. A liquid may possess this practical and commercial fitness even though the specified use is not the predominant use of the liquid. However, a liquid does not possess this practical and commercial fitness solely by reason of its possible or rare use as a fuel in the propulsion engine of a diesel-powered highway vehicle or diesel-powered train. Diesel fuel does not include gasoline, kerosene, excluded liquid, No. 5 and No. 6 fuel oils covered by ASTM specification D396, or F-76 (Fuel Naval Distillate) covered by military specification MIL-F-16884.

An excluded liquid is either of the following.

1. A liquid that contains less than 4% normal paraffins.

2. A liquid with all the following properties. A claim for Second Tax, in chapter 2.

Use in certain intercity and local buses. Dyed diesel fuel and dyed kerosene cannot be used in certain intercity and local buses. A claim for Second Tax may be allowed for the "second" tax paid. See Refunds of Second Tax, in chapter 2.

Taxable Events

The tax on diesel fuel and kerosene is $2.244 per gallon. It is imposed on the removal, entry, or sale of diesel fuel and kerosene. Each of these events is discussed later. Only the $0.001 LUST tax applies to dyed diesel fuel and dyed kerosene, discussed later.

If the tax is paid on the diesel fuel or kerosene in more than one event, a refund may be allowed for the "second" tax paid. See Refunds of Second Tax, in chapter 2.

In use certain intercity and local buses. Dyed diesel fuel and dyed kerosene cannot be used in certain intercity and local buses. A claim for Second Tax may be allowed for the "second" tax paid. See Refunds of Second Tax, in chapter 2.

A BUS IS AVAILABLE TO THE GENERAL PUBLIC IF THE BUS IS AVAILABLE FOR HIRE TO MORE THAN A LIMITED NUMBER OF PERSONS, GROUPS, OR ORGANIZATIONS.

Removal from terminal. All removals of diesel fuel and kerosene at a terminal rack are taxable. The position holder for that fuel is liable for the tax.

Two-party exchanges. In a two-party exchange, the receiving person, not the delivering person, is liable for the tax imposed on the removal of taxable fuel from the terminal at the terminal rack. A two-party exchange means a transaction (other than a sale) where the delivering person and receiving person are both taxable fuel registrants and all of the following apply:

- The transaction includes a transfer from the delivering person, who holds the inventory position for the taxable fuel in the terminal as reflected in the records of the terminal operator.
- The exchange transaction occurs before or at the same time as completion of removal across the rack by the receiving person.
- The terminal operator in its records treats the receiving person as the person that removes the product across the terminal rack for purposes of reporting the transaction on Form 720-TO.
- The transaction is subject to a written contract.

Terminal operator's liability. The terminal operator is jointly and severally liable for the tax if the terminal operator provides any person with any bill of lading, shipping paper, or similar document indicating that diesel fuel or kerosene is dyed (discussed later).

The terminal operator is jointly and severally liable for the tax if the position holder is a person other than the terminal operator and is not a registrant. However, a terminal operator will not be liable for the tax in this situation if, at the time of the removal, the following conditions are met:

- The terminal operator is a registrant.
- The terminal operator has an unexpired notification certificate (discussed under Gasoline) from the position holder.
- The terminal operator has no reason to believe any information on the certificate is false.

Removal from refinery. The removal of diesel fuel or kerosene from a refinery is taxable if the removal meets either of the following conditions:

- It is made by bulk transfer and the refiner or the operator of the pipeline or vessel is not a registrant.
- It is made by bulk transfer and the refiner or the operator of the pipeline or vessel is a registrant, and the owner has no reason to believe any information on the certificate is false.

The refiner is liable for the tax.

Exception. The tax does not apply to a removal of diesel fuel or kerosene at the refinery rack if all of the following conditions are met:

1. The diesel fuel or kerosene is removed from an approved refinery not served by pipeline (other than for receiving crude oil) or vessel.
2. The diesel fuel or kerosene is received at a facility operated by a registrant and located at the bulk transfer/terminal system.
3. The removal from the refinery is by:
   a. Railcar and the same person operates the refinery and the facility at which the diesel fuel or kerosene is received, or
   b. For diesel fuel only, a trailer or semi-trailer used exclusively to transport the diesel fuel from a refinery (described in (1)) to a facility (described in (2)) less than 20 miles from the refinery.

Entry into the United States. The entry of diesel fuel or kerosene into the United States is taxable if the entry meets either of the following conditions:

- It is made by bulk transfer and the enterer or the operator of the pipeline or vessel is not a registrant.
- It is not made by bulk transfer.

The enterer is liable for the tax.

Import of record's liability. The importer of record is jointly and severally liable for the tax with the enterer if the importer of record is not the enterer of the taxable fuel and the enterer is not a taxable fuel registrant.

However, an importer of record meeting both of the following conditions at the time of the entry will not be liable for the tax:

1. The importer of record has an unexpired notification certificate (discussed under Gasoline) from the enterer.
2. The importer of record has no reason to believe any information in the certificate is false.

Customs bond. The customs bond will not be charged for the tax imposed on the entry of the diesel fuel or kerosene if at the time of entry the surety has an unexpired notification certificate from the enterer and has no reason to believe any information in the certificate is false.

Removal from a terminal by unregistered person. The removal of diesel fuel or kerosene from a terminal is taxable if the position holder for that fuel or the operator of the pipeline or vessel is not a registrant.

The position holder for that fuel or the operator of the pipeline or vessel is liable for the tax. The terminal operator is jointly and severally liable for the tax if the position holder is a person other than the terminal operator. However, see Terminal operator's liability under Removal from terminal, later, for an exception.

Bulk transfers not received at approved terminal or refinery. The removal by bulk transfer of diesel fuel or kerosene from a terminal or refinery or the entry of diesel fuel or kerosene by bulk transfer into the United States is taxable if the following conditions apply.

1. No tax was previously imposed (as discussed earlier) on any of the following events:
   a. The removal from the refinery.
   b. The entry into the United States.
   c. The removal from a terminal by an unregistered position holder.
2. Upon removal from the pipeline or vessel, the diesel fuel or kerosene is not received at an approved terminal or refinery (or at another pipeline or vessel).

The owner of the diesel fuel or kerosene when it is removed from the pipeline or vessel is liable for the tax. However, an owner meeting all of the following conditions at the time of the removal will not be liable for the tax:

- The owner is a registrant.
- The owner has an unexpired notification certificate (discussed under Gasoline) from the owner, or the operator of the terminal or refinery where the diesel fuel or kerosene is received.
- The owner has no reason to believe any information on the certificate is false.

The operator of the facility where the diesel fuel or kerosene is received is liable for the tax if the owner meets these conditions. The operator is jointly and severally liable if the owner does not meet these conditions.

Sales to unregistered person. The sale of diesel fuel or kerosene located within the bulk transfer/terminal system to a person that is not a registrant is taxable if tax was not previously imposed under any of the events discussed earlier.

The seller is liable for the tax. However, a seller meeting all the following conditions at the time of the sale will not be liable for the tax:

- The seller is a registrant.
- The seller has an unexpired notification certificate (discussed under Gasoline) from the buyer.
- The seller has no reason to believe any information on the certificate is false.

The buyer of the diesel fuel or kerosene is liable for the tax if the seller meets these conditions. The buyer is jointly and severally liable if the seller does not meet these conditions.

Exception. The tax does not apply to a sale if all of the following apply:

- The buyer's principal place of business is not in the United States.
- The sale occurs as the fuel is delivered into a transport vessel with a capacity of at least 20,000 barrels of fuel.
- The seller is a registrant and the exporter of record.
- The fuel was exported.

The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.
Removal or sale of blended diesel fuel or kerosene. The removal or sale of blended diesel fuel or blended kerosene by the blender is taxable. Blended taxable fuel produced using biodiesel is subject to the tax. See Blended taxable fuel under Definitions, earlier.

The blender is liable for the tax. The tax is figured on the number of gallons not previously subject to the tax.

Persons who blend biodiesel with undyed diesel fuel to produce and sell or use a biodiesel mixture outside the bulk transfer/terminal system must pay the diesel fuel tax on the volume of biodiesel in the mixture. Generally, the biodiesel mixture must be diesel fuel (defined earlier). See Form 720 to report this tax. You also must be registered by the IRS as a blender. See Form 637 for more information.

However, if an untaxed liquid is sold as taxable fuel and that untaxed liquid is used to produce blended taxable fuel, the person that sold the untaxed liquid is jointly and severally liable for the tax imposed on the blender’s sale or removal of the blended taxable fuel.

Additional persons liable. When the person liable for the tax willfully fails to pay the tax, joint and several liability for the tax applies to:

- Any officer, employee, or agent of the person who is under a duty to ensure the payment of the tax and who willfully fails to perform that duty; or
- Anyone who willfully causes the person to fail to pay the tax.

Credits or Refunds

A credit or refund is allowable for the tax on undyed diesel fuel or undyed kerosene used for a nontaxable use. For more information, see chapter 2.

Dyed Diesel Fuel and Dyed Kerosene

Dyed diesel fuel and dyed kerosene are subject to $.001 per gallon LUST tax as discussed below, unless the fuel is for export.

The excise tax is not imposed on the removal, entry, or sale of diesel fuel or kerosene (other than the LUST tax) if all the following tests are met.

- The person otherwise liable for tax (for example, the position holder) is a registrant.
- In the case of a removal from a terminal, the terminal is an approved terminal.
- The diesel fuel or kerosene satisfies the dyeing requirements (described next).

Dyeing requirements. Diesel fuel or kerosene satisfies the dyeing requirements only if it satisfies the following requirements.

- It contains the dye Solvent Red 164 (and no other dye) at a concentration spectrally equivalent to at least 3.9 pounds of the solid dye standard Solvent Red 26 per thousand barrels of fuel or any dye of a type and in a concentration that has been approved by the Commissioner.
- Is indelibly dyed by mechanical injection. See section 6 of Notice 2005-80 for transition rules that apply until final regulations are issued by the IRS.

Notice required. A legible and conspicuous notice stating either: DYED DIESEL FUEL, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE or DYED KEROSENE, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE must be:

1. Provided by the terminal operator to any person that receives dyed diesel fuel or dyed kerosene at a terminal rack of that operator, and
2. Posted by a seller on any retail pump or other delivery facility where it sells dyed diesel fuel or dyed kerosene for use by its buyer.

The notice under item (1) must be provided by the time of the removal and must appear on all shipping papers, bills of lading, and similar documents accompanying the removal of the fuel.

Any seller that fails to post the required notice under item (2) is presumed to know that the fuel will be used for a taxable use (a use other than a nontaxable use listed later). That seller is subject to the penalty described next.

Penalty. A penalty is imposed on a person if any of the following situations apply.

1. Any dyed fuel is sold or held for sale by the person for a use the person knows or has reason to know is not a nontaxable use of the fuel.
2. Any dyed fuel is held for use or by the person for a use other than a nontaxable use and the person knew, or had reason to know, that the fuel was dyed.
3. The person willfully alters, chemically or otherwise, or attempts to so alter, the strength or composition of any dye in dyed fuel.
4. The person has knowledge that a dyed fuel that has been altered, as described in (3) above, sells or holds for sale such fuel for any use for which the person knows or has reason to know is not a nontaxable use of the fuel.

The penalty is the greater of $1,000 or $10 per gallon of the dyed diesel fuel or dyed kerosene involved. After the first violation, the $1,000 portion of the penalty increases depending on the number of violations.

This penalty is in addition to any tax imposed on the fuel.

If the penalty is imposed, each officer, employee, or agent of a business entity who willfully participated in any act giving rise to the penalty is jointly and severally liable with that entity for the penalty.

There is no administrative appeal or review allowed for the third and subsequent penalty imposed by Internal Revenue Code section 6715 on any person except for:

- Fraud or a mistake in the chemical analysis, or
- Mathematical calculation of the penalty.

If you are liable for the penalty, you may also be liable for the back-up tax, discussed later. However, the penalty applies only to dyed diesel fuel and dyed kerosene for ultimate sale, and does not apply unless the fuel is delivered into a fuel supply tank.

Exception to penalty. The penalty under item (3) will not apply in any of the following situations.

- Diesel fuel or kerosene meeting the dyeing requirements (described earlier) is blended with any undyed liquid and the resulting product meets the dyeing requirements.
- Diesel fuel or kerosene meeting the dyeing requirements (described earlier) is blended with any other liquid (other than the terminal is an approved terminal) and contains the type and amount of dye required to meet the dyeing requirements.
- The alteration or attempted alteration occurs in an exempt area of Alaska. See Removal for sale or use in Alaska, later.
- Diesel fuel or kerosene meeting the dyeing requirements (described earlier) is blended with diesel fuel or kerosene not meeting the dyeing requirements and the blending occurs as part of a nontaxable use (other than export), discussed later.

Alaska and Feedstocks

Tax of $.001 per gallon is imposed on:

- Undyed diesel fuel or undyed kerosene sold in Alaska for certain nontaxable uses (see Later sales on page 10).
- Undyed kerosene used for feedstock purposes.

Removal for sale or use in Alaska. No tax is imposed on the removal, entry, or sale of diesel fuel or kerosene in Alaska for ultimate sale or use in certain areas of Alaska for certain nontaxable uses. The removal or entry of any diesel fuel or kerosene is not taxed if all the following requirements are satisfied.

1. The person otherwise liable for the tax (position holder, refiner, or enterer):
   a. Is a registrant,
   b. Can show satisfactory evidence of the nontaxable nature of the transaction, and
   c. Has no reason to believe the evidence is false.
2. In the case of a removal from a terminal, the terminal is an approved terminal.
3. The owner of the fuel immediately after the removal or entry holds the fuel for its own use in a nontaxable use (discussed later) or is a qualified dealer.
If all three of the requirements above are not met, then tax is imposed at $0.244 per gallon.

A qualified dealer is any person that holds a qualified dealer license from the state of Alaska or has been registered by the IRS as a qualified retailer. Satisfactory evidence may include copies of qualified dealer licenses or exemption certificates obtained for state tax purposes.

**Later sales.** The excise tax applies to diesel fuel or kerosene sold by a qualified dealer after the removal or entry. The tax is imposed at the time of the sale and the qualified dealer is liable for the tax. However, the sale is not taxable (other than the LUST tax at $0.001 per gallon) if all the following requirements are met.

- The fuel is sold in Alaska for certain nontaxable uses.
- The buyer buys the fuel for its own use in a nontaxable use or is a qualified dealer.
- The seller can show satisfactory evidence of the nontaxable nature of the transaction and has no reason to believe the evidence is false.

**Feedstock purposes.** The $0.001 per gallon LUST tax is imposed on the removal or entry of undyed kerosene if all the following conditions are met.

1. The person otherwise liable for tax (position holder, refiner, or enterer) is a registrant.
2. In the case of a removal from a terminal, the terminal is an approved terminal.
3. Either:
   a. The person otherwise liable for tax uses the kerosene for a feedstock purpose, or
   b. The kerosene is sold for use by the buyer for a feedstock purpose and, at the time of the sale, the person otherwise liable for tax has an unexpired certificate (described later) from the buyer and has no reason to believe any information on the certificate is false.

If all of the requirements above are not met, then tax is imposed at $0.244 per gallon.

Kerosene is used for a feedstock purpose when it is used for nonfuel purposes in the manufacture or production of any substance other than gasoline, diesel fuel, or Other Fuels. For example, kerosene is used for a feedstock purpose when it is used as an ingredient in the production of paint, but is not used for a feedstock purpose when it is used to power machinery at a factory where paint is produced. A feedstock user is a person that uses kerosene for a feedstock purpose. A registered feedstock user is a person that has been registered by the IRS as a feedstock user. See **Registration Requirements, earlier.**

**Later sales.** The excise tax ($0.244 per gallon) applies to kerosene sold for use by the buyer for a feedstock purpose (item (3)(b) above) if the buyer in that sale later sells the kerosene. The tax is imposed at the time of the later sale and that seller is liable for the tax.

**Certificate.** The certificate from the buyer certifies the buyer is a registered feedstock user and the kerosene will be used by the buyer for a feedstock purpose. The certificate may be included as part of any business records normally used for a sale. A model certificate is shown in the Appendix as Model Certificate G. Your certificate must contain all information necessary to complete the model. A certificate expires on the earliest of the following dates.

- The date 1 year after the effective date (not earlier than the date signed) of the certificate.
- The date the seller is provided a new certificate or notice that the current certificate is invalid.
- The date the seller notifies the buyer’s registration has been revoked or suspended.

The buyer must provide a new certificate if any information on a certificate has changed.

**Back-up Tax**

Tax is imposed on the delivery of any of the following into the fuel supply tank of a diesel-powered highway vehicle or train.

- Any dyed diesel fuel or dyed kerosene for a nontaxable use.
- Any undyed diesel fuel or undyed kerosene on which a credit or refund (for fuel used for a nontaxable purpose) has been allowed.
- Any liquid other than gasoline, diesel fuel, or kerosene.

Generally, this back-up tax is imposed at a rate of $0.244 per gallon.

**Liability for tax.** Generally, the operator of the vehicle or train into which the fuel is delivered is liable for the tax. In addition, the seller of the diesel fuel or kerosene is jointly and severally liable for the tax if the seller knows or has reason to know that the fuel will be used for other than a nontaxable use. Generally, a seller of diesel fuel or kerosene is not liable for tax on fuel delivered into the fuel supply tank of a train. However, the person that delivers the fuel into the fuel supply tank of a train, rather than the train operator, is liable for the tax if, at the time of delivery, the deliverer and the train operator are both registered by the IRS as train operators and a written agreement between them requires the deliverer to pay the tax.

**Exemptions from the back-up tax.** The back-up tax does not apply to a delivery of diesel fuel or kerosene for uses 1, 2, 6, 7, 12, 13, 14, and 15 listed under **Nontaxable Uses** in chapter 2.

In addition, since the back-up tax is imposed only on the delivery into the fuel supply tank of a diesel-powered vehicle or train, the tax does not apply to diesel fuel or kerosene used as heating oil or in stationary engines.

**Diesel-Water Fuel Emulsion**

Diesel-water fuel emulsion means diesel fuel at least 14 percent of which is water and for which the emulsion additive is registered by a United States manufacturer with the EPA under section 211 of the Clean Air Act.

A reduced tax rate of $0.19 per gallon is imposed on a diesel-water fuel emulsion. To be eligible for the reduced rate, the person who sells, removes, or uses the diesel-water fuel emulsion must be registered by the IRS. If the diesel-water fuel emulsion does not meet the requirements above, or if the person who sells, removes, or uses the fuel is not registered, the diesel-water fuel emulsion is taxed at $0.244 per gallon.

**Credits or refunds.** The allowance for a credit or refund on a diesel-water fuel emulsion is discussed in chapter 2.

**Kerosene for Use in Aviation**

**Taxable Events**

Generally, kerosene is taxed at $0.244 per gallon unless a reduced rate applies (see **Diesel Fuel and Kerosene, earlier**). For kerosene removed directly from a terminal into the fuel tank of an aircraft for use in noncommercial aviation, the tax rate is $0.219. The rate of $0.219 also applies if kerosene is removed into any aircraft from a qualified refueler truck, tanker, or tank wagon that is loaded with the kerosene from a terminal that is located within an airport. The airport terminal does not need to be a secured airport terminal for this rate to apply. However, the refueler truck, tanker, or tank wagon must meet the requirements discussed under **Certain refueler trucks, tankers, and tank wagons, treated as terminals, later.**

For kerosene removed directly into the fuel tank of an aircraft for use in commercial aviation, the rate of tax is $0.044 per gallon. For kerosene removed into an aircraft from a qualified refueler truck, tanker, or tank wagon, the $0.044 rate applies only if the truck, tanker, or tank wagon is loaded at a terminal that is located in a secured area of the airport. See **Terminal located within a secured area of an airport, later.** In addition, the operator must provide the position holder with a certificate similar to **Model Certificate K** in the Appendix.

For kerosene removed directly into the fuel tank of an aircraft for a use exempt from tax under Internal Revenue Code section 4041(c) (such as use in an aircraft for the exclusive use of a state or local government), the rate of tax is $0.001. There is no tax on kerosene removed directly into the fuel tank of an aircraft for use in foreign trade. The kerosene must be removed from a qualifying refueler truck, tanker, or tank wagon loaded at a terminal located within a secured area of an airport, later. In addition, the operator must provide the position
holder with a certificate similar to Model Certificate K in the Appendix. The position holder is liable for the $.001 per gallon tax.

Certain refueler trucks, tankers, and tank wagons treated as terminals. For purposes of the tax imposed on kerosene for use in aviation removed directly into the fuel tank of an aircraft for use in commercial aviation, certain refueler trucks, tankers, and tank wagons are treated as part of a terminal if the following conditions are met.

1. Such terminal is located within an area of an airport.
2. Any kerosene for use in aviation that is loaded in a refueler truck, tanker, or tank wagon at a terminal is for delivery into aircraft at the airport in which the terminal is located.
3. Except in exigent circumstances, such as those identified in Notice 2005-80, no vehicle registered for highway use is loaded with kerosene for use in aviation at the terminal.
4. The refueler truck, tanker, or tank wagon meets the following requirements:
   a. Has storage tanks, hose, and coupling equipment designed and used for fueling aircraft,
   b. Is not registered for highway use, and
   c. Is operated by the terminal operator or a person that makes a daily accounting to the terminal operator of each delivery of fuel from the refueler truck, tanker, or tank wagon. Information reporting will be required by terminal operators regarding this provision. Until the format of this information reporting is issued, taxpayers are required to retain records regarding the daily accounting, but are not required to report such information.

Terminal located within a secured area of an airport. See Notice 2005-4 and Notice 2005-80 for the list of terminals located within a secured area of an airport. This list refers to fueling operations at airport terminals as they apply to the federal excise tax on kerosene for use in aviation, and has nothing to do with the general security of airports either included or not included in the list.

Liability For Tax
If the kerosene is removed directly into the fuel tank of an aircraft for use in commercial aviation, the operator of the aircraft in commercial aviation is liable for the tax on the removal at the rate of $.044 per gallon. However, the position holder is liable for the LUST tax for kerosene for use in aviation removed directly into the fuel tank of an aircraft for use exempt from tax under Internal Revenue Code section 4041(c) (except foreign trade). For example, for kerosene removed directly into the aircraft for use in military aircraft, the position holder is liable for the tax.

For the aircraft operator to be liable for the tax $.044 rate, the position holder must meet the following requirements:

- Is a taxable fuel registrant,
- Has an unexpired certificate (a model certificate is shown in the Appendix as Model Certificate K) from the operator of the aircraft, and
- Has no reason to believe any of the information in the certificate is false.

Commercial aviation. Commercial aviation is any use of an aircraft in the business of transporting persons or property by air for pay. However, commercial aviation does not include any of the following uses.

- Any use exclusively for the purpose of skydiving.
- Any use by the operator of the terminal operator of each delivery of fuel from the refueler truck, tanker, or tank wagon. Information reporting will be required by terminal operators regarding this provision. Until the format of this information reporting is issued, taxpayers are required to retain records regarding the daily accounting, but are not required to report such information.

Certificate for Commercial Aviation and Exempt Uses
A certificate is required from the aircraft operator:

- To support aircraft operator liability for tax on removal of kerosene for use in aviation directly into the fuel tank of an aircraft in commercial aviation, or
- For exempt uses.

Certificate. The certificate may be included as part of any business records normally used for a sale. See Model Certificate K in the Appendix.

A certificate expires on the earliest of the following dates:

- The date 1 year after the effective date (not earlier than the date signed) of the certificate.
- The date the IRS or the buyer notifies the aircraft operator that the certificate has been withdrawn.
- The date the IRS or the buyer notifies the seller that the owner’s right to provide a certificate has been withdrawn.

The buyer must provide a new certificate if any information on a certificate has changed. The IRS may withdraw the buyer’s right to provide a certificate if the buyer uses the kerosene for use in aviation to which a certificate relates other than as stated in the certificate.

Exempt use. The rate on kerosene for use in aviation is $.001 (LUST tax) if it is removed from any refinery or terminal directly into the fuel tank of an aircraft for an exempt use. An exempt use includes kerosene for the exclusive use of a state or local government. There is no tax on kerosene removed directly into the fuel tank of an aircraft for use in foreign trade.

Flash title transaction. A position holder is not liable for tax if, among other conditions, it obtains a certificate (described above) from the operator of the aircraft into which the kerosene is delivered. In a “flash title transaction” the position holder sells the kerosene to a wholesale distributor (reseller) that in turn sells the kerosene to the aircraft operator as the kerosene is being removed from a terminal into the fuel tank of an aircraft. In this case, the position holder will be treated as having a certificate from the operator of the aircraft if:

- The aircraft operator puts the reseller’s name, address, and EIN on the certificate in place of the position holder’s information;
- The reseller provides the position holder with a statement of the kerosene reseller.

Reseller statement. This is a statement that is signed under penalties of perjury by a person with authority to bind the reseller; is provided at the bottom or on the back of the certificate (or in an attached document); and contains:

- The reseller’s name, address, and EIN;
- The position holder’s name, address, and EIN; and
- A statement that the reseller has no reason to believe that any information in the accompanying aircraft operator’s certificate is false.

Credits or Refunds
A claim may be made by the ultimate purchaser (the operator) for taxed kerosene for use in aviation used in commercial aviation (other than foreign trade) and noncommercial aviation (other than nonexempt, noncommercial aviation and exclusive use by a state, political subdivision of a state, or the District of Columbia). A claim may be made by a registered ultimate vendor for certain sales. For more information, see chapter 2.

Other Fuels (Including Alternative Fuels)
Other Fuels means any liquid except gas oil, fuel oil, or any product taxable under Internal Revenue Code section 4041. Other Fuels include alternative fuels. Alternative fuels are:

- Liquefied petroleum gas (LPG),
- “P Series” fuels,
- Compressed natural gas (CNG),
- Liquefied hydrogen,
- Any liquid fuel derived from coal (including peat) through the Fischer-Tropsch process,
- Liquid fuel derived from biomass, and
• Liquefied natural gas (LNG). Liquefied petroleum gas includes propane, butane, pentane, or mixtures of those products.

Qualified tax methanol and ethanol fuels. A reduced tax rate applies to these fuels. Qualified ethanol and methanol means any liquid at least 85 percent of which consists of alcohol produced from natural gas. The tax rates are listed in the Instructions for Form 720.

Partially exempt methanol and ethanol fuels. A reduced tax rate applies to these fuels. Partially exempt ethanol and methanol means any liquid at least 85 percent of which consists of alcohol produced from natural gas.

Motor vehicles. Motor vehicles include all types of vehicles, whether or not registered (or required to be registered) for highway use, that have both the following characteristics:

• They are propelled by a motor.
• They are designed for carrying or towing loads from one place to another, regardless of the type of material or load carried or towed.

Motor vehicles do not include any vehicle that moves exclusively on rails, or any of the following items: farm tractors, trench diggers, power shovels, bulldozers, road graders, road rollers, and similar equipment that does not carry or tow a load.

Taxable Events

Tax is imposed on the delivery of Other Fuels into the fuel supply tank of the propulsion engine of a motor vehicle or motorboat. However, there is no tax on the delivery if tax was imposed under the bulk sales rule discussed next, or the delivery is for a nontaxable use. If the delivery is in connection with a sale, the seller is liable for the tax. If it is not in connection with a sale, the operator of the vehicle or boat is liable for the tax.

Bulk sales. Tax is imposed on the sale of Other Fuels that is not in connection with delivery into the fuel supply tank of the propulsion engine of a motor vehicle or motorboat if the buyer furnishes a written statement to the seller that the entire quantity of the fuel covered by the sale is for other than a nontaxable use listed in chapter 2. The seller is liable for this tax.

Tax rate. See Form 720 and the Instructions for Form 720 for the tax rates.

Nontaxable uses. The nontaxable uses of Other Fuels (including alternative fuels) are discussed in chapter 2.

Compressed Natural Gas (CNG)

Taxable Events

Tax is imposed on the delivery of compressed natural gas (CNG) into the fuel supply tank of the propulsion engine of a motor vehicle or motorboat. See Form 720 for the tax rate. However, there is no tax on the delivery if tax was imposed under the bulk sales rule discussed next, or the delivery is for a nontaxable use, listed later. If the delivery is in connection with a sale, the seller is liable for the tax. If it is not in connection with a sale, the operator of the boat or vehicle is liable for the tax.

If CNG is delivered into the fuel supply tank by the seller in connection with the sale of CNG for a nontaxable use, the seller is liable for the tax unless, at the time of the sale, the seller has an exemption certificate from the buyer. The seller must have no reason to believe any information in the certificate is false.

Certificate. The certificate from the buyer certifies the CNG will be used in a nontaxable use (listed earlier). The certificate may include as part of any business records normally used for a sale. A model certificate is shown in the Appendix as Model Certificate J.

A certificate expires on the earliest of the following dates:

• The date 1 year after the effective date (which may be no earlier than the date signed) of the certificate.
• The date a new certificate is provided to the seller.
• The date the seller is notified the buyer’s right to provide a certificate has been withdrawn.

Bulk sales. Tax is imposed on the sale of CNG that is not in connection with delivery into the fuel supply tank of the propulsion engine of a motor vehicle or motorboat if the buyer furnishes a written statement to the seller that the entire quantity of the CNG covered by the sale is for use as a fuel in a motor vehicle or motorboat and the seller has given the buyer a written acknowledgment of receipt of the statement. The seller of the CNG is liable for the tax.

Motor vehicle. For this purpose, motor vehicle has the same meaning as given under Other Fuels (Including Alternative Fuels), earlier.

Nontaxable uses. The nontaxable uses of CNG are discussed under Other Fuels (Including Alternative Fuels) in chapter 2.

Inland and intracoastal waterways. Inland and intracoastal waterways on which fuel consumption is subject to tax are specified in section 206 of the Inland Waterways Revenue Act of 1978, as amended. See Regulations section 48.4042-1(g) for a list of these waterways.

Commercial waterway transportation. Commercial waterway transportation is the use of a vessel on inland or intracoastal waterways for either of the following purposes:

• The use is in the business of transporting property for compensation or hire.
• The use is in transporting property in the business of the owner, lessee, or operator of the vessel, whether or not a fee is charged.

The operation of all vessels meeting either of these requirements is commercial waterway transportation regardless of whether the vessel is actually transporting property on a particular voyage. However, see Exemptions, later.) The tax is imposed on fuel consumed for propulsion while engaged in any of the following activities:

• Moving without cargo.
• Awaiting passage through locks.
• Moving to or from a repair facility.
• Dislodging vessels grounded on a sand bar.
• Fleeting barges into a single tow.
• Maneuvering around loading and unloading docks.

Liquid fuel. Liquid fuel includes diesel fuel, Bunker C residual fuel oil, Other Fuels, and gasoline. The tax is imposed on liquid fuel actually consumed by a vessel’s propulsion engine and not on the unconsumed fuel in a vessel’s tank.

Dual use of liquid fuels. The tax applies to all liquid fuel used as a fuel in the propulsion of the vessel, regardless of whether the engine (or other propulsion system) is used for another purpose. The tax applies to all liquid fuel consumed by the propulsion engine even if it operates special equipment by means of a power take-off or power transfer. For example, the fuel used in the engine both to operate an alternator, generator, or pumps and to propel the vessel is taxable.

The tax does not apply to fuel consumed in engines not used to propel the vessel.

If you draw liquid fuel from the same tank to operate both a propulsion engine and a nonpropulsion engine, determine the fuel used in the nonpropulsion engine and exclude that fuel from the tax. IRS will accept a reasonable estimate of the fuel based on your operating experience, but you must keep records to support your allocation.

Voyages crossing boundaries of the specified waterways. The tax applies to fuel consumed by a vessel crossing the boundaries of the specified waterways only to the extent of fuel consumed for propulsion while on those waterways. Generally, the operator may figure the fuel so used during a particular voyage by multiplying total fuel consumed in the propulsion engine by a fraction. The numerator of the fraction

Fuels Used on Inland Waterways

The tax on inland waterways fuels use applies at the rate listed on Form 720. This is in addition to all other taxes imposed on the sale or use of the fuel.

Tax applies to liquid fuel used in the propulsion system of commercial transportation vessels while traveling on certain inland and intracoastal waterways. The tax generally applies to all types of vessels, including ships, barges, and tugboats. The leaking underground storage tank (LUST) tax must be paid on any liquid fuel used on inland waterways that is not subject to LUST tax under section 4041(d) or 4081. For example, Bunker C residual fuel oil is subject to the LUST tax.
is the time spent operating on the specified wa- terways and the denominator is the total time spent on the voyage. This calculation cannot be used where it is found to be unreasonable.

**Taxable event.** Tax is imposed on liquid fuel used in the propulsion system of a vessel. See Form 720 for the tax rate.

- The person who operates (or whose employ- ees operate) the vessel in which the fuel is consumed is liable for the tax. If a vessel owner (or lessee) contracts with an independent con- tractor to operate the vessel, the independent contractor is the person liable for tax, regardless of who purchases the fuel. The tax is paid with Form 720. No tax deposits are required.

**Exemptions.** Certain types of commercial wa- terway transportation are excluded from the tax.

**Fishing vessels.** Fuel is not taxable when used by a fishing vessel while traveling to a fishing site, while engaged in fishing, or while returning from the fishing site with its catch. A vessel is not transporting property in the busi- ness of the owner, lessee, or operator by merely transporting fish or other aquatic animal life caught on the voyage.

However, the tax does apply to fuel used by a commercial vessel along the specified waterways while traveling to pick up aquatic animal life caught by another vessel and while trans- porting the catch of that other vessel.

**Deep-draft ocean-going vessels.** Fuel is not taxable when used by a vessel designed primarily for use on the high seas if it has a draft of more than 12 feet on the voyage. For each voyage, figure the draft when the vessel has its greatest load of cargo and fuel. A vessel is a round trip. If a vessel has a draft of more than 12 feet on at least one way of the voyage, the vessel satisfies the 12-foot draft requirement for the entire voyage.

**Passenger vessels.** Fuel is not taxable when used by vessels primarily for the transpor- tation of persons. The tax does not apply to fuel used in commercial passenger vessels, even if such vessels also transport property. Nor does it apply to ferryboats carrying passengers and their cars.

**Ocean-going barges.** Fuel is not taxable when used in tugs to move LASH and SEABEE ocean-going barges released by their ocean-going carriers solely to pick up or deliver international cargoes.

However, it is taxable when any of the follow- ing conditions apply.

- One or more of the barges in the tow is not a LASH barge, SEABEE barge, or other ocean-going barge carried aboard an ocean-going vessel.
- One or more of the barges is not on an international voyage.
- Part of the cargo carried is not being transported internationally.

**State or local governments.** No tax is im- posed on the fuel used in a vessel operated by a state or local government in transporting prop- erty on official business. The ultimate use of the cargo must be for a function ordinarily carried out by governmental units. An Indian tribal gov- ernment is treated as a state only if the fuel is used in the exercise of an essential tribal gov- ernment function.

All operators of vessels used in com- mercial waterway transportation who acquire liquid fuel must keep adequate records of all fuel used for taxable purposes. Operators who are seeking an exclusion from the tax must keep records that will support any exclusion claimed.

Your records should include all of the follow- ing information:

- The acquisition date and quantity of fuel delivered into storage tanks or the tanks on your vessel.
- The identification number or name of each vessel using the fuel.
- The departure time, departure point, route traveled, destination, and arrival time for each vessel.

If you claim an exemption from the tax, include in your records the following additional informa- tion as it pertains to you:

- The draft of the vessel on each voyage.
- The type of vessel in which you used the fuel.
- The ultimate use of the cargo (for vessels operated by state or local governments).

### Alcohol Sold as But Not Used as Fuel

If the credit was claimed (either as an excise tax credit or income tax credit) or a refund was claimed, you are liable for an excise tax if you used the mixture or straight alcohol other than as a fuel, separated the alcohol from a mixture, or mixed the straight alcohol.

Report the tax on Form 720. The rate of tax depends on the applicable rate used to figure the credit.

No deposits are required.

### Biodiesel Sold as But Not Used as Fuel

If the credit was claimed (either as an excise tax credit or income tax credit) or a refund was claimed, you are liable for an excise tax if you used the mixture or straight biodiesel other than as a fuel, separated the biodiesel from a mixture, or mixed the straight biodiesel.

Report the tax on Form 720. The rate of tax depends on the applicable rate used to figure the credit. No deposits are required.

## Fuel Tax Credits and Refunds

Federal excise taxes are imposed on certain fuels as discussed in chapter 1. This chapter lists the nontaxable uses of each fuel and de- fines the nontaxable uses. Information on the refund of second tax is included. This chapter also explains credits and refunds for the alcohol fuel mixture credit, the biodiesel mixture credit, the alcohol fuel credit, the biodiesel fuel credit, the renewable diesel credits, and the alternative fuel credits.

Information on how to make a claim for credit or refund is included in this chapter and can also be found in the instructions for:

- Form 720,
- Form 4136,
- Form 8849,
- Form 6478, and
- Form 8864.

**Exported taxable fuel.** The claim rates for exported taxable fuel are listed on Schedule C (Form 720), Schedule 1 (Form 8849), and Form 4136. Taxpayers making a claim for exported taxable fuel must include with their records proof of exportation. Proof of exportation includes:

- A copy of the export bill of lading issued by the delivering carrier.
- A certificate by the agent or representative of the export carrier showing actual exporta- tion of the fuel.
- A certificate of lading signed by a customs officer of the foreign country to which the fuel is exported, or
- A statement of the foreign consignee showing receipt of the fuel.

## Gasoline and Aviation Gasoline

### Ultimate Purchasers

The following are the uses of gasoline (defined earlier) for which a credit or refund may be allowable to an ultimate purchaser.

- On a farm for farming purposes (credit only).
- Off-highway business use.
- Export.
- In a boat engaged in commercial fishing.
- In certain intercity and local buses.
In a school bus.

Exclusion use by a qualified blood collector organization.

In a highway vehicle owned by the United States that is not used on a highway.

Exclusion use by a nonprofit educational organization (see Sales by Registered Ultimate Vendors and Credit Card Purchases, later).

Exclusive use by a state, political subdivision of a state, or the District of Columbia (see Sales by Registered Ultimate Vendors and Credit Card Purchases, later).

In an aircraft or vehicle owned by an aircraft museum.

The following are the uses of aviation gasoline for which a credit or refund may be allowable to an ultimate purchaser.

- On a farm for farming purposes (credit only).
- Export.
- In foreign trade.
- Certain helicopter and fixed-wing air ambulance uses.
- In commercial aviation (other than foreign trade).
- Exclusive use by a qualified blood collector organization.
- Exclusive use by a nonprofit educational organization (see Sales by Registered Ultimate Vendors and Credit Card Purchases, later).
- Exclusive use by a state, political subdivision of a state, or the District of Columbia (see Sales by Registered Ultimate Vendors and Credit Card Purchases, later).
- In an aircraft owned by an aircraft museum.
- In military aircraft.

Claims by persons who paid the tax to the government. Except for sales to nonprofit educational organizations and states and local governments, a credit or refund is allowable to the person who paid the tax to the government if the gasoline was sold to the ultimate purchaser (including an exporter) by either that person or by a retailer for a purpose listed above. See Filing Claims, later.

Sales by Registered Ultimate Vendors

This is an ultimate vendor that sells gasoline or aviation gasoline to any of the following and that is purchased without the use of a credit card.

- A state or local government for its exclusive use (including essential government use by an Indian tribal government).
- A nonprofit educational organization for its exclusive use.

The registered ultimate vendor may make the claim if the ultimate purchaser did not use a credit card and waives its right to the credit or refund by providing the registered ultimate vendor with a certificate. A sample certificate is included as Model Certificate M in the Appendix. The registered ultimate vendor must have the certificate at the time the credit or refund is claimed.

The ultimate vendor must be registered by the IRS. See Registration Requirements, earlier.

Credit Card Purchases

If gasoline and aviation gasoline are purchased with a credit card issued to a state or local government for its exclusive use (including essential government use by an Indian tribal government), or a nonprofit educational organization for its exclusive use, the person who extended credit to the ultimate purchaser (the credit card issuer) is treated as the person who paid the tax and makes the claim if the credit card issuer:

- Is registered by the IRS.
- Has established that the amount of tax has not been collected from the person who purchased the gasoline or has obtained written consent from the ultimate purchaser to the allowance of the credit or refund, and
- Has repaid or agreed to repay the amount of the tax to the ultimate vendor, has obtained the written consent of the ultimate vendor to the allowance of the credit or refund, or has made arrangements that provide the ultimate vendor with reimbursement of the tax.

If the requirements above are not met by the credit card issuer, the credit card issuer must collect the tax from the ultimate purchaser and the ultimate purchaser may make the claim. How to make the claim. If the claim is made by the credit card issuer, see Schedule C (Form 720) or Schedule B (Form 8849).

Undyed Diesel Fuel and Undyed Kerosene (Other Than Kerosene Used in Aviation)

For conditions to an allowance of a credit or refund on exported dyed diesel fuel and dyed kerosene, see Exported taxable fuel, earlier.

Ultimate Purchasers

The following are nontaxable uses of diesel fuel and kerosene (defined earlier) for which a credit or refund may be allowable to an ultimate purchaser.

- On a farm for farming purposes.
- Off-highway business use.
- Export.
- In a qualified local bus.
- In a school bus.
- Other than as a fuel in a propulsion engine of a diesel-powered highway vehicle (such as home heating oil).
- Exclusive use by a qualified blood collector organization.
- In a highway vehicle owned by the United States that is not used on a highway.
- Exclusive use by a nonprofit educational organization (see Sales by Registered Ultimate Vendors and Credit Card Purchases, later).
- Exclusive use by a state, political subdivision of a state, or the District of Columbia (see Sales by Registered Ultimate Vendors and Credit Card Purchases, later).
- In a vehicle owned by an aircraft museum.
- As a fuel in a propulsion engine of a diesel-powered train (subject to back-up tax, discussed earlier).

Sales by Registered Ultimate Vendors

The following are the sales for which a credit or refund may be allowable to the registered ultimate vendor only.

- Undyed diesel fuel or undyed kerosene sold for the exclusive use by a state or local government (if credit card rules (defined later) do not apply).
- Undyed kerosene sold from a blocked pump (defined below), or
- Undyed diesel fuel or undyed kerosene used in certain intercity and local buses, only if the ultimate purchaser waives its right to the credit or refund by providing the registered ultimate vendor with a waiver.

Registered ultimate vendor (state use). This is a person that sells undyed diesel fuel or undyed kerosene to a state or local government for its exclusive use (including essential government use by an Indian tribal government). The diesel fuel or kerosene must be purchased by the state without the use of a credit card, issued to the state by the credit card issuer, in order for the ultimate vendor to make the claim. The ultimate vendor must be registered by the IRS. See Registration Requirements, earlier.

Registered ultimate vendor (blocked pump). This is an ultimate vendor that sells undyed kerosene from a blocked pump.

A credit or refund may be allowable to a registered ultimate vendor (blocked pump) if the vendor sold to a buyer undyed kerosene from a blocked pump for use other than as a fuel in a diesel-powered highway vehicle and the vendor had no reason to believe the kerosene would not be used in that manner.

Blocked pump. A blocked pump is a fuel pump that meets all the following requirements.

1. It is used to make retail sales of undyed kerosene for use by the buyer in any non-taxable use.
2. It is at a fixed location.
3. It is identified with a legible and conspicu-
   ous notice stating, "UNDYED UNTAXED
   KEROSENE, NONTAXABLE USE ONLY."
4. It meets either of the following conditions.
   a. It cannot reasonably be used to dis-
      pense fuel directly into the fuel supply
      tank of a diesel-powered highway vehi-
      cle or train.
   b. It is locked by the vendor after each
      sale and unlocked by the vendor only in
      response to a buyer's request for undy-
      ed kerosene for use other than as a
      fuel in a diesel-powered highway vehi-
      cle or train.

Registered ultimate vendor (certain intercity
and local buses). This is an ultimate vendor
that sells undyed diesel fuel or undyed kerosene
to the ultimate purchaser for use in certain inter-
city and local buses.

The registered ultimate vendor may make the
claim if the ultimate purchaser waives its right
to the credit or refund by providing the
registered ultimate vendor with a waiver. A sam-
pie waiver is included as Model Waiver N in the
Appendix. The registered ultimate vendor must
have the waiver at the time the credit or payment
is claimed.

Credit Card Purchases
If undyed diesel fuel or kerosene is purchased
with a credit card issued to a state, the person
who extended credit to the state (the credit card
issuer) is treated as the person that paid the tax
and makes the claim if the credit card issuer:
   • Is registered by the IRS,
   • Has established that the amount of tax
      has not been collected from the person
      who purchased the diesel fuel or ker-
      osene, or has obtained written consent
      from the ultimate purchaser to the allow-
      ance of the credit or refund, and
   • Has repaid or agreed to repay the amount
      of the tax to the ultimate vendor, has ob-
      tained the written consent of the ultimate
      vendor to the allowance of the credit or
      refund, or has made arrangements that
      provide the ultimate vendor with reim-
      bursement of the tax.

If the requirements above are not met by the
credit card issuer, the credit card issuer must
collect the tax from the ultimate purchaser and
only the ultimate purchaser may make the claim.

Kerosene for Use in Aviation

Ultimate Purchasers
The ultimate purchaser of the kerosene used in
commercial aviation (other than foreign trade)
and noncommercial aviation (other than nonex-
empt, noncommercial aviation and exclusive
use by a state, political subdivision of a state, or
the District of Columbia) may make this claim if
the ultimate purchaser waives its right to the
credit or payment by providing the registered
ultimate vendor with a waiver. A sample waiver
is included as Model Waiver L in the Appendix.
The registered ultimate vendor must have the
waiver at the time the credit or payment is
claimed.

Noncommercial aviation means any use of
an aircraft not described as commercial aviation.
For the definition of commercial aviation, see
Commercial aviation on page 11.

Kerosene for Use in Nonexempt,
Noncommercial Aviation
Only the registered ultimate vendor may claim a
credit or payment for sales of kerosene for use in
nonexempt, noncommercial aviation. The ulti-
mate vendor must be registered by the IRS

Diesel-Water Fuel
Emulsion
A claim for credit or refund may be made for the
nontaxable use of a diesel-water fuel emulsion
and for undyed diesel fuel used to produce a
diesel-water fuel emulsion. The claim rate for
nontaxable use of a diesel-water fuel emulsion
taxed at $.198 per gallon is $.197 (if exported,
the claim rate is $.198). The following are the
nontaxable uses for a diesel-water fuel emulsion
for which a credit or refund may be allowable to
an ultimate purchaser.
   • On a farm for farming purposes.
   • Off-highway business use.
   • Export.
   • In a qualified local bus.
   • In a school bus.
   • Other than as fuel in the propulsion engine
     of a train or diesel-powered highway vehi-
     cle (but not off-highway use).
   • Exclusive use by a qualified blood collec-
     tor organization.
   • In a highway vehicle owned by the United
     States that is not used on a highway.
   • Exclusive use by a nonprofit educational
     organization.
   • Exclusive use by a state, political subdivi-
     sion of a state, or the District of Columbia.
   • In an aircraft or vehicle owned by an air-
     craft museum.
   • Certain helicopter and fixed-wing aircraft
     uses.
   • Exclusive use by a qualified blood collec-
     tor organization.
   • Exclusive use by a nonprofit educational
     organization.
   • In an aircraft or vehicle owned by an air-
     craft museum.
   • In military aircraft.

Kerosene for use partly in commercial avia-
tion and partly in nonexempt, noncommer-
cial aviation. If the fuel is used partly for use in
commercial aviation and partly for use in nonex-
empt, noncommercial aviation, the operator may
identify, either at the time of purchase or after
the kerosene has been used, the amount that
will be (or has been) used in commercial
aviation. At the same time, the operator would
either make the claim or waive the right to make
the claim for credit or refund of the kerosene for
use in commercial and nonexempt, noncom-
mercial aviation.

If the operator does not identify the amount of
kerosene that will be (or has been) used in
commercial aviation, the operator may provide a
certificate to the ultimate vendor similar to Model
Certificate Q in the Appendix. For kerosene pur-
chased with the certificate, used in commercial
aviation, and taxed at $.244 per gallon, use of
the certificate will be treated as a waiver of the
right to claim a credit or refund for the $.025 per
gallon part of the tax. The ultimate vendor may
make this claim. The operator may make a claim
for the $.175 per gallon of the kerosene, but
cannot waive the right to make the claim for the
$.175 per gallon.

Sales by Registered Ultimate
Vendors
Kerosene for Use in Commercial
Aviation or Noncommercial
Aviation

The registered ultimate vendor of kerosene for
use in commercial aviation (other than foreign
trade) or noncommercial aviation (other than
nonexempt, noncommercial aviation and exclu-
sive use by a state, political subdivision of a
state, or the District of Columbia) may make this
claim if the ultimate purchaser waives its right to
the credit or payment by providing the registered
ultimate vendor with a waiver. A sample waiver
is included as Model Waiver L in the Appendix.
The registered ultimate vendor must have the
waiver at the time the credit or payment is
claimed.

Noncommercial aviation means any use of
an aircraft not described as commercial aviation.
For the definition of commercial aviation, see
Commercial aviation on page 11.

Kerosene for Use in Nonexempt,
Noncommercial Aviation

Only the registered ultimate vendor may claim a
credit or payment for sales of kerosene for use in
nonexempt, noncommercial aviation. The ulti-
mate vendor must be registered by the IRS

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Kerosene for Use in Aviation by a State or Local Government

Only the registered ultimate vendor may claim a credit or payment for sales of kerosene for use in aviation to a state or local government for its exclusive use (including essential government use by an Indian tribal government). The kerosene for use in aviation must be purchased by the state without the use of a credit card in order for the ultimate vendor to make the claim. The ultimate vendor must be registered by the IRS (activity letter UV) and have the required certificate from the ultimate purchaser. A sample certificate is included as Model Certificate Q in the Appendix. The registered ultimate vendor must have the certificate at the time the credit or payment is claimed.

Credit Card Purchases

If taxed kerosene for use in aviation is purchased with a credit card issued to a state, the person who extended credit to the state (the credit card issuer) is treated as the person that paid the tax and makes the claim if the credit card issuer:

• Is registered by the IRS,
• Has established that the amount of tax has not been collected from the person who purchased the kerosene, or has obtained written consent from the ultimate purchaser to the allowance of the credit or refund, and
• Has repaid or agreed to repay the amount of the tax to the ultimate vendor, has obtained the written consent of the ultimate vendor to the allowance of the credit or refund, or has made arrangements that provide the ultimate vendor with reimbursement of the tax.

If the requirements above are not met by the credit card issuer, the credit card issuer must collect the tax from the ultimate purchaser and only the ultimate purchaser may make the claim.

Table 2-1. Type of Use Table

<table>
<thead>
<tr>
<th>No.</th>
<th>Type of Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>On a farm for farming purposes</td>
</tr>
<tr>
<td>2</td>
<td>Off-highway business use (for business use other than in a highway vehicle registered or required to be registered for highway use) (other than use in mobile machinery)</td>
</tr>
<tr>
<td>3</td>
<td>Export</td>
</tr>
<tr>
<td>4</td>
<td>In a boat engaged in commercial fishing</td>
</tr>
<tr>
<td>5</td>
<td>In certain intercity and local buses</td>
</tr>
<tr>
<td>6</td>
<td>In a qualified local bus</td>
</tr>
<tr>
<td>7</td>
<td>In a bus transporting students and employees of schools (school buses)</td>
</tr>
<tr>
<td>8</td>
<td>For diesel fuel and kerosene (other than kerosene used in aviation) used other than as a fuel in the propulsion engine of a train or diesel-powered highway vehicle (but not off-highway business use)</td>
</tr>
<tr>
<td>9</td>
<td>In foreign trade</td>
</tr>
<tr>
<td>10</td>
<td>Certain helicopter and fixed-wing aircraft uses</td>
</tr>
<tr>
<td>11</td>
<td>Exclusive use by a qualified blood collector organization</td>
</tr>
<tr>
<td>12</td>
<td>In a highway vehicle owned by the United States that is not used on a highway</td>
</tr>
<tr>
<td>13</td>
<td>Exclusive use by a nonprofit educational organization</td>
</tr>
<tr>
<td>14</td>
<td>Exclusive use by a state, political subdivision of a state, or the District of Columbia</td>
</tr>
<tr>
<td>15</td>
<td>In an aircraft or vehicle owned by an aircraft museum</td>
</tr>
<tr>
<td>16</td>
<td>In military aircraft</td>
</tr>
</tbody>
</table>

Other Fuels (Including Alternative Fuels)

Credit or refund for nontaxable use of taxed Other Fuels may be allowable to an ultimate purchaser. White tax is generally imposed on delivery. Other Fuels are taxed prior to delivery in the case of certain bulk sales described in chapter 1. The following are the nontaxable uses of Other Fuels for which a credit or refund may be allowable to the ultimate purchaser:

• On a farm for farming purposes.
• Off-highway business use.
• In a boat engaged in commercial fishing.
• In certain intercity and local buses.
• In a school bus.
• In a qualified local bus.
• Exclusive use by a qualified blood collector organization.
• Exclusive use by a nonprofit educational organization.
• Exclusive use by a state, political subdivision of a state, or the District of Columbia.
• In an aircraft or vehicle owned by an aircraft museum.
• Use in any boat operated by the United States for its exclusive use or any vessel of war of any foreign nation.

For information on the alternative fuel credit and alternative fuel mixture credit, see Alternative Fuel Credits, later.

Refunds of Second Tax

The tax on dyed diesel fuel for inland waterways fuel use applies at the rate listed on Form 720. This is in addition to all other taxes imposed on the sale or use of the fuel. The section 4081(e) refund (discussed below) cannot be claimed.

If the tax is paid and reported to the government on more than one taxable event for a taxable fuel under Internal Revenue Code section 4081, the person paying the "second tax" may claim a refund (without interest) of that tax if certain conditions and reporting requirements are met. No credit against any tax is allowed for this tax. For information about taxable events, see the discussions under Gasoline, Diesel Fuel and Kerosene, and Kerosene for Use in Aviation in chapter 1.

Conditions to allowance of refund. A claim for refund of the tax is allowed only if all the following conditions are met.

1. A tax on the fuel was paid to the government and not credited or refunded (the "first tax").
2. After the first tax was imposed, another tax was imposed on the same fuel and was paid to the government (the "second tax").
3. The person that paid the second tax filed a timely claim for refund containing the information required (see Refund claim, later).
4. The person that paid the first tax has met the reporting requirements, discussed next.

Reporting requirements. Generally, the person that paid the first tax must file a First Taxpayer’s Report with its Form 720 for the quarter to which the report relates. A model first taxpayer’s report is shown in the Appendix as Model Certificate B. The report must contain all information needed to complete the model.

By the due date for filing the Form 720, you must also send a separate copy of the report to the following address:

Department of the Treasury
Internal Revenue Service
Cincinnati, OH 45999-0555

Write “EXC/ISE – FIRST TAXPAYER’S REPORT” across the top of that copy.

Optional reporting. A first taxpayer’s report is not required for the tax imposed on:

• Removal at a terminal rack,
• Nonbulk entries into the United States, and
• Removals or sales by blenders.

However, if the person liable for the tax expects that another tax will be imposed on that fuel, that person should (but is not required to) file a first taxpayer’s report.

Providing information. The first taxpayer must give a copy of the report to the buyer of the fuel within the bulk transfer/terminal system or to the owner of the fuel immediately before the first tax was imposed, if the first taxpayer is not the (activity letter UA) and have the required certificate from the ultimate purchaser. A sample certificate is included as Model Certificate O in the Appendix. The registered ultimate vendor must have the certificate at the time the credit or payment is claimed.
As an owner, tenant, or operator, you use fuel on a farm for farming purposes if you use it in any of the following ways.

1. To cultivate the soil or to raise or harvest any agricultural or horticultural commodity.
2. To raise, shear, feed, care for, train, or manage livestock, bees, poultry, fur-bearing animals, or wildlife.
3. To operate, manage, conserve, improve, or maintain your farm and its tools and equipment.
4. To handle, dry, pack, grade, or store any raw agricultural or horticultural commodity.
5. To plant, cultivate, care for, or cut trees or in the power lawn mowers and chain saws qualify as fuel used in any of the following ways.

- To prepare (other than sawing logs into lumber, chopping, or other milling) trees for market, but only if the planting, etc., is incidental to your farming operations. Your tree operations will be incidental only if they are minor in nature when compared to the total farming operations.
- If any other person, such as a neighbor or custom operator, performs a service for you on your farm for any of the purposes listed in (1) or (2), you are considered to be the ultimate purchaser that used the fuel on a farm for farming purposes. However, see Custom application of fertilizer and pesticide, next.
- If doubt exists whether the owner, the tenant, or the operator of the farm bought the fuel, determine who bore the cost of the fuel. For example, if the owner of a farm and the tenant equally share the cost of gasoline that is used on a farm for farming purposes, each can claim a credit for the tax on one-half the fuel used.

**Examples**

**Example 1.** Caroline owns a landscaping business. She uses power lawn mowers and chain saws in her business. The gasoline used in the power lawn mowers and chain saws qualifies as fuel used in an off-highway business use. The gasoline used in her personal lawn mower at home does not qualify.

**Highway vehicle.** A highway vehicle is any self-propelled vehicle designed to carry a load over public highways, whether or not it is 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 are not considered highway vehicles for purposes of the credit or refund of fuel taxes.

1. Specially designed mobile machinery for nontransportation functions. A
self-propelled vehicle is not 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 could not, because of its special design and without substantial subsequent modification, be used as part of a vehicle designed to carry any other load.

d. The vehicle must have traveled less than 7,500 miles on public highways during the taxable year.

2. Vehicles specially designed for off-highway transportation. A vehicle is not 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 vehicle'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 does not matter that the vehicle can carry heavier loads off highway than it is allowed to carry over the highway.

3. Nontransportation trailers and semi-trailers. A trailer or semi-trailer is not treated as a highway vehicle if it is 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 is not a highway vehicle.

Public highway. A public highway includes any road in the United States that is not a private roadway. This includes federal, state, county, and city roads and streets.

Registered. A vehicle is considered registered when it is registered or required to be registered for highway use under the law of any state, the District of Columbia, or any foreign country in which it is operated or situated. Any highway vehicle operated under a dealer’s tag, license, or permit is considered registered. A highway vehicle is not considered registered solely because a special permit allows the vehicle to be operated at particular times and under specified conditions.

Dual use of propulsion motor. Off-highway business use does not include any fuel used in the propulsion motor of a registered highway vehicle even though that motor also operates special equipment by means of a power take-off or power transfer. It does not matter if the special equipment is mounted on the vehicle.

Example. The motor of a registered concrete-mixer truck operates both the engine and the mixing unit by means of a power take-off. The fuel used in the motor to run the mixer is not off-highway business use.

Use in separate motor. Off-highway business use includes fuel used in a separate motor to operate special equipment, such as a refrigeration unit, pump, generator, or mixing unit. If you draw fuel from the same tank that supplies fuel to the propulsion motor, you must figure the quantity used in the separate motor operating the special equipment. You may make a reasonable estimate based on your operating experience and supported by your records.

You can use devices that measure the miles the vehicle has traveled (such as hubometers) to figure the gallons of fuel used to propel the vehicle. Add to this amount the fuel consumed while idling or warming up the motor before propelling the vehicle. The difference between your total fuel used and the fuel used to propel the vehicle is the fuel used in the separate motor.

Example. Hazel owns a refrigerated truck. It has a separate motor for the refrigeration unit. The same tank supplies both motors. Using the truck’s hubometer, Hazel figures that 90% of the fuel was used to propel the truck. Therefore, 10% of the fuel is used in an off-highway business use.

Fuel lost or destroyed. You cannot treat fuel lost or destroyed through spillage, fire, or other casualty as fuel used in an off-highway business use.

Export (No. 3) Export means fuel removed from the United States with the intention that the fuel remain in a foreign country or possession of the United States. Fuel is not exported if it is in the fuel supply tank of a vehicle or aircraft

In a Boat Engaged in Commercial Fishing (No. 4) In a boat engaged in commercial fishing means fuel used in taking, catching, processing, or transporting fish, shellfish, or other aquatic life for commercial purposes, such as selling or processing the catch, on a specific trip basis. They include boats used in both fresh and salt water fishing. They do not include boats used for both sport fishing and commercial fishing on the same trip.

In Certain Intercity and Local Buses (No. 5) In certain intercity and local buses means fuel used in a bus engaged in furnishing (for compensation) passenger land transportation available to the general public. The bus must be engaged in one of the following activities.

• Scheduled transportation along regular routes.

• Nonscheduled operations if the seating capacity of the bus is at least 20 adults, not including the driver. Vans and similar vehicles used for van-pooling or taxi service do not qualify.

Available to the general public. This means you offer service to more than a limited number of persons or organizations. If a bus operator normally provides charter operations through travel agencies but has buses available for chartering by the general public, this service is available to the general public. A bus does not qualify when its operator uses it to provide exclusive services to only one person, group, or organization. Also, intercity bus transportation does not include transporting students and employees of schools or intercity transportation in a qualified local bus.

In a Qualified Local Bus (No. 6) In a qualified local bus means fuel used in a bus meeting all the following requirements.

• It is engaged in furnishing (for compensation) intracity passenger land transportation available to the general public.

• It operates along scheduled, regular routes.

• It has a seating capacity of at least 20 adults (excluding the driver).

• It is under contract with (or is receiving more than a nominal subsidy from) any state or local government to furnish the transportation.

Intracity passenger land transportation. This is the land transportation of passengers between points located within the same metropolitan area. It includes transportation along routes that cross state, city, or county boundaries if the routes remain within the metropolitan area.

Under contract. A bus is under contract with a state or local government only if the contract imposes a bona fide obligation on the bus operator to furnish the transportation.

More than a nominal subsidy. A subsidy is more than nominal if it is reasonably expected to exceed an amount equal to 3 cents multiplied by the number of gallons of fuel used in buses on subsidized routes. A company that operates its buses along subsidized and unsubsidized intracity routes may consider its buses qualify local buses only when the buses are used on the subsidized intracity routes.
In a School Bus (No. 7)

In a school bus means fuel used in a bus engaged in the transportation of students or employees of schools. A school is an educational organization with a regular faculty and curriculum and a regularly enrolled body of students who attend the place where the educational activities occur.

For Diesel Fuel and Kerosene (Other Than Kerosene Used in Aviation) Used Other Than as a Fuel (No. 8)

Diesel fuel and kerosene (other than kerosene used in aviation) used other than as a fuel in the propulsion engine of a diesel-powered highway vehicle or diesel-powered train (not including off-highway business use) means undyed diesel fuel and undyed kerosene used:

- For home heating, lighting, and cooking;
- In boats;
- In stationary machines, such as generators and compressors;
- For cleaning purposes; or
- In minibikes and snowmobiles.

In Foreign Trade (No. 9)

In foreign trade means fuel used in civil aircraft employed in foreign trade or trade between the United States and any of its possessions. The term trade includes the transportation of persons or property for hire and the making of the necessary preparations for such transportation. In the case of aircraft registered in a foreign country, the country must allow reciprocal benefits for aircraft registered in the United States.

Certain Helicopter and Fixed-Wing Aircraft Uses (No. 10)

Certain helicopter uses. Certain helicopter uses means fuel used by a helicopter for any of the following purposes:

1. Transporting individuals, equipment, or supplies in the exploration for, or the development or removal of, hard minerals, oil, or gas.
2. Planting, cultivating, cutting, transporting, or caring for trees (including logging operations).
3. Providing emergency medical transportation.

During a use described in items (1) and (2), the helicopter must not take off from, or land at, a facility eligible for assistance under the Airport and Airway Development Act of 1970, or otherwise use services provided pursuant to section 44509 or 44913(b) or subchapter I of chapter 471 of title 49, United States Code.

Fixed-wing aircraft uses. Fixed-wing aircraft uses means fuel used by a fixed-wing aircraft for any of the following purposes:

1. Planting, cultivating, cutting, transporting, or caring for trees (including logging operations).
2. Providing emergency medical transportation. The aircraft must be equipped for and exclusively dedicated on that flight to acute care emergency medical services.

During a use described in item (1), the aircraft must not take off from, or land at, a facility eligible for assistance under the Airport and Airway Development Act of 1970, or otherwise use services provided pursuant to section 44509 or 44913(b) or subchapter I of chapter 471 of title 49, United States Code.

Exclusive Use by a Qualified Blood Collector Organization (No. 11)

Exclusive use by a qualified blood collector organization means fuel used by the qualified blood collector organization for its exclusive use in the collection, storage, or transportation of blood.

Qualified blood collector organizations. A qualified blood collector organization is one that:

- Described in section 501(c)(3) and exempt from tax under section 501(a),
- Primarily engaged in the activity of collecting human blood,
- Registered with the IRS, and
- Registered by the Food and Drug Administration to collect blood.

In a Highway Vehicle Owned by the United States That is Not Used on a Highway (No. 12)

In a highway vehicle owned by the United States that is not used on a highway means fuel used in a vehicle that was not used on public highways during the period covered by the claim. This use applies whether or not the vehicle is registered or required to be registered for highway use.

Exclusive Use by a Nonprofit Educational Organization (No. 13)

Exclusive use by a nonprofit educational organization means fuel used by an organization exempt from income tax under Internal Revenue Code section 501(c)(3) that meets both of the following requirements:

- It has a regular faculty and curriculum.
- It has a regularly enrolled body of students who attend the place where the instruction normally occurs.

A nonprofit educational organization also includes a school operated by a church or other organization described in Internal Revenue Code section 501(c)(3) if the school meets the above requirements.

Exclusive Use by a State, Political Subdivision of a State, or the District of Columbia (No. 14)

Exclusive use by a state, political subdivision of a state, or the District of Columbia means fuel purchased by the state or local government for its exclusive use. A state or local government is any state, any political subdivision thereof, or the District of Columbia. An Indian tribal government is treated as a state only if the fuel is used in an activity that involves the exercise of an essential tribal government function. Gasoline, diesel fuel, and kerosene used by the American Red Cross is considered to be the use of these fuels by a state.

In an Aircraft or Vehicle Owned by an Aircraft Museum (No. 15)

In an aircraft or vehicle owned by an aircraft museum means fuel used in an aircraft or vehicle that is owned by an organization that meets all the following requirements.

1. It is exempt from income tax as an organization described in Internal Revenue Code section 501(c)(3).
2. It is operated as a museum under a state (or District of Columbia) charter.
3. It is operated exclusively for acquiring, exhibiting, and caring for aircraft of the type used for combat or transport in World War II.

The aircraft or vehicle (such as a ground servicing vehicle for aircraft) must be used exclusively for the purposes described in item (3).

In Military Aircraft (No. 16)

In a military aircraft means fuel used in an aircraft owned by the United States or any foreign nation and constituting a part of its armed forces.

In Commercial Aviation (Other Than Foreign Trade)

See Commercial aviation on page 11 for the definition.

Use in a Train

Use in a train means fuel used in the propulsion engine of equipment or machinery that rides on rails. This includes use in a locomotive, work train, switching engine, and track maintenance machine.
Alcohol Fuel Mixture Credit

A producer of an alcohol fuel mixture can make a claim for the alcohol used to produce an alcohol fuel mixture. Special rules determine the order in which the claim can be made. An alcohol fuel mixture for this purpose is a mixture of alcohol with gasoline, diesel fuel, or kerosene. You do not treat adding denaturants to alcohol as the production of a mixture.

You, as the producer of the mixture, must either sell the mixture for use as a fuel to another person or use the mixture as a fuel in your trade or business. The credit is allowed for each gallon of alcohol that you used to produce a mixture only if the sale or use is in your trade or business.

Alcohol. For purposes of the alcohol fuel mixture credit, alcohol includes methanol and ethanol. It also includes an alcohol gallon equivalent of ethyl tertiary butyl ether (ETBE) or other ethers produced from such alcohol and methanol produced from methane gas formed in waste disposal sites. But it does not include any of the following:

- Alcohol produced from petroleum, natural gas, or coal (including peat).
- Alcohol with a proof of less than 190 (150 proof for purposes of a mixture credit taken under section 40 on Form 6478). In figuring the proof of any alcohol, disregard any denaturants (additives that make the alcohol unfit for human consumption).

Volume of alcohol. When figuring the number of gallons of alcohol used to produce the mixture, include the volume of any denaturant (including gasoline) added under formulas approved by the Secretary of the Treasury. Also include the denaturant when you figure the percentage of any mixture that is alcohol.

Tax liability on the alcohol in an alcohol fuel mixture. Persons who blend alcohol with gasoline, diesel fuel, or kerosene to produce an alcohol fuel mixture outside the bulk transfer terminal system must pay tax on the volume of alcohol in the mixture sold or removed. See Form 720 to report this tax. You also must be registered with the IRS as a blender. See Form 637.

How to claim the credit. Any alcohol fuel mixture credit must first be taken on Schedule C to reduce your tax liability for gasoline, diesel fuel, and kerosene reported on Form 720. Any excess credit may be taken on Schedule C (Form 720). Schedule 3 (Form 8849), Form 4136, or Form 6478. See Notice 2005-4 for more information.

Separation or failure to use as fuel. If the credit applied to alcohol used in the production of a mixture, and you later separate the alcohol from the mixture or do not use the mixture as fuel, you must pay a tax equal to the credit. Report this tax on Form 720.

Biodiesel Mixture Credit

A producer of a biodiesel mixture can make a claim for the biodiesel (defined earlier) used to produce a biodiesel mixture. Special rules determine the order in which the claim can be made. A mixture for this purpose is a mixture of biodiesel with diesel fuel without regard to the biodiesel that is at least 0.1% (by volume) of diesel fuel. You can make a claim only for a mixture you produce and sell or use. You must sell the mixture to any person for use as a fuel, or use it as a fuel in your trade or business. The credit is allowed for each gallon of biodiesel you produce a mixture only if the sale or use is in your trade or business. The biodiesel used to produce the biodiesel mixture must meet ASTM D6751 and meet the registration requirements for fuels and fuel additives established by the EPA under section 211 of the Clean Air Act.

Certificate for Biodiesel. You must obtain and keep as part of your records a certification to you from the producer of the biodiesel. The certificate is required for any biodiesel fuel credit claimed. The certificate must identify the product produced and the percentage of biodiesel in the product. If the producer of the biodiesel is also the taxpayer claiming the biodiesel credit, the certificate is required but lines 2–7 are not needed. See Model Certificate O in the Appendix.

The Certificate for Biodiesel and, if applicable, Statement of Biodiesel Reseller must be attached to the first claim filed supported by the certificate or statement. See Model Certificate O and Model Statement S in the Appendix. If the certificate and statement are not attached to Form 720 because they are attached to a previously-filed claim on Schedule 3 (Form 8849) for biodiesel, alcohol, or separate sheet with the following information:

- Certificate identification number.
- Total gallons of biodiesel on certificate.
- Total gallons claimed on Schedule 3 (Form 8849).
- Total gallons claimed on Schedule C (Form 720).

Tax liability. Persons who blend biodiesel with undyed diesel fuel to produce a blended taxable fuel outside the bulk transfer terminal system must pay the tax on the volume of biodiesel in the mixture when the mixture is sold or removed. Persons who blend biodiesel with dyed diesel fuel must meet the applicable dye requirements or pay the tax. See Form 720 to report this tax. You also must be registered with the IRS as a blender. See Form 637.

How to claim the credit. Any biodiesel mixture credit must first be taken on Schedule C to reduce your taxable fuel liability for gasoline, diesel fuel, and kerosene reported on Form 720. Any excess credit may be taken on Schedule C (Form 720), Schedule 3 (Form 8849), Form 4136, or Form 8864. See Notices 2005-4 and 2005-62 for more information.

Separation or failure to use as fuel. If the credit applied to biodiesel used in the production of a mixture, and you later separate the biodiesel from the mixture or do not use the mixture as fuel, you must pay a tax equal to the credit. Report this tax on Form 720.

Alcohol Fuel Credit

If you sell or use alcohol (not in a mixture) as a fuel, you may be eligible for a credit on your income tax return. The alcohol fuel credit consists of the straight alcohol credit, the alcohol fuel mixture credit, and the small ethanol producer credit. The alcohol fuel mixture credit was discussed earlier.

Alcohol eligible for the credit includes methanol and ethanol. This includes methanol produced from methane gas formed in waste disposal sites. But it does not include any of the following:

- Alcohol produced from petroleum, natural gas, or coal (including peat).
- Alcohol with a proof of less than 150.
- Ethanol produced as a by-product from manufacturing ethylcellulose derived from ethane.

In figuring the proof of any alcohol, disregard any denaturants (additives that make the alcohol unfit for human consumption).

Straight alcohol credit. You can claim the credit for any alcohol not mixed with gasoline or a special fuel other than denaturants.

You are eligible for the credit for straight alcohol only if you met one of the following requirements during the tax year:

- You used it as a fuel in your trade or business.
- You sold it at retail and placed it in the fuel tank of the buyer's vehicle.

The buyer cannot claim the credit for the alcohol bought at retail, even if the buyer uses it as a fuel in a trade or business. A special fuel includes any liquid fuel, other than gasoline, suitable for use in an internal combustion engine.

Amount of credit. The straight alcohol credit is based on the proof content of the alcohol. You figure the proof without considering denaturants added to the alcohol. Use Form 6478 to determine the credit for each gallon of alcohol.

If you combine alcohol eligible for the credit with alcohol that is not eligible and use the combined alcohol in a way that qualifies for the credit, you figure the credit based on the proportionate amount of eligible alcohol contained in the combined alcohol.

Volume of alcohol. When figuring the number of gallons of alcohol sold or used, include the volume of any denaturant (including gasoline) added under formulas approved by the Secretary of the Treasury. Also include the denaturant when you figure the percentage of any mixture that is alcohol.
Small ethanol producer credit. If you are an eligible small ethanol producer, you qualify for a credit on up to 15 million gallons of your qualified ethanol fuel production for any tax year. This additional alcohol fuel credit is 10 cents for each gallon.

You are an eligible small ethanol producer if, at all times during the tax year, you have an annual productive capacity of not more than 60 million gallons of any type of alcohol, including alcohol not eligible for the credit.

For a partnership, trust, or S corporation, the 15- and 60-million gallon limits apply at both the entity level and the partner, beneficiary, or shareholder level.

Qualified ethanol fuel production. Your qualified ethanol fuel production is any ethanol you produce and sell during the tax year to another person for any of the following purposes:

- Use in the production of a qualified mixture in that person’s trade or business (except casual off-farm production).
- Use as a fuel in that person’s trade or business.
- Sale at retail by that person who puts the ethanol in the fuel tank of the buyer’s vehicle.

It also includes your use or sale of the ethanol for these purposes.

Qualified ethanol fuel production does not include any alcohol bought by a producer who then increases the proof of the alcohol by additional distillation.

Cooperative election to allocate the small ethanol producer credit to patrons. A cooperative described in Internal Revenue Code section 1381(a) can elect to allocate any part of the small ethanol producer credit to patrons of the cooperative. The credit is allocated among the patrons on the basis of the quantity or value of business done with or for the patrons for the tax year. For more information, see Form 6478.

Failure to use for qualifying purposes. If the credit applied to the sale of alcohol you bought and you later mix carbon into short-chain hydrocarbons with a catalyst used in the process.

Renewable Diesel

Renewable diesel credit and renewable diesel mixture credit. Generally, the rules for the renewable diesel credit and renewable diesel mixture credit are the same as the biodiesel credit (defined earlier) and the biodiesel mixture credit (defined earlier). However, the small agri-biodiesel credit does not apply to renewable diesel.

Renewable diesel defined. For purposes of the renewable diesel credit or renewable diesel mixture credit, renewable diesel means diesel fuel derived from biomass (as defined in Internal Revenue Code section 45K(c)(3)) using a thermal depolymerization process that meets the registration requirements for fuels and fuel additives established by the EPA under section 211 of the Clean Air Act, and the requirements of the ASTM D975 and D396.

Thermal depolymerization defined. Thermal depolymerization is a process for the reduction of complex organic materials through the use of pressure and heat to decompose long-chain polymers of hydrogen, oxygen, and carbon into short-chain hydrocarbons with a maximum length of around 18 carbon atoms. A process may qualify as thermal depolymerization even if catalysts are used in the process.

Biodiesel Fuel Credit

The biodiesel fuel credit consists of the straight biodiesel credit, the biodiesel mixture credit, and the small agri-biodiesel producer credit. If you sell or use biodiesel (not in a mixture) as a fuel, you may be eligible for a general business credit on your income tax return. The biodiesel mixture credit was discussed earlier.

Certificate of Biodiesel. You must obtain and keep as part of your records a certification to you from the producer or importer of the biodiesel. The certificate is required for any biodiesel fuel credit claimed. The certificate must identify the product produced and the percentage of biodiesel and agri-biodiesel in the product. If the producer or importer of the biodiesel is also the taxpayer claiming the biodiesel credit, the certificate is required but lines 2–7 are not applicable. See Model Certificate O in the Appendix.

The certificate, and Statement of Biodiesel Reseller, if applicable, must be attached to Form 8864 for which the claim is made. See Model Statement S in the Appendix.

Straight biodiesel credit. You can claim the credit for any biodiesel not mixed with diesel fuel.

You are eligible for the credit for straight biodiesel only if you met one of the following requirements during the tax year:

- You used it as a fuel in your trade or business.
- You sold it at retail and placed it in the fuel tank of the buyer’s vehicle.

The credit is not allowed for biodiesel (including agri-biodiesel) you used as a fuel in a trade or business if that biodiesel (including agri-biodiesel) was sold to you in a retail sale described above.

Small agri-biodiesel producer credit. If you are an eligible small agri-biodiesel producer, you qualify for a credit on up to 15 million gallons of your qualified agri-biodiesel production for any tax year. This additional biodiesel fuel credit is 10 cents for each gallon.

You are an eligible small agri-biodiesel producer if, at all times during the tax year, you have an annual productive capacity of not more than 60 million gallons of any type of agri-biodiesel, including biodiesel not eligible for the credit.

For a partnership, trust, or S corporation, the 15- and 60-million gallon limits apply at both the entity level and the partner, beneficiary, or shareholder level.

Qualified agri-biodiesel fuel production. Your qualified agri-biodiesel fuel production is any agri-biodiesel you produce and sell during the tax year to another person for any of the following purposes:

- Use in the production of a qualified mixture in that person’s trade or business (except casual off-farm production).
- Use as a fuel in that person’s trade or business.
- Sale at retail by that person who puts the agri-biodiesel in the fuel tank of the buyer’s vehicle.

Cooperative election to allocate the small agri-biodiesel producer credit to patrons. A cooperative described in Internal Revenue Code section 1381(a) can elect to allocate any part of the small agri-biodiesel producer credit to patrons of the cooperative. The credit is allocated among the patrons on the basis of the quantity or value of business done with or for the patrons for the tax year. For more information, see Form 8864.

Failure to use for qualifying purposes. If the credit applied to an eligible small agri-biodiesel producer is for a biodiesel for a purpose listed under Qualified agri-biodiesel fuel production, you must pay a tax equal to the credit. Report this tax on Form 720.

How to claim the credit. You take the biodiesel fuel credit by completing Form 8864. All individuals and corporations taking the credit use Form 8864. Partnerships (including electing large partnerships), S corporations, estates, and trusts figure the credit on Form 8864 but divide the credit among their partners, shareholders, or beneficiaries.

If you take the biodiesel fuel credit, you must include the credit for the tax year in your gross income for that year.

Form 8864 is the only form on which you can claim the straight biodiesel fuel credit.

Mixing or failure to use as fuel. If the credit applied to biodiesel you bought and you later mix the biodiesel or do not use it as a fuel, you must pay a tax equal to the credit. Report this tax on Form 720.

Renewable Diesel Credits

Renewable diesel credit and renewable diesel mixture credit. Generally, the rules for the renewable diesel credit and renewable diesel mixture credit are the same as the biodiesel credit (defined earlier) and the biodiesel mixture credit (defined earlier). However, the small agri-biodiesel credit does not apply to renewable diesel.

Renewable diesel defined. For purposes of the renewable diesel credit or renewable diesel mixture credit, renewable diesel means diesel fuel derived from biomass (as defined in Internal Revenue Code section 45K(c)(3)) using a thermal depolymerization process that meets the registration requirements for fuels and fuel additives established by the EPA under section 211 of the Clean Air Act, and the requirements of the ASTM D975 and D396.

Thermal depolymerization defined. Thermal depolymerization is a process for the reduction of complex organic materials through the use of pressure and heat to decompose long-chain polymers of hydrogen, oxygen, and carbon into short-chain hydrocarbons with a maximum length of around 18 carbon atoms. A process may qualify as thermal depolymerization even if catalysts are used in the process.
Alternative Fuel Credits

Alternative fuel credit. In general, the alternative fuel credit is claimed by the alternative fueler (unmixed fuel). It is the alternative fueler that is liable for the tax imposed by section 4041 on the sale or delivery of the unmixed alternative fuel for use in a motor vehicle or motorboat, or, in the case of a nontaxable use, is the user of the alternative fuel in the motor vehicle or motorboat. In the case of a nonliquid fuel (CNG), the credit is based on the gasoline gallon equivalent of such fuel as shown on the claim form. If you purchased alternative fuel that is delivered by the vendor in general purpose portable containers for the propulsion of a forklift truck, you are eligible to take the credit.

Alternative fuel mixture credit. If you used an alternative fuel to produce an alternative fuel mixture for sale or use in your trade or business, you may be eligible for a credit or refund. An alternative fuel mixture is a mixture of alternative fuel and taxable fuel (gasoline, diesel fuel, or kerosene). You must sell the mixture to any person for use as a fuel or use the mixture as a fuel.

Alternative fuel defined. For purposes of the alternative fuel credit or alternative fuel mixture credit, alternative fuel means:
  - Liquefied petroleum gas,
  - Compressed natural gas,
  - Liquefied natural gas,
  - Liquefied hydrogen,
  - Liquid fuel derived from coal (including peat) through the Fischer-Tropsch process,
  - Liquid fuel derived from biomass (as defined in Internal Revenue Code section 48(k)(3)), and
  - P Series Fuels (as defined under section 13211(2) of title 42 (United States Code)).

Alternative fuel does not include ethanol, methanol, biodiesel, or renewable diesel.

Regulation. You must be registered by the IRS if you produce or import renewable diesel. See Registration Requirements in chapter 1.

How to claim the alternative fuel credit. You take the alternative fuel credit by completing Form 8864. You must include the credit for the fiscal year in your gross income for that year. Form 8864 is the only form on which you can claim the alternative fuel credit.

Filing Claims

This section tells you how to make a claim for a credit or refund of excise taxes on fuels. This section also covers recordkeeping requirements and when to include the credit or refund in your income.

General Information

Generally, you will provide all the information needed to claim a credit or refund when you properly complete Form 8849, Form 4136, Schedule C (Form 720), Form 6478, or Form 8864. In some cases, you will have to attach additional information. You need to keep records that support your claim for a credit or refund. Keep at your principal place of business all records needed to enable the IRS to verify that you are the person entitled to claim a credit or refund and the amount you claimed.

Ultimate purchaser. Ultimate purchasers of alternative fuel may claim the credit for the nonliquid use of fuels on Form 4136, Schedule 1 (Form 8849), and Schedule C (Form 720) if reporting excise tax liability on that return. If you are an ultimate purchaser, you must keep the following records:
  - The number of gallons purchased and used during the period covered by your claim.
  - The dates of the purchases.

Renewable diesel mixture defined. Renewable diesel mixture means a mixture of renewable diesel and diesel fuel (other than renewable diesel). The diesel fuel in a renewable diesel mixture may be either dyed or undyed. Diesel fuel produced by biomass and petroleum feedstocks using a thermal depolymerization process is a renewable diesel mixture if the fuel has been registered under section 211 of the Clean Air Act, and meets the requirements of ASTM D975 or D396.

Fuel Tax Credits and Refunds

Chapter 2

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the Model Certificate Q. A new certifi-
icate is required each year or when any infor-
mation in the current certificate ex-
pires.

Registered ultimate vendor. Registered ulti-
mate vendors may make claims for certain sales of
fuels on Form 4136, Schedule 2 (Form 8849),
and Schedule C (Form 720) if reporting excise
tax liability on that return. If you are a registered
ultimate vendor, you must keep certain informa-
tion pertaining to the sale of the fuel.

To make a claim, you must have sold the fuel
at a tax-excluded price, repaid the tax to the
buyer, or obtained the buyer’s written consent
to the allowance of the claim. You are required to
have a valid certificate or waiver in your posses-
io n in order to make the claim.

In addition, you must have a registration number
that has not been revoked or sus-
pended. See Form 637.

State use. To make a claim as an ultimate
vendor (state), you must have a UV registration
number and the fuel cannot be purchased with a
credit card as explained below. If you sell un-
dyed diesel fuel, undyed kerosene, or kerosene
for use in aviation for use by a state or local
government, you must keep the following infor-
mation.

• The name and taxpayer identification
  number of each person (government unit)
  that bought the fuel.
• The number of gallons sold to each per-
  son.
• An unexpired certificate from the buyer.

See Model Certificate P in the Appendix.
The certificate expires on the earlier of 1 year
after the date of the certificate or the date a new certificate is given to the regis-
tered ultimate vendor.

Nonprofit educational organization and
state use. To make a claim as an ultimate
vendor (nonprofit educational organization or
state), you must have a UV registration number.
If you sell gasoline or aviation gasoline to a
nonprofit educational organization for its exclu-
sive use or to a state or local government for its
exclusive use, you must keep the following infor-
mation.

• The name and taxpayer identification
  number of each person (nonprofit educa-
tional organization or government unit)
  that bought the fuel.
• The number of gallons sold to each per-
  son.
• An unexpired certificate from the buyer.

See Model Certificate M in the Appendix.
The certificate expires on the earlier of 1 year
after the date of the certificate or the date a new certificate is given to the regis-
tered ultimate vendor.

Blocked pump. To make a claim as an ulti-
mate vendor (blocked pump), you must have a
UP registration number. If you sell undyed ker-
osene (other than kerosene for use in aviation)
from a pump that qualifies as a blocked pump
because it is locked by you after each sale and is
unlocked by you at the request of the buyer, you
must keep the following information for each
sale of more than 5 gallons.

• The date of each sale.
• The name and address of the buyer.
• The number of gallons sold to that buyer.

Certain intercity and local bus use. To
make a claim as an ultimate vendor of undyed
diesel fuel or undyed kerosene used in certain
intercity and local buses, you must have a UB
registration. You must keep the following infor-
mation.

• The date of each sale.
• The name and address of the buyer.
• The number of gallons sold to the buyer.
• A copy of the waiver signed by the buyer
  at the time the credit or payment is
  claimed. See Model Waiver N in the Ap-
  pendix.

Kerosene for use in commercial aviation
or noncommercial aviation. To make a claim as
an ultimate vendor of kerosene for use in
commercial aviation (other than foreign trade) or
noncommercial aviation (other than nonexempt,
noncommercial aviation and exclusive use by a
state, political subdivision of a state, or the Dis-
trict of Columbia), you must have a UA registra-
tion number. See Kerosene for use in aviation,
earlier, for a list of nontaxable uses. You must
keep the following information.

• The date of each sale.
• The name and address of the buyer.
• The number of gallons sold to the buyer.
• A copy of the waiver signed by the buyer
  at the time the credit or payment is
  claimed. See Model Waiver L in the Ap-
  pendix.

Kerosene for use in nonexempt, noncom-
mercial aviation. To make a claim as an ulti-
mate vendor of kerosene for use in nonexempt,
noncommercial aviation, you must have a UA
registration number. You must keep the follow-
ing information.

• The date of each sale.
• The name and address of the buyer.
• The number of gallons sold to the buyer.
• A copy of the certificate signed by the
  buyer at the time the credit or payment is
  claimed. See Model Certificate Q in the
  Appendix.

Claims by credit card issuers. For sales of
gasoline, aviation gasoline, diesel fuel, ker-
osene, or kerosene for use in aviation that are
purchased by an exempt user with the use of a
credit card, the credit card issuer is the only
person who can make the claim. An exempt user
for this purpose is:

• For gasoline or aviation gasoline, a state
  or local government (including essential
government use by an Indian tribal gov-
  ernment) or a nonprofit educational organ-
  ization; or

• For diesel fuel, kerosene, or kerosene for
  use in aviation, a state or local govern-
  ment (including essential government use
  by an Indian tribal government).

If gasoline is purchased without the use of a
credit card, then the registered ultimate vendor
of the gasoline may make the claim for refund or
credit. Additionally, if any of the conditions de-
scribed are not met, then the exempt user may
make the claim.

If diesel fuel, kerosene, or kerosene for use
in aviation is purchased without the use of a
credit card, the registered ultimate vendor may
make the claim for refund or credit. A state is not
allowed to make a claim for these fuels. How-
ever, if the diesel fuel or kerosene is purchased
with a credit card issued to a state, but the credit
card issuer is not registered by the IRS or does
not meet the conditions described, the credit card
issuer must collect the tax and the state
may make the claim.

The claim from the credit card issuer must
contain the following information as it applies to
the fuel covered in the claim.

• The total number of gallons.
• Its registration number.
• A statement that it has not collected the
  amount of tax from the ultimate purchaser
  or has obtained the written consent of the
  ultimate purchaser to make the claim.
• A statement that it has repaid or agreed to
  repay the amount of tax to the ultimate
  vendor, has obtained the written consent
  of the ultimate vendor to make the claim,
or has otherwise made arrangements
which directly or indirectly provide the ulti-
mate vendor with reimbursement of the
tax.
• Has in its possession an unexpired certifi-
cate similar to Model Certificate R in the
Appendix and has no reason to believe
any of the information in the certificate is
false.

Taxpayer identification number. To file a
claim, you must have a taxpayer identification
number. Your taxpayer identification number
can be an:

• Employer identification number (EIN),
• Social security number (SSN), or
• Individual taxpayer identification number
  (ITIN), if you are an alien individual and do
  not have and are not eligible to get an
  SSN.

If you normally file only a U.S. individual in-
come tax return (such as Form 1040 or
1040NR), use your SSN or ITIN. You get an
SSN by filing Form SS-5, Application for a Social
Security Card, with the Social Security Adminis-
tration. To get an ITIN, file Form W-7, Applica-
tion for IRS Individual Taxpayer Identification
Number, with the IRS.

If you operate a business, use your EIN. If
you do not have an EIN, you may apply for one
online. Go to the IRS website at www.irs.gov/
businesses/small and click on the “Employer ID
Numbers (EINs)” link. You may also apply for an
EIN by calling 1-800-829-4933, or you can fax or

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Claiming a Refund

Generally, you may claim a refund of excise taxes paid or withheld from the total cost of the fuel (including the excise taxes) used for an off-highway business use (including $155 of excise taxes) used on the farm. Then, on Form 4136, Sharon claimed $108 as additional income on her 2008 Form 1040 by attaching Form 8849, not Form 4136, to make an annual claim.

Including the Credit or Refund in Income

In most situations, the amount claimed as a credit or refund will be less than the amount deducted as fuel tax expense because the LUST tax is generally not deductible.

- Include any credit or refund of excise taxes on fuels in your gross income if you claimed the total cost of the fuel (including the excise taxes) as a business expense that reduced your income tax liability.
- The year you include a credit or refund in gross income depends on whether you use the cash or accrual method of accounting.
- If you use the cash method and file a claim for refund, include the refund amount in your gross income for the tax year in which you receive the refund. If you claim a credit on your income tax return, include the credit amount in gross income for the tax year in which you file the Schedule C (Form 720).
- When to file. You can claim a fuel tax credit on your income tax return for the year you used the fuel (or sold the fuel in the case of a registered ultimate vendor).

TIP

You may be able to make a fuel tax claim on an amended income tax return for the year you used the fuel. Generally you must file an amended return by the later of 3 years from the date you filed your original return or within 2 years from the date you paid the income tax.

Calendar Quarters   Fuel Tax Expense   Fuel Tax Claim
January 1 – March 31 $1,300 $1,293
April 1 – June 30 . . . $1,094 $1,094
July 1 – Sept. 30 . . . $397 $397
Oct. 1 – Dec. 31 . . . $298 $298
Total $3,100 $3,082

The corporation deducts the entire cost of the gasoline (including the $3,100 in excise taxes) it used during the year as a business expense on its corporation income tax return, thereby reducing its corporate income tax liability for that year.

Form 8849. March Corporation files quarterly refund claims for the first two quarters (ending March 31 and June 30). It cannot file a quarterly refund claim for the third or fourth quarter because it did not meet the $750 minimum requirement.

Since March Corporation uses the cash method of accounting, the corporation includes $2,387 ($1,293 + $1,094) in its gross income for the tax year in which it receives the refund (2007).

Form 4136. The corporation claims the remaining amounts ($397 + $298) as a credit on its 2007 income tax return by attaching Form 8849, it files its tax return in 2008. It includes this credit ($695) in its 2008 gross income.

Accrual method. If you use an accrual method, include the amount of credit or refund in gross income for the tax year in which you used the fuels (or sold the fuels if you are a registered ultimate vendor). It does not matter whether you filed for a quarterly refund or claimed the entire amount as a credit.

Example 3. Patty Green uses an accrual method. She files her 2007 return on April 15, 2008. On Schedule C (Form 1040) she deducts the total cost of gasoline (including $165 of excise taxes) used for an off-highway business use during 2007. On Form 4136, Patty claims $153 as a credit. She reports the $153 as additional income on her 2007 Schedule C.

Example 4. Use the same facts as in Example 2 above, except that March Corporation uses an accrual method of accounting. Since the nontaxable use occurred in 2007, the corporate report shows the $3,082 of excise taxes as income on its 2007 income tax return. This consists of the $2,387 it claimed on Form 8849 and the $695 it claimed on Form 4136.

Example

Tyler S. Sands used undyed diesel fuel in vehicles used in his construction business. The vehicles were not registered (or required to be registered) for highway use. In the fourth quarter of his 2007 income tax year, which ends in December, he used 3,000 gallons of undyed diesel fuel. The excise tax on the 3,000 gallons of undyed diesel fuel he used was $732 ($110 per gallon).

Because the tax is less than $750, Tyler must claim a credit for the tax on his 2007 income tax return. He files out Form 4136 and attaches it to his 2007 income tax return, which
he files in 2008. He enters $729 (credit of $.243 per gallon) on line 70 of his Form 1040 and checks box b. Tyler uses the cash method of accounting. On his 2007 Schedule C (Form 1040), he deducts the total cost of the fuel, including the tax. When Tyler files his 2008 Form 1040, he will include the $729 credit shown on his 2007 Form 4136 as additional income on his Schedule C (Form 1040) for 2008.

Example, continued. For the first 2 quarters of 2008, Tyler's records show the following.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Gallons Used</th>
<th>Claim Rate</th>
<th>Claim Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>First</td>
<td>2,750</td>
<td>.243</td>
<td>$668.25</td>
</tr>
<tr>
<td>Second</td>
<td>2,500</td>
<td>.243</td>
<td>$607.50</td>
</tr>
</tbody>
</table>

Tyler could not file a claim for a refund for the first quarter because the amount of the claim was less than $750. He adds the first quarter amount ($668.25) to the second quarter amount ($607.50) and claims a refund of $1,275.75 by filing Form 8849 and Schedule 1 (Form 8849). The claim must be filed by September 30, 2008, which is the last day of the first quarter (July – Sept.) following the last quarter (April – June) included in the claim. He will have to include the $1,275.75 excise tax refund as additional income on his Schedule C (Form 1040) for 2008.
Part Two.

Excise Taxes
Other Than Fuel Taxes

3. Environmental Taxes

Environmental taxes are imposed on crude oil and petroleum products (oil spill liability), the sale or use of ozone-depleting chemicals (ODCs), and imported products containing or manufactured with ODCs. In addition, a field stock tax is imposed on ODCs held on January 1 by any person (other than the manufacturer or importer of the ODCs) for sale or for use in further manufacture.

Figure the environmental tax on Form 6627. Enter the tax on the appropriate lines of Form 720 and attach Form 6627 to Form 720.

For environmental tax purposes, United States includes the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, any possession of the United States, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, the continental shelf areas (applying the principles of the Internal Revenue Code section 638), and foreign trade zones. No one is exempt from the enviro tax if it is included in the federal government, state and local governments, Indian tribal governments, and nonprofit educational organizations.

Oil Spill Liability Tax

The oil spill liability tax is reported on Form 6627, Environmental Taxes, and Form 720, Quarterly Federal Excise Tax Return (IRS Nos. 18 and 21). The oil spill liability tax rate is $0.05 per barrel and generally applies to crude oil received at a U.S. refinery and to petroleum products entered into the United States for consumption, use, or warehousing. The tax also applies to certain uses and the exportation of domestic crude oil.

Crude oil includes crude oil condensates and natural gasoline. Petroleum products include crude oil, refined and residual oil, and other liquid hydrocarbon refinery products.

Crude oil. Tax is imposed on crude oil when it is received at a United States refinery. The operator of the refinery is liable for the tax. Tax is imposed on domestic crude oil used or exported before it is received at a United States refinery. However, the use of crude oil for extracting oil or natural gas on the premises where such crude oil was produced is not taxable. The user or exporter is liable for the tax.

Imported petroleum products. Tax is imposed on petroleum products when they enter the United States for consumption, use, or warehousing. The person entering the petroleum product into the country is liable for the tax.

Petroleum tax is imposed only once on any imported petroleum product. However, the operator of a U.S. refinery that receives imported crude oil must establish that the petroleum tax has already been imposed on such crude oil in order not to be liable for the tax.

ODCs
For a list of the taxable ODCs and tax rates, see the Form 6627 instructions.

Taxable Event
Tax is imposed on an ODC when it is first used or sold by its manufacturer or importer. The manufacturer or importer is liable for the tax.

Use of ODCs. You use an ODC if you put it into service in a trade or business or for the production of income. Also, an ODC is used if you use it in the making of an article, including incorporation into the article, chemical transformation, or release into the air. The loss, destruction, packaging, repackaging, or warehousing of ODCs is not a use of the ODC.

The creation of a mixture containing an ODC is treated as the use of that ODC. An ODC is contained in a mixture only if the chemical identity of the ODC is not changed. Generally, tax is imposed when the mixture is created and not on its sale or use. However, you can choose to have the tax imposed on its sale or use by checking the appropriate box on Form 6627. You can revoke this choice only with IRS consent.

The creation of a mixture for export or for use as a feedstock is not a taxable use of the ODCs contained in the mixture. Exceptions. The following may be exempt from the tax on ODCs:

• Metered-dose inhalers.
• Recycled ODCs.
• Exported ODCs.
• ODCs used as feedstock.

Metered-dose inhalers. There is no tax on ODCs used or sold for use as propellants in metered-dose inhalers. For a sale to be nontaxable, you must obtain from the purchaser an exemption certificate that you rely on in good faith. The certificate must be in substantially the form set forth in Regulations section 52.4682-2(d)(5). The certificate may be included as part of the sales documentation. Keep the certificate with your records.

Recycled ODCs. There is no tax on any ODC diverted or recovered in the United States as part of a recycling process (and not as part of the original manufacturing or production process). There is no tax on recycled Halon-1301 or recycled Halon-2402 imported from a country that has signed the Montreal Protocol on Substances that Deplete the Ozone Layer (Montreal Protocol). The Montreal Protocol is administered by the United Nations (U.N.). To determine if a country has signed the Montreal Protocol, contact the U.N. The Internet address is http://un treaty.un.org.

Exported ODCs. Generally, there is no tax on ODCs sold for export if certain requirements are met. For a sale to be nontaxable, you and the purchaser must be registered. See Form 637, Application for Registration (for Certain Excise Tax Activities). Also, you must obtain from the purchaser an exemption certificate that you rely on in good faith. Keep the certificate with your records. The certificate must be in substantially the form set forth in Regulations section 52.4682-5(d)(3). The tax benefit of this exemption is limited. For more information, see Regulations section 52.4682-5.

ODCs used as feedstock. There is no tax on ODCs sold for use or used as a feedstock. An ODC is used as a feedstock only if the ODC is entirely consumed in the manufacture of another chemical. The transformation of an ODC into one or more new compounds qualifies as use as a feedstock, but use of an ODC in a mixture does not qualify.

For a sale to be nontaxable, you must obtain from the purchaser an exemption certificate that you rely on in good faith. The certificate must be in substantially the form set forth in Regulations section 52.4682-2(d)(5). The certificate may be included as part of the sales documentation. Keep the certificate with your records.

Credits or Refunds
A credit or refund (without interest) of tax paid on ODCs may be claimed if a taxed ODC is:

• Used as a propellant in a metered-dose inhaler, then the person who used the ODC as a propellant may file a claim.
• Exported, then the manufacturer may file a claim.
• Used as a feedstock, then the person who used the ODC may file a claim.
For information on how to file for credits or refunds, see the Instructions for Form 720 or Schedule 6 (Form 6849).

**Conditions to allowance for ODCs exported.** To claim a credit or refund for ODCs that are exported, you must have repaid or agreed to repay the tax to the exporter, or obtained the exporter’s written consent to allowance of the credit. However, you must also have the evidence required by the EPA as proof that the ODCs were exported.

**Imported Taxable Products**

An imported product containing or manufactured with ODCs is subject to tax if it is entered into the United States for consumption, use, or warehousing and is listed in the Imported Products Table. The Imported Products Table is listed in Regulations section 52.4682-3(f)(6). The tax is based on the weight of the ODCs used as materials in the manufacture of the product. Use the following methods to figure the ODC weight.

- The actual (exact) weight of each ODC used as a material in manufacturing the product.
- If the actual weight cannot be determined, the ODC weight listed for the product in the Imported Products Table.

However, if you cannot determine the actual weight and the table does not list an ODC weight for the product, the rate of tax is 1% of the entry value of the product.

**Taxable Event**

Tax is imposed on an imported taxable product when the product is first sold or used by its importer. The importer is liable for the tax.

**Use of imported products.** You use an imported product if you put it into service in a trade or business or for the production of income or use it in the making of an article, including incorporation into the article. The loss, destruction, or business or for the production of income or use it in the making of an article, including incorporation into the article. The loss, destruction, or use as a feedstock, taxable product incorporated in that article if Part II lists electronic items not specifically included in the table, use as propellant in a metered-dose inhaler, or use as a propellant in a metered-dose inhaler.

**ODCs sold in a qualifying sale for:**

- Article manufactured or assembled in the United States as the first sale or use of an imported taxable product incorporated in that article if both the following apply.
  - The importer has consistently treated the sale of similar items as the first sale or use of similar taxable imported products.
  - The importer has not chosen to treat entry into the United States as use of the product.

**Imported Products Table**

The table lists all the products that are subject to the tax on imported taxable products and specifies the ODC weight (discussed later) of each product.

Each listing in the table identifies a product by name and includes only products that are described by that name. Most listings identify a product by both name and Harmonized Tariff Schedule (HTS) heading. In those cases, the product is included in that listing only if the product is described by that name and the rate of duty on the product is determined by reference to that HTS heading. A product is included in the listing even if it is manufactured with or contains a different ODC than the one specified in the table.

Part II of the table lists electronic items that are not included within any other list in the table. An imported product is included in this list only if the product meets one of the following tests.

- It is an electronic component whose operation involves the use of nonmechanical amplification or switching devices such as tubes, transistors, and integrated circuits.
- It contains components described in (1), which account for more than 15% of the cost of the product.

These components do not include passive electrical devices, such as resistors and capacitors. Items such as screws, nuts, bolts, plastic parts, and similar specially fabricated parts that may be used to construct an electronic item are not themselves included in the listing for electronics.

**Rules for listing products.** Products are listed in the table according to the following rules.

1. A product is listed in Part I of the table if it is a mixture containing ODCs.
2. A product is listed in Part II of the table if the Commissioner has determined that the ODCs used as materials in the manufacture of the product under the predominant method are used for purposes of refrigeration or air conditioning, creating an aerosol or foam, or manufacturing electronic components.
3. A product is listed in Part III of the table if the Commissioner has determined that the product meets both the following tests.
   a. It is not an imported taxable product.
   b. It would otherwise be included within a list in Part II of the table.

For example, floppy disk drive units are listed in Part III because they are not imported taxable products and would have been included in the Part II list for electronic items not specifically identified, but for their listing in Part III.

**ODC weight.** The Table ODC weight of a product is the weight, determined by the Commissioner, of the ODCs used as materials in the manufacture of the product under the predominant method of manufacturing. The ODC weight is listed in Part II in pounds per single unit of product unless otherwise specified.

**Modifying the table.** A manufacturer or importer of a product may request the IRS add a product and its ODC weight to the table. They also may request the IRS remove a product from the table, or change to specify the ODC weight of a product. To request a modification, see Regulations section 52.4682-3(g) for the mailing address and information that must be included in the request.

**Floor Stocks Tax**

The tax is imposed on any ODC held (other than by the manufacturer or importer of the ODC) on January 1 for sale or use in further manufacturing. The person holding title (as determined under local law) to the ODC is liable for the tax, whether or not delivery has been made.

These chemicals are taxable without regard to the type or size of storage container in which the ODCs are held. The tax may apply to an ODC whether it is in a 14-ounce can or a 30-pound tank.

You are liable for the floor stocks tax if you hold any of the following on January 1.

1. At least 400 pounds of ODCs other than halons or methyl chloroform.
2. At least 50 pounds of halons, or
3. At least 1,000 pounds of methyl chloroform.

If you are liable for the tax, prepare an inventory on January 1 of the taxable ODCs held on that date for sale or for use in further manufacturing. You must pay this floor stocks tax by June 30 of each year. The tax may apply to an ODC whether it is in a 14-ounce can or a 30-pound tank.

For the tax rates, see the Form 6627 instructions.

**ODCs not subject to floor stocks tax.** The floor stocks tax is not imposed on any of the following ODCs.

1. ODCs mixed with other ingredients that contribute to achieving the purpose for which the mixture will be used, unless the mixture contains only ODCs and one or more stabilizers.
2. ODCs contained in a manufactured article in which the ODCs will be used for their intended purpose without being released from the article.
3. ODCs that have been reclaimed or recycled.
4. ODCs sold in a qualifying sale for:
   a. Use as a feedstock,
   b. Export, or
   c. Use as a propellant in a metered-dose inhaler.
4. Communications and Air Transportation Taxes

Excise taxes are imposed on amounts paid for certain facilities and services. If you receive any payment on which tax is imposed, you are required to collect the tax, file returns, and pay the tax over to the government. If you fail to collect and pay over the taxes, you may be liable for the trust fund recovery penalty. See Penalties and Interest, in chapter 12.

Uncollected Tax Report

A separate report is required to be filed by collecting agents of communications services and air transportation taxes if the person from whom the facilities or services tax (the tax) is required to be collected (the taxpayer) refuses to pay the tax, or it is impossible for the collecting agent to collect the tax. The report must contain the name and address of the taxpayer, the type of facility provided or service rendered, the amount paid for the facility or service (the amount on which the tax is based), and the date paid.

Regular method taxpayers. For regular method taxpayers, the report must be filed by the due date of the Form 720 on which the tax would have been reported.

Alternative method taxpayers. For alternative method taxpayers, the report must be filed by the due date of the Form 720 that includes an adjustment to the separate account for the uncollected tax. See Alternative method in chapter 11.

Where to file. Do not file the uncollected tax report with Form 720. Instead, mail the report to:

Internal Revenue Service
Excise Tax Program
SE:S:EP-EX MS C9--109
5000 Elin Rd.
Lanham, MD 20706

Communications Tax

After July 31, 2006, collectors stopped collecting and paying over the tax on nontaxable service. Taxpayers may request a credit or refund only on their 2006 federal income tax return for nontaxable service that was billed after February 28, 2003, and before August 1, 2006. Instructions are provided on the applicable income tax returns. Claims can no longer be filed on Form 8849, Form 720, or Form 843 for nontaxable service; the IRS will not process these claims. If you filed a claim prior to May 25, 2006, you or your representative should have received a letter from the IRS explaining how your claim will be processed. If you or your representative have not received a letter or an IRS agent has not contacted you, call 1-866-699-4096 for assistance. If you did not request a refund on your 2006 income tax return, you can file an amended return.

Information on the credit and refund procedures for collectors is described under Credit or Refunds, later. For more information, see Notices 2006-50 and 2007-11.

A 3% tax is imposed on amounts paid for local telephone service and teletypewriter exchange service.

Local telephone service. This includes access to a local telecommunications system as part of the local telephone service. Local telephone service also includes any facility or service provided in connection with the service. The tax applies to leases payments for certain customer premises equipment (CPE) even though the lessee does not also provide access to a local telecommunications system.

Local-only service. Local-only service is local telephone service as described above, provided under a plan that does not include long distance telephone service or that separately states the charge for local service on the bill to the customer. Local-only service also includes any facility or service provided in connection with this service, even though these services and facilities may also be used with long-distance service.

Private communication service. Private communication service is not local telephone service. Private communication service includes accessory-type services provided in connection with a Centrex, PBX, or other similar system for dual use accessory equipment. However, the charge for the service must be stated separately from the charge for the basic system, and the accessor must function, in whole or in part, in connection with intercommunication among the subscriber’s stations.

Teletypewriter exchange service. This includes access from a teletypewriter or other data station to a teletypewriter exchange system and the privilege of intercommunication by that station to other persons having teletypewriter or other data stations in the same exchange system.

Figuring the tax. The tax is based on the sum of all charges for local telephone service included in the bill. However, if the bill groups individual items for billing and tax purpose, the tax is based on the sum of the individual items within that group. The tax on the remaining items not included in any group is based on the charge for each item separately. Do not include in the tax base state or local sales or use taxes that are separately stated on the taxpayer’s bill.

Exemptions

Payments for certain services or payments from certain users are exempt from the communications tax.

Nontaxable service. Nontaxable service means bundled service and long distance service. Nontaxable service also includes pre-paid telephone cards and pre-paid cellular service.

Bundled service. Bundled service is local and long distance service provided under a plan that does not separately state the charge for the local telephone service. Bundled service includes plans that provide both local and long distance service for either a flat monthly fee or a charge that varies with the elapsed transmission time for which the service is used. Telecommunications companies provide bundled service for both landlines and wireless (cellular) service. If Voice over Internet Protocol service provides both local and long distance service and the charges are not separately stated, such service is bundled service.

The method for sending or receiving a call, such as on a landline telephone, wireless (cellular) or some other method, does not affect whether a service is local-only or bundled.

Long distance service. Long distance service is telephonic quality communication with persons whose telephones are outside the local telephone system of the caller.

Pre-paid telephone cards (PTC). A PTC will be treated as bundled service unless a PTC expressly states it is for local-only service. Generally, the person responsible for collecting the tax is the carrier who transfers the PTC to the transferee. The transferee is the first person that is not a carrier to whom a PTC is transferred by the carrier. The transferee is the person liable for the tax and is eligible to request a credit or refund. For more information, see Regulations section 49.4251-4.

The holder is the person that purchases a PTC to use and not to resell. Holders are not liable for the tax and cannot request a credit or refund.

Pre-paid cellular telephones. Rules similar to the PTC rules described above apply to pre-paid cellular telephones. The transferee is the person eligible to request the credit or refund.

Installation charges. The tax does not apply to payments received for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment. However, the tax does apply to payments for the repair or replacement of those items incidental to ordinary maintenance.

Answering services. The tax does not apply to amounts paid for a private line, an answering service, and a one-way paging or message service if they do not provide access to a local telephone system and the privilege of telephonic communication as part of the local telephone system.

Mobile radio telephone service. The tax does not apply to payments for a two-way radio service that does not provide access to a local telephone system.

Coin-operated telephones. The tax for local telephone service does not apply to payments
made for services by inserting coins in public coin-operated telephones. But the tax applies if the building, restaurant, hotel, or other place of business furnishes such services for a guaranteed amount. Figure the tax on the amount paid under the guarantee plus any fixed monthly or other periodic charge.

Telephone-operated security systems. The tax does not apply to amounts paid for telephones used only to originate calls to a limited number of telephone stations for security entry into a building. In addition, the tax does not apply to any amounts paid for rented communication equipment used in the security system.

News services. The tax on teletypewriter exchange service does not apply to charges for the following news services:

- Services dealing exclusively with the collection or dissemination of news for or through the public press or radio or television broadcasting.
- Services used exclusively in the collection or dissemination of news by a news service furnishing a general news service similar to that of the public press.

This exemption applies to payments received for messages from one member of the news media to another member (or to or from their bona fide correspondents). For the exemption to apply, the charge for these services must be billed in writing to the person paying for the service and that person must certify in writing that the services are used for an exempt purpose.

Services not exempted. The tax applies to amounts paid by members of the news media for local telephone service.

International organizations and the American Red Cross. The tax does not apply to communication services furnished to an international organization or to the American National Red Cross.

Nonprofit hospitals. The tax does not apply to telephone services furnished to income-tax-exempt nonprofit hospitals for their use. Also, the tax does not apply to amounts paid by these hospitals to provide local telephone service in the homes of their personnel who must be reached during their off-duty hours.

Nonprofit educational organizations. The tax does not apply to payments received for services and facilities furnished to a nonprofit educational organization for its use. A nonprofit educational organization is one that satisfies all the following requirements:

- It normally maintains a regular faculty and curriculum.
- It normally has a regularly enrolled body of pupils or students in attendance at a place where its educational activities are regularly carried on.
- It is exempt from income tax under Internal Revenue Code section 501(a).

This includes a school operated by an organization exempt under Internal Revenue Code section 501(c)(3) if the school meets the above qualifications.

Qualified blood collector organizations. The tax does not apply to telephone services furnished to qualified blood collector organizations for their use. A qualified blood collector organization is one that is:

- Described in section 501(c)(3) and exempt from tax under section 501(a),
- Primarily engaged in the activity of collecting human blood,
- Registered with the IRS, and
- Registered by the Food and Drug Administration to collect blood.

Federal, state, and local government. The tax does not apply to communication services provided to the government of the United States, the government of any state or its political subdivisions, the District of Columbia, or the United Nations. Treat an Indian tribal government as a state for the exemption from the communications tax only if the services involve the exercise of an essential tribal government function.

Exemption certificate. Any form of exemption certificate will be acceptable if it includes all the information required by the Internal Revenue Code and Regulations. See Regulations section 49.4253-11. File the certificate with the provider of the communication services. An exemption certificate is not required for nontaxable services.

The following users that are exempt from the communications tax do not have to file an annual exemption certificate after they have filed the initial certificate to claim an exemption from the communications tax:

- The American National Red Cross and other international organizations.
- Nonprofit hospitals.
- Nonprofit educational organizations.
- Qualified blood collector organizations.
- State and local governments.

The federal government does not have to file any exemption certificate.

All other organizations must furnish exemption certificates when required.

Credits or Refunds

If tax is collected and paid over for nontaxable services, or for certain services or users exempt from the communications tax, the collector or taxpayer may claim a credit or refund if it has repaid the tax to the person from whom the tax was collected or obtained the consent of that person to the allowance of the credit or refund. Alternatively, the person who paid the tax may claim a refund. For more information on how to file for credits or refunds, see the Instructions for Form 720 or Form 8489.

Collectors using the regular method for deposits. Collectors using the regular method for deposits must use Form 720X to request a credit or refund if the collector has repaid the tax to the person from whom the tax was collected, or obtained the consent of that person to the allowance of the credit or refund.

Collectors using the alternative method for deposits. Collectors using the alternative method for deposits must adjust their separate accounts for the credit or refund if it has repaid the tax to the person from whom the tax was collected, or obtained the consent of that person to the allowance of the credit or refund. For more information, see the Instructions for Form 720.

Taxpayers. Credits or refunds for nontaxable service that was billed after February 28, 2003, and before August 1, 2006, can be requested by taxpayers only on their 2006 federal income tax returns. Instructions to request the credit or refund are available with the 2006 income tax returns. Do not use Form 8849, Form 720, or Form 843 to make claims for nontaxable service; the IRS will not process these claims. If you did not request a credit or refund on your 2006 income tax return, you can file an amended return.

Air Transportation Taxes

Taxes are imposed on amounts paid for:

- Transportation of persons by air,
- Use of international air travel facilities, and
- Transportation of property by air.

Transportation of Persons by Air

The tax on transportation of persons by air is made up of:

- Percentage tax
- Domestic-segment tax

Percentage tax. A tax of 7.5% applies to amounts paid for taxable transportation of persons by air. Amounts paid for transportation include charges for layover or waiting time and movement of aircraft in deadhead service.

Mileage awards. The percentage tax may apply to an amount paid (in cash or in kind) to an air carrier (or any related person) for the right to provide mileage awards for, or other reductions in the cost of, any transportation of persons by air. For example, this applies to mileage awards purchased by credit card companies, telephone companies, restaurants, hotels, and other businesses.

Generally, the percentage tax does not apply to amounts paid for mileage awards where the mileage awards cannot, under any circumstances, be redeemed for air transportation that is subject to the tax. Until regulations are issued, the following rules apply to mileage awards:

- Amounts paid for mileage awards that cannot be redeemed for taxable transportation beginning and ending in the United States are not subject to the tax. For this rule, mileage awards issued by a foreign air carrier are considered to be usable...
only on that foreign air carrier and thus not redeemable for taxable transportation beginning and ending in the United States. Therefore, amounts paid to a foreign air carrier for mileage awards are not subject to the tax.

- Amounts paid by an air carrier to a domestic air carrier for mileage awards that can be redeemed for taxable transportation are not subject to the tax to the extent those miles will be awarded in connection with the purchase of taxable transportation.

- Amounts paid by an air carrier to a domestic air carrier for mileage awards that can be redeemed for taxable transportation are not subject to the tax to the extent those miles will not be awarded in connection with the purchase of taxable transportation.

**Domestic-segment tax.** The domestic-segment tax is a flat dollar amount for each segment of taxable transportation for which an amount is paid. However, see **Rural airports**, later. A segment is a single takeoff and a single landing.

The domestic-segment tax is $3.50 per segment that begins during 2008.

**Example.** In January 2008, Frank Jones pays $265 to a commercial airline for a flight in January from Washington to Chicago with an intermediate stop in Cleveland. The flight comprises two segments. The price includes the $240 fare and $25 excise tax ($240 × 7.5%) + ($265 × 7.5%) for which Frank is liable. The airline collects the tax from Frank and pays it over to the government.

**Charter flights.** If an aircraft is chartered, the domestic-segment tax for each segment of taxable transportation is figured by multiplying the tax by the number of passengers transported on the aircraft.

**Example.** In March 2008, Tim Clark pays $1,124 to an air charter service to carry seven employees from Washington to Detroit with an intermediate stop in Pittsburgh. The flight comprises two segments. The price includes the $1,000 charter payment and $124 excise tax ($1,000 × 7.5%) + ($124 × 7 passengers) for which Tim is liable. The charter service collects the tax from Tim and pays it over to the government.

**Rural airports.** The domestic-segment tax does not apply to a segment to or from a rural airport. An airport is a rural airport for a calendar year if fewer than 100,000 commercial passengers departed from the airport by air during the second preceding calendar year (the 100,000 passenger rule), and one of the following is true:

1. The airport is not located within 75 miles of another airport from which 100,000 or more commercial passengers departed during the second preceding calendar year.
2. The airport was receiving essential air service subsidies as of August 5, 1997, or
3. The airport is not connected by paved roads to another airport.

To apply the 100,000 passenger rule to any airport described in (3) above, only count commercial passengers departing from the airport by air on flight segments of at least 100 miles.


**Taxable transportation.** Taxable transportation is transportation by air that meets either of the following tests.

1. It begins and ends either in the United States or at any place in Canada or Mexico, or not more than 225 miles from the nearest port or station in the United States (this is the 225-mile area).
2. It is directly or indirectly from one port or station in the United States to another port or station in the United States, but only if it is not a part of uninterrupted international air transportation, discussed later.

**Round trip.** A round trip is considered two separate trips. The first trip is from the point of departure to the destination. The second trip is the return trip from that destination.

**Uninterrupted international air transportation.** This means transportation entirely by air that does not begin and end in the United States or in the 225-mile zone if there is not more than a 12-hour scheduled interval between arrival and departure at any station in the United States. For a special rule that applies to military personnel, see Exemptions, later.

**Transportation between the continental U.S. and Alaska or Hawaii.** This transportation is partially exempt from the tax on transportation of persons by air. The tax does not apply to the part of the trip between the point at which the route of transportation leaves or enters the continental United States (or a port or station in the 225-mile zone) and the point at which it enters or leaves Hawaii or Alaska. Because the trip is made, the air transportation tax applies to the transportation of persons by air between any ports or stations in the Aleutian Islands or between any ports or stations elsewhere in Alaska. The tax applies even though parts of the flight may be over international waters or over Canada, if there is no point on the direct line of transportation between the ports or stations more than 225 miles from the United States (Hawaii or Alaska).

**Package tours.** The air transportation taxes apply to “complimentary” air transportation furnished solely to participants in package holiday tours. The amount paid for these package tours includes a charge for air transportation even though it may be advertised as “free.” This rule also applies to the tax on the use of international air travel facilities, discussed later.

**Liability for tax.** The person paying for taxable transportation is liable for the tax and, ordinarily, the person receiving the payment collects the tax, files the returns, and pays the tax over to the government. However, if payment is made outside the United States for a prepaid order, exchange order, or similar order, the person furnishing the initial transportation provided for under that order must collect the tax.

A travel agency that buys tickets from a ticket broker and sells tours on aircraft that it charters must collect the transportation tax, file the returns, and pay the tax over to the government. However, a travel agency that sells tours as an agent of an airline must collect the tax and remit it to the airline for the filing of returns and for the payment of the tax over to the government. An independent third party that is not under the airline’s supervision or control, but is acting on behalf of, and receiving compensation from, a passenger, is not required to collect the tax and pay it to the government. For more information on resellers of air transportation, see Revenue Ruling 2006-52. You can find Revenue Ruling 2006-52 on page 761 of Internal Revenue Bulletin 2006-43 at [http://www.irs.gov/pub/irs-irbs/irb06-43.pdf](http://www.irs.gov/pub/irs-irbs/irb06-43.pdf).

The fact that the aircraft does not use public or commercial airports in taking off and landing has no effect on the tax. But see **Certain helicopter uses**, later.

For taxable transportation that begins and ends in the United States, the tax applies regardless of whether the payment is made in or outside the United States.

If the tax is not paid when payment for the transportation is made, the air carrier providing the transportation must collect the tax, file the returns, and pay the tax over to the government.

**Exemptions.** The tax on transportation of persons by air does not apply in the following situations. See also **Special Rules on Transportation Taxes**, later.

**Military personnel on international trips.** When traveling in uniform at their own expense, United States military personnel on authorized leave are deemed to be traveling in uninterrupted international air transportation (defined earlier) even if the scheduled interval between arrival and departure at any station in the United States is actually more than 12 hours. However, such personnel must buy their tickets within 12 hours after landing at the first domestic airport and accept the first available accommodation of the type called for by their tickets. The trip must begin or end outside the United States and the 225-mile zone.

**Certain helicopter uses.** The tax does not apply to air transportation by helicopter if the helicopter is used for any of the following purposes:

1. Transporting individuals, equipment, or supplies in the exploration for, or the development or removal of, hard minerals, oil, or gas.
2. Planting, cultivating, cutting, transporting, or caring for trees (including logging operations).
3. Providing emergency medical transporta-
   tion. However, during a use described in items (1) or (2), the tax applies if the helicopter takes off
   from, or lands at, a facility eligible for assistance under the Airport and Airway Development Act
   of 1970, or otherwise uses services provided
   under section 44509 or 44913(b) or subchapter I
   of chapter 471 of title 49, United States Code.

   Fixed-wing aircraft uses. The tax does not apply
   to air transportation by fixed-wing aircraft if
   the fixed-wing aircraft is used for any of the
   following purposes.
   1. Planting, cultivating, cutting, transporting,
      or caring for trees (including logging opera-
      tions).

   2. Providing emergency medical transporta-
      tion. The aircraft must be equipped for
      and exclusively dedicated on that flight to acute
      care emergency medical services.

   However, during a use described in item (1),
   the tax applies if the fixed-wing aircraft takes off
   from, or lands at, a facility eligible for assistance
   under the Airport and Airway Development Act
   of 1970, or otherwise uses services provided
   under section 44509 or 44913(b) or subchapter I
   of chapter 471 of title 49, United States Code.

   Skydiving. The tax does not apply to any air
   transportation exclusively for the purpose of
   skydiving.

   Seaplanes. The tax does not apply to any air
   transportation by seaplane for any segment
   consisting of a takeoff from, and a landing on,
   water if the places where the takeoff and landing
   occur are not receiving financial assistance from
   the Airport and Airways Trust Fund.

   Bonus tickets. The tax does not apply to free
   bonus tickets issued by an airline company to
   its customers who have satisfied all require-
   ments to qualify for the bonus tickets. However,
   the tax applies to amounts paid by customers for
   advance bonus tickets when customers have
   traveled insufficient mileage to fully qualify for
   the free advance bonus tickets.

International Air Travel Facilities
A $31.40 tax per person is imposed on amounts
paid during 2008 (whether in or outside the United States) for international flights that begin
or end in the United States. However, for a
domestic segment that begins or ends in Alaska or Hawaii, a $7.70 tax per person applies only to
departures. This tax does not apply if all the
transportation is subject to the percentage tax,
discussed earlier.

Transportation of Property by Air
A tax of 6.25% is imposed on amounts paid
(whether in or outside the United States) for
transportation of property by air. The fact that
the aircraft may not use public or commercial
airports in taking off and landing has no effect on
the tax. The tax applies only to amounts paid to
a person engaged in the business of transport-
ing property by air for hire.

The tax applies only to transportation (includ-
ing layover time and movement of aircraft in
deadhead service) that begins and ends in the
United States. Thus, the tax does not apply to transportation of property by air that begins or
ends outside the United States.

Exemptions. The tax on transportation of property by air does not apply in the following
situations. See also Special Rules on Transpor-
tation Taxes, later.

1. Cropdusting and firefighting service. The
tax does not apply to amounts paid for cropdust-
ning or aerial firefighting service.

2. Exportation. The tax does not apply to
payments for transportation of property by air in
the course of exportation (including any United
States possessions) by continuous movement,
as evidenced by the execution of Form 1363.

3. Fixed-wing aircraft uses. The tax does not apply to
any air transportation by fixed-wing aircraft if
the fixed-wing aircraft is used for any of the
situations. See also Special Rules on Transpor-
tation Taxes, later.

4. Exportation. The tax does not apply to
payments for transportation of property by air in
the course of exportation (including any United
States possessions) by continuous movement,
as evidenced by the execution of Form 1363.

5. Certain helicopter and fixed-wing air ambu-
ance uses. The tax does not apply to amounts paid for the use of helicopters in con-
struction to set heating and air conditioning units
on roofs of buildings, to dismantle tower cranes,
and to aid in construction of power lines and ski
lifts.

6. Skydiving. The tax does not apply to any air
transportation exclusively for the purpose of
skydiving.

7. Excess baggage. The tax does not apply to excess baggage accompanying a passenger on
an aircraft operated on an established line.

   Alaska and Hawaii. For transportation of
   property to and from Alaska and Hawaii, the tax
   in general does not apply to the portion of the
   transportation that is entirely outside the conti-
   nental United States (or the 225-mile zone if the
   aircraft departs from or arrives at an airport in
   the 225-mile zone). But the tax applies to flights
   between ports or stations in Alaska and the
   Aleutian Islands, as well as between ports or
   stations in Hawaii. The tax applies even though
   parts of the flights may be over international
   waters or over Canada, if no point on a line
   drawn from where the route of transportation
   leaves the United States (Alaska) to where it
   reenters the United States (Alaska) is more than
   225 miles from the United States.

8. Liability for tax. The person paying for tax-
able transportation is liable for the tax and, ordi-
narily, the person engaged in the business of
transporting property by air for hire receives the
payment, collects the tax, files the returns, and
pays the tax over to the government.

If tax is not paid when a payment is made
outside the United States, the person furnishing
the last segment of taxable transportation col-
llects the tax, and the proceeds of the tax paid
for the transportation are delivered in the United States.

Special Rules on Transportation Taxes
In certain circumstances, special rules apply to the taxes on transportation of persons and prop-
erty by air.

Aircraft used by affiliated corporations. The taxes do not apply to payments received by
one member of an affiliated group of corpora-
tions from another member for services fur-
ished in connection with the use of an aircraft.
However, the aircraft must be owned or leased
by a member of the affiliated group and cannot
be available for hire by a nonmember of the
affiliated group. Determine whether an aircraft is
available for hire by a nonmember of an affiliated
group on a flight-by-flight basis.

For this rule, an affiliated group of corpora-
tions is any group of corporations connected
with a common parent corporation through 80%
or more of stock ownership.

Small aircraft. The taxes do not apply to transportation furnished by an aircraft having a
maximum certificated takeoff weight of 6,000
pounds or less. However, the taxes do apply if
the aircraft is operated on an established line.

“Operated on an established line” means the
aircraft operates with some degree of regularity
between definite points. However, it does not
include any time an aircraft is being operated on
a flight that is solely for sightseeing.

Consider an aircraft to be operated on an
established line if it is operated on a charter
basis between two cities also served by that
carrier on a regularly scheduled basis.

Mixed load of persons and property. If a
single amount is paid for air transportation of
persons and property, the payment must be
allocated between the amount subject to the tax
on transportation of persons and the amount
subject to the tax on transportation of property.

The allocation must be reasonable and sup-
ported by adequate records.

Credits or Refunds
If tax is collected and paid over for air transporta-
tion that is not taxable air transportation, the
collector may claim a credit or refund if it has
repaid the tax to the person from whom the tax
was collected or obtained the consent of that
person to the allowance of the credit or refund.
Alternatively, the person who paid the tax may
claim a refund. For information on how to file
for credits or refunds, see the Instructions for Form
720 or Form 8849.
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.

Manufacuturer. 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 are considered the manufacturer even though another person actually manufactures the taxable article.

A manufacturer who sells a taxable article in a condition packed ready for shipment is liable for the tax. The person who furnishes the materials and keeps title to those materials and to the finished article, even though another person actually manufactures the taxable article, is considered the manufacturer.

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 on the normal sale price.

1. Include both the following charges in the sale price:
   - Any charge for coverings or containers (regardless of their nature).
   - Any charge to place the article in a condition packed ready for shipment.

2. Exclude all the following amounts from the sale price:
   - The manufacturers excise tax, whether or not it is stated as a separate charge.
   - The transportation charges pursuant to the sale. The cost of transportation of goods to a warehouse is not excludable.
   - Delivery, insurance, installation, retail dealer preparation charges, and other charges for goods in the hands of the purchaser under a bona fide sale.
   - Discounts, rebates, and similar allowances actually granted to the purchaser.
   - 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.
   - Charges for warranty paid at the purchaser's option. However, a charge for a warranty of an article that the manufacturer guarantees to 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 article 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 does not 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 does not 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 does not 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 does not 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 does not 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 are liable for the tax on their resale or use just as if you had manufactured and sold them.

The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.
Sale of an article for export or for resale by the purchaser to a second purchaser for export. The article must be exported to a foreign country or to a possession of the United States. A vaccine shipped to a possession of the United States is not considered to be exported. If an article is sold tax free for export and the manufacturer does not receive proof of export, described in section 48.4221-3(d) for the certificate requirements.

Sales of articles of native Indian handiwork, 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 Internal Revenue Code 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 is not required for:

- State or local governments,
- Foreign purchasers of articles sold or re-sold for export,
- The United States, 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 48.4221-3(d) for the certificate requirements.

For sales for use as supplies for vessels and aircraft, if the manufacturer and purchaser are not 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 46.4221-4(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 (with few exceptions) 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 manufactures 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 reposition 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 claims applies and that the claimant has the required supporting information:

- The claimant sold the article at a tax-excluded price.
- The person has paid, or agreed to re-pay, 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 generally is 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, and other fishing lines not over 130 pounds test, fishing spears, spear guns, and spear tips.

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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 lip-ups and lills.

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, is not imposed if the constructive sale price rules under Internal Revenue Code 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 Internal Revenue Code section 465(b)(3)(C).

Bows, Quivers, Broadheads, and Points

The tax on bows is 11% (.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

The tax on arrow shafts is $4.34 per arrow shaft beginning January 1, 2008. 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 after which its assembly meets either of the following conditions:

• It measures 18 inches or more in overall length. The applicable tonnage rate, and the point at which you figure the sale price for applying the 4.4% rate.

• It measures less than 18 inches in overall length but is suitable for use with a taxable bow, described earlier.

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

Coal

A tax is imposed 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 is not 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:

• $11.00 a ton, or

• 4.4% 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.

Coal will be taxed at the 4.4% 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 × 10.5 tons ($11.55).

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 produced from an underground mine when the coal is not 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 type of coal contained in the final blend.

Determine 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.

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.

Do not 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 a mining process or other than a mining process. A mining process means the same for this purpose as for percentage depletion. For example, the tax does not apply if, before selling the coal, you break it, clean it, size it, or apply a dust control process considered mining under the rules for depletion. In this case, the tax applies only when you sell the coal. The tax does not apply to coal used as fuel in the coal drying process since it is 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 is not used in a mining process.

You must use a constructive sale price to figure the tax under the 4.4% 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 blending 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 cannot determine the proportion of each type of coal in the blend. However, the tax is limited to 4.4% of the sale price per ton of the blended coal.

Exemption from tax. The tax does not 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 does not 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 lading signed by a customs officer of the foreign country to which the coal is exported.
- If the foreign country does not have a customs administrator, a statement of the foreign consignee showing receipt of the coal.

## Taxable Tires

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 $0.0945 ($0.4725 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.

- **Tire categories other than biasply or super single tires** at $0.0945.
- **Tires, biasply or super single tires** (other than super single tires designed for steering) at $0.4725.
- **Tires, super single tires designed for steering** at $0.0945.

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 (excluding tires on an automobile bus chassis or body with tires).

### Tires exempt from tax.

Tires on qualitative or local purposes. This includes: 2. Vehicles operated exclusively on a railroad or gum. 3. Vehicles sold for use and used primarily: (a) as ambulances or combination ambulance-hearse, (b) for police or other law enforcement purposes by federal, state, or local governments, or (c) for firefighting purposes.

### Vehicles not subject to tax.

- 1. Limousines with a gross unloaded vehicle weight of more than 6,000 pounds.
- 2. Vehicles operated exclusively on a rail or rail-
- 3. Vehicles sold for use and used primarily: (a) as ambulances or combination ambulance- hearse, (b) for police or other law enforcement purposes by federal, state, or local governments, or (c) for firefighting purposes.

### 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 (as defined under Communications Tax in chapter 4).
- Sold to a qualified blood collector organization for its exclusive use (as defined under Communications Tax in chapter 4).
- Sold to a qualified blood collector organization for its exclusive use (as defined under Communications Tax in chapter 4).
- Sold to a qualified blood collector organization for its exclusive use (as defined under Communications Tax in chapter 4).

### 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.

### 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 Environmental Protection Agency (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:

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

### Taxable tires.

The following items are not considered automobiles.

1. Limousines with a gross unloaded vehicle weight of more than 6,000 pounds.
2. Vehicles operated exclusively on a rail or railroad.
3. Vehicles sold for use and used primarily:
   - as ambulances or combination ambulance-hearse,
   - for police or other law enforcement purposes by federal, state, or local governments, or
   - for firefighting purposes.

This includes limousines manufactured primarily to transport more than 10 persons.

The manufacturer can sell a vehicle described in item (3) tax free only if the sale is made directly to a purchaser for the described purpose 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 of 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 do not have a model type-based fuel economy rating assigned by the EPA. An automobile imported into the United States without a certificate of conformity to United States emission standards and that has no assigned fuel economy rating must be either:
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 designed to transport its load on the same chassis function of transporting a particular type of load. A tractor may carry incidental items of cargo when towing or limited amounts of cargo when not towing.

A trailer or semitrailer is considered a trailer 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 is 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 are not considered highway vehicles for purposes of the retail tax.

1. Specially designed mobile machinery for nontransportation functions. A self-propelled vehicle is not 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, tilling, 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 could not, 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 is not 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 vehicle’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 does not matter that the vehicle can carry heavier loads off highway than it is allowed to carry over the highway.

3. Nontransportation trailers and semi-trailers. A trailer or semi-trailer is not treated as a highway vehicle if it is 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 of only functioning as an office trailer or a refrigerator truck body is considered non-highway vehicle.

Gross vehicle weight. The tax does not apply to a truck chassis and bodies suitable for use with a vehicle that has a gross vehicle weight (defined below) of 33,000 pounds or less. It also does not 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 the 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, which is on page 832 of Internal Revenue Bulletin 2005-14 at www.irs.gov/pub/irs-ibs/ib05-14.pdf.

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. See Regulations section 145.4051-1(e)(3) for more information.

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 are 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 does not apply to parts and accessories that are spares or replacements.

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 does not apply if the installed part or accessory is a replacement part or accessory. The tax also does not 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 Internal Revenue Code 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 "short-term" basis. 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 recol'd 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 cannot exceed the tax on the resale. See Regulations section 145.4052-1(a)(4) for information on the conditions to allow 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 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 does not 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 considerations of the type and rule applicable to the facts 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 is not incurred on the later sale or lease.

Presumptive retail sales price. There are rules to ensure that the tax base of transactions concerning sales includes either an actual or presumed markup percentage. If the person liable for tax is the vehicle's manufacturer, producer, importer, or the following, the appropriate calculation for various transactions.

- The presumed markup percentage is determined according to the type and rule above. Use of trucks and truck-tractors is 4%. But for trailer and semitrailers and remanufactured trucks and tractors, the presumed markup percentage is zero.

- 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.

- For a taxable sale by a manufacturer, producer, importer, or related person, you generally figure the tax on the lowest established retail price for the articles 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 constructive sales price at which those or similar articles are generally sold in the ordinary course of trade by retailers.

- 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 constructive sales price at which the article was sold to the lessee 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. Do not 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 earlier under Determination of tax base. When you sell an article to the consumer, generally you do not add a presumed markup to the tax base. However, you do add a markup if all the following apply:
  - You do not 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 do not 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 presumed 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 resale dealer to the customer. In the case of delivery directly from the manufacturer to the customer's customer, include the transportation and delivery charges and the extent the charges do not exceed what it would have cost to ship the article to the dealer.

- Exclude amounts charged for machinery or equipment that does not 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 is not 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 does not 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 does not apply to an article that was not subject to the tax when it was new.

Further manufacture. The tax does not 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. Do not 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 lift-gate);
  - 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 does not give rise to taxability. However, see Parts or accessories, discussed earlier.

Articles exempt from tax. The tax on heavy trucks, trailers, and tractors does not 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). Do not 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 tires sold separately 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 is designed to be used as a trash container.
- It is not designed to carry freight other than trash.
- It is not 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 does not 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 does not 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 which the tax on the heavy vehicle is reported.
- 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 are 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:

- 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 (as defined under Communications Tax in chapter 4) 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 repossessation of an article or by reason of a bona fide discount, rebate, or allowance.

See also Conditions to allowance under Manufacturers Taxes, 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 (discussed earlier). This is the section 4051(d) taxable tire credit and is claimed on Schedule C (Form 720) 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 does not 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 him for the benefit of the passengers. Therefore, he is engaged in the business of the vessel and is not a passenger.

Example 2. Marian Green is a travel agent. She is taking the cruise as a promotional trip to determine if she wants to offer it to her clients. She 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 state or local government or franchisee) conducts, sponsors, or operates, function. The voyage is subject to the ship passenger tax.

Further, the tax does not apply when a voyage 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 is not conducted, sponsored, or operated by the owner or operator is not gambling for determining if the voyage is subject to the ship passenger tax.

Exemptions. The tax does not apply when a vessel is on a voyage of less than 12 hours between 2 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 are 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 does not 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.

1. It is issued by a natural person.
2. It is not of a type offered to the public.
3. It has a maturity (at issue) of not more than 1 year.
4. It can only be issued to a foreign person.

For item (4), if the obligation is not 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.

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 is issued by a natural person.
2. It is not of a type offered to the public.
3. It has a maturity (at issue) of not more than 1 year.
4. It can only be issued to a foreign person.

For item (4), if the obligation is not 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.
Part Three.
 Quarterly Filing Information

10. Filing Form 720

Use Form 720 to report and pay the excise taxes previously discussed in this publication. Form 720 is due each calendar quarter. If you file a return for Form 720, the IRS will use the internet site. You may be required to file Form 720 if your organization does not have a computer with internet access.

Conditions to allowance. For tax de- clared interest or penalties, the tax must be paid on time. You can file Form 720 if your organization has a computer with internet access.

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, or
   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) do not apply to environmental taxes, the ship passenger tax, obligations not in registered form, foreign insurance taxes, fuels used on inland waterways, alcohol sold as fuel 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:
   a. You go out of business, or
   b. You will not owe excise taxes that are portable on Form 720 in future quarters.

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

Quarter Covered | Due Dates
--- | ---
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 Sunday, holiday, 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:
   a. Obtained the consent of that person to the allowance of the adjustment.
   b. Not included the tax in the price of the article and not collected the tax from the ultimate purchaser, or
   c. Repaid the tax to the person from whom it was collected.

If you meet both requirements above, see Gas Guzzler Tax 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 line 10 of Form 720 and you are making your payment by check or money order.

11. Payment of Taxes

Generally, semimonthly deposits of excise taxes are required. A semimonthly period is the first 15 days of a month (the first semimonthly period) or the 16th through the last day of a month (the second semimonthly period).

However, no deposit is required for the situations listed below; the taxes are payable with Form 720.

- The net liability for taxes listed in Part I (Form 720) does not exceed $2,500 for the quarter.
- The gas guzzler tax is being paid on a one-time filing.
- The liability is for taxes listed in Part II (Form 720), except for the floor stocks tax which generally requires a single deposit.

How To Make Deposits

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

Electronic deposit requirement. You must make electronic deposits of all depository taxes (such as deposits for employment tax, excise tax, and corporate income tax) using the Electronic Federal Tax Payment System (EFTPS) in 2008 if:
   a. The total deposits of such taxes in 2006 exceeded $200,000 or
   b. You were required to use EFTPS in 2007 or any prior year.

If you are required to use EFTPS and use Form 8109, Federal Tax Deposit Coupon, instead, you may be subject to a 10% penalty. If you are not required to use EFTPS, you may participate voluntarily. To get more information or to enroll in EFTPS, visit the EFTPS website at www.eftps.gov, or call 1-800-555-4477. Also see Publication 966, The Secure Way to Pay Your Federal Taxes.

Depositing on time. For EFTPS deposits to be on time, you must initiate the transaction at least 1 day before the date the deposit is due (before 8:00 p.m. Eastern time).
Federal Tax Deposit Coupons. If you are not making deposits by EFTPS, use Form 8109 to make the deposits at an authorized financial institution. See the instructions in the coupon book for additional information. If you do not have a coupon book, call 1-800-829-4933.

You will automatically be enrolled in EFTPS when you apply for an EIN. You will receive a separate mailing containing instructions for activating your EFTPS enrollment after you receive your EIN. You will still have the option to use FTD coupons, but see Electronic deposit requirement, earlier.

When To Make Deposits

There are two methods for determining deposits: the regular method and the alternative method.

The regular method applies to all taxes in Part I of Form 720 except for communications and air transportation taxes if deposits are based on amounts billed or tickets sold, rather than on amounts actually collected. See Alternative method, below.

If you are depositing more than one tax under a method, combine all the taxes under the method and make one deposit for the semimonthly period.

Regular method. The deposit of tax for a semimonthly period is due by the 14th day following that period. Generally, this is the 29th day of a month for the first semimonthly period and the 14th day of the following month for the second semimonthly period. If the 14th or the 29th day falls on a Saturday, Sunday, or legal holiday, you must make the deposit by the immediately preceding day that is not a Saturday, Sunday, or legal holiday.

Alternative method (IRS Nos. 22, 26, 27, and 28). Deposits of communications and air transportation taxes may be based on taxes included in amounts billed or tickets sold during a semimonthly period instead of on taxes actually collected during the period. Under the alternative method, the tax included in amounts billed or tickets sold during a semimonthly period is considered collected during the first 7 days of the second following semimonthly period. The deposit of tax is due by the 3rd banking day after the 7th day of that period.

Example. The tax included in amounts billed or tickets sold for the period June 16–30, 2008, is considered collected from July 16–22, 2008, and must be deposited by July 25, 2008.

To use the alternative method, you must keep a separate account of the tax included in amounts billed or tickets sold and not the amount of tax that is actually collected. For example, amounts billed in December, January, and February are considered collected during January, February, and March and are reported on Form 720 as the tax for the 1st quarter of the calendar year.

The separate account for each month must reflect:
1. All items of tax included in amounts billed or tickets sold during the month, and
2. Other items of adjustment relating to tax for prior months (within the statute of limitations on credits or refunds).

The separate account for any month cannot include an adjustment resulting from a refusal to pay or inability to collect unless the refusal has been reported to the IRS. See Uncollected Tax Report in chapter 4.

The net amount of tax that is considered collected during the semimonthly period must be either:

- The net amount of tax reflected in the separate account for the corresponding semimonthly period of the preceding month, or
- One-half of the net amount of tax reflected in the separate account for the preceding month.

Special rule for deposits of taxes in September 2008. If you are required to make deposits, see the chart below. The special rule does not apply to taxes not required to be deposited (see Payment of Taxes, earlier). See Regulations sections 40.6302(c)-2 and 40.6302(c)-3 for rules to figure the net tax liability for the deposits due in September.

Additional deposit of taxes in September 2008

<table>
<thead>
<tr>
<th>Type of Tax</th>
<th>For the Period</th>
<th>Beginning Ending</th>
<th>Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>EFTPS</td>
<td>Sept. 16</td>
<td>Sept. 26</td>
<td>Sept. 29</td>
</tr>
<tr>
<td>Non-EFTPS</td>
<td>Sept. 16</td>
<td>Sept. 25</td>
<td>Sept. 29</td>
</tr>
</tbody>
</table>

Alternative method taxes (IRS Nos. 22, 26, 27, and 28) (based on amounts billed)

- EFTPS: Sept. 1, Sept. 11, Sept. 29
- Non-EFTPS: Sept. 1, Sept. 10, Sept. 29

*See Electronic deposit requirement, earlier.

Amount of Deposits

Deposits for a semimonthly period generally must be at least 95 percent of the net tax liability for that period unless the safe harbor rule (discussed later) applies. Generally, you do not have to make a deposit for a period in which you incurred no tax liability.

Net tax liability. Your net tax liability is your tax liability for the period minus any claims on Schedule C (Form 720) for the period. You may figure your net tax liability for a semimonthly period by dividing your net liability incurred during the calendar month by two. If you use this method, you must use it for all semimonthly periods in the calendar quarter.

Do not reduce your liability by any amounts from Form 720X.

Safe Harbor Rule

The safe harbor rule applies separately to deposits under the regular method and the alternative method. Persons who filed Form 720 for the look-back quarter (the 2nd calendar quarter preceding the current quarter) are considered to meet the semimonthly deposit requirement if the deposit for each semimonthly period in the current quarter is at least 1/6 (16.67%) of the net tax liability reported for the look-back quarter.

For the semimonthly period for which the additional deposit is required, the additional deposit must be at least 1/90 (11.11%) of the net tax liability reported for the look-back quarter.

Exceptions. The safe harbor rule does not apply to:

- The 1st and 2nd quarters beginning on or after the effective date of an increase in the rate of tax unless the deposit of taxes for each semimonthly period in the calendar quarter is at least 1/6 (16.67%) of the net tax liability you would have had for the look-back quarter if the increased rate of tax had been in effect for that look-back quarter.
- Any quarter if liability includes any tax not in effect throughout the look-back quarter, or
- For deposits under the alternative method, any quarter if liability includes any tax not in effect throughout the look-back quarter and the month preceding the look-back quarter.

Requirements to be met. For the safe harbor rule to apply, you must:

- Make each deposit timely at an authorized financial institution, and
- Pay any underpayment for the current quarter by the due date of the return.

The IRS may withdraw the right to make deposits of tax under the safe harbor rule from any person not complying with these rules.

Tax rate increases. You must modify the safe harbor rule if there has been an increase in the rate of tax. You must figure your tax liability in the look-back quarter as if the increased rate had been in effect. To qualify for the safe harbor rule, your deposits cannot be less than 1/6 of the refuged tax liability.
12. Penalties and Interest

Penalties and interest may result from any of the following acts:

- Failing to collect and pay over tax as the collecting agent (see Trust fund recovery penalty, later).
- Failing to keep adequate records.
- Failing to file returns.
- Failing to pay taxes.
- Filing returns late.
- Filing false or fraudulent returns.
- Paying taxes late.
- Failing to make deposits.
- Depositing taxes late.
- Making false statements relating to tax.
- Failing to register.
- Misrepresenting that tax is excluded from the price of an article.

Failure to register. The penalty for failure to register if you are required to register, unless due to reasonable cause, is $10,000 for the initial failure, and then $1,000 each day thereafter you fail to register.

Claims. There are criminal penalties for false or fraudulent claims. In addition, any person who files a refund claim, discussed earlier, for an excessive amount (without reasonable cause) may have to pay a penalty. An excessive amount is the amount claimed that is more than the allowable amount. The penalty is the greater of two times the excessive amount or $10.

Trust fund recovery penalty. If you provide taxable communications or air transportation services, you have to collect excise taxes (as discussed earlier) from those persons who pay you for those services. You must pay over these taxes to the U.S. Government. If you willfully fail to collect or pay over these taxes, or if you evade or defeat them in any way, the trust fund recovery penalty may apply. Willfully means voluntarily, consciously, and intentionally. The trust fund recovery penalty equals 100% of the taxes not collected or not paid over to the U.S. Government.

The trust fund recovery penalty may be imposed on any person responsible for collecting, accounting for, and paying over these taxes. If this person knows that these required actions are not taking place for whatever reason, the person is acting willfully. Paying other expenses of the business instead of paying the taxes is willful behavior.

A responsible person can be an officer or employee of a corporation, a partner or employee of a partnership, or any other person who had responsibility for certain aspects of the business and financial affairs of the employer (or business). This may include accountants, trustees in bankruptcy, members of a board, banks, insurance companies, or sureties. The responsible person could even be another corporation—in other words, anyone who has the duty and the ability to direct, account for, or pay over the money. Having signature power on the business checking account could be a significant factor in determining responsibility.

13. Examination and Appeal Procedures

If your excise tax return is examined and you disagree with the findings, you can get information about audit and appeal procedures from Publication 556, Examination of Returns, Appeal Rights, and Claims for Refund. An unresolved case involving an excise tax covered in this publication differs from other tax cases in that you can only contest it in court after payment of the tax by filing suit for a refund in the United States District Court or the United States Court of Federal Claims.

14. Rulings Program

The IRS has a program for assisting taxpayers who have technical problems with tax laws and regulations. The IRS will answer inquiries from individuals and organizations about the tax effect of their acts or transactions. The National Office of the IRS issues rulings on those matters.

A ruling is a written statement to a taxpayer that interprets and applies tax laws to the taxpayer's specific set of facts. There are also determination letters issued by IRS directors and information letters issued by IRS directors or the National Office.

There is a fee for most types of determination letters and rulings. For complete information on the rulings program, see Internal Revenue Bulletin 2008-01 at www.irs.gov/pub/irs-irsbs/irb08-01.pdf.

15. How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should.

You can contact the TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059 to see if you are eligible for assistance. You can also call or write to your local taxpayer advocate, whose phone number and address are listed in your local telephone directory and in Publication 1546, The Taxpayer Advocate Service of the IRS - Your Voice at the IRS. You can file Form 911, Application for Taxpayer Advocate Service (And Application for Taxpayer Assistance Order), or ask an IRS employee to complete it on your behalf. For more information, go to www.irs.gov/advocate.

Taxpayer Advocacy Panel (TAP). The TAP listens to taxpayers, identifies taxpayer issues, and makes suggestions for improving IRS services and customer satisfaction. If you have a suggestion for improvements, contact the TAP, toll free at 1-888-912-1227 or go to www.improveirs.org.

Low income tax clinics (LITCs). LITCs are independent organizations that provide low income taxpayers with representation in federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers who speak English as a second language. Publication 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area. It is available at www.irs.gov or at your local IRS office.

Free tax services. To find out what services are available, go to Publication 910, IRS Guide to Free Tax Services. It contains a list of free tax publications and describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.
bulletin, and Cumulative Bulletins available for research purposes.

- Services. You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your excise tax return, or you’re more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary, but if you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. To find the number, go to www.irs.gov/localcontacts or look in the phone book under United States Government, Internal Revenue Service.

- Mail. You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 business days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61704-6613

CD/DVD for tax products. You can order Publication 1796, IRS Tax Products CD/DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Bonus: Historical Tax Products DVD — Ships with the final release.

- Tax Map: An electronic research tool and finding aid.
- Tax law frequently asked questions (FAQs).
- Tax Topics from the IRS telephone response system.
- Fill-in, print, and save forms for most tax products.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- The CD/DVD is released twice during the year.

The first release will ship the beginning of January 2008. The final release will ship the beginning of March 2008.

Purchase the CD/DVD from National Technical Information Service (NTIS) at www.irs.gov/contracting for $35 (no handling fee) or call 1-877-CDFORMS (1-877-233-6767) toll-free to buy the CD/DVD for $35 (plus a $5 handling fee). Price is subject to change.

CD for small businesses. Publication 3207, The Small Business Resource Guide CD for 2008, is a must for every small business owner or any taxpayer about to start a business. This year’s CD includes:

- Helpful information, such as how to prepare a business plan and financing for your business, and much more.
- All the business tax forms, instructions, and publications needed to successfully manage a business.
- Tax Map: an electronic research tool and finding aid.
- Web links to various government agencies, business associations, and IRS organizations.
- “Rate the Product” survey—your opportunity to suggest changes for future editions.
- A site map of the CD to help you navigate the pages of the CD with ease.
- An interactive “Teens in Biz” module that gives practical tips for teens about starting their own business, creating a business plan, and filing taxes.

An updated version of this CD is available each year in early April. You can get a free copy by calling 1-800-829-3678 or by visiting www.irs.gov/smallbiz.

16.

Appendix

This appendix contains models of the certifies, waivers, reports, and statements discussed earlier under Fuel Taxes.
Model Certificate A

<table>
<thead>
<tr>
<th>STATEMENT OF SUBSEQUENT SELLER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 名称，地址，雇主识别号，卖方在随后出售时</td>
</tr>
<tr>
<td>2. 名称，地址，雇主识别号，买方在随后出售时</td>
</tr>
<tr>
<td>3. 日期和地点，随后出售</td>
</tr>
<tr>
<td>4. 燃料的体积和类型</td>
</tr>
</tbody>
</table>

签字并注明日期

打印或键入签署这份报告的人的姓名

职位

The undersigned seller ("Seller") has received the copy of the first taxpayer's report provided with this statement in connection with Seller's purchase of the taxable fuel described in this statement. Under penalties of perjury, Seller declares that Seller has examined this statement, including any accompanying schedules and statements, and, to the best of Seller's knowledge and belief, they are true, correct and complete.

Signature and date signed

Printed or typed name of person signing this report

Title
Model Certificate B

<table>
<thead>
<tr>
<th>FIRST TAXPAYER’S REPORT</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. First Taxpayer’s name, address and employer identification number</td>
</tr>
<tr>
<td>2. Name, address, and employer identification number of the buyer of the taxable fuel subject to tax</td>
</tr>
<tr>
<td>3. Date and location of removal, entry, or sale</td>
</tr>
<tr>
<td>4. Volume and type of taxable fuel removed, entered or sold</td>
</tr>
<tr>
<td>5. Check type of taxable event:</td>
</tr>
<tr>
<td>______ Removal from refinery</td>
</tr>
<tr>
<td>______ Entry into United States</td>
</tr>
<tr>
<td>______ Bulk transfer from terminal by unregistered position holder</td>
</tr>
<tr>
<td>______ Bulk transfer not received at an approved terminal</td>
</tr>
<tr>
<td>______ Sale within the bulk transfer/terminal system</td>
</tr>
<tr>
<td>______ Removal at the terminal rack</td>
</tr>
<tr>
<td>______ Removal or sale by the blender</td>
</tr>
<tr>
<td>6. Amount of federal excise tax paid on account of the removal, entry, or sale</td>
</tr>
</tbody>
</table>

The undersigned taxpayer ("Taxpayer") has not received, and will not claim, a credit with respect to, or a refund of, the tax on the taxable fuel to which this form relates.

Under penalties of perjury, Taxpayer declares that Taxpayer has examined this statement, including any accompanying schedules and statements, and to the best of Taxpayer’s knowledge and belief, they are true, correct and complete.

Signature and date signed

Printed or typed name of person signing this report

Title
Model Certificate C

NOTIFICATION CERTIFICATE OF TAXABLE FUEL REGISTRANT

Name, address, and employer identification number of person receiving certificate

The undersigned taxable registrant ("Registrant") hereby certifies under penalties of perjury that Registrant is registered by the Internal Revenue Service with registration number ______________ and that Registrant's registration has not been revoked or suspended by the Internal Revenue Service.

Registrant understands that the fraudulent use of this certificate may subject Registrant and all parties making such fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

Signature and date signed

Printed or typed name of person signing

Title of person signing

Name of Registrant

Employer identification number

Address of Registrant
Model Certificate D

CERTIFICATE OF PERSON BUYING GASOLINE BLENDSTOCKS FOR USE OTHER THAN IN THE PRODUCTION OF FINISHED GASOLINE
(To support tax-free sales (other than LUST) under section 4081 of the Internal Revenue Code.)

Name, address, and employer identification number of seller

The undersigned buyer ("Buyer") hereby certifies the following under penalties of perjury:

The gasoline blendstocks to which this certificate relates will not be used to produce finished gasoline.

This certificate applies to the following (complete as applicable):

1. Invoice or delivery ticket number
2. (number of gallons) of (type of gasoline blendstocks)

If this is a certificate covering all purchases under a specified account or order number, check here _____ and enter:

1. Effective date __________
2. Expiration date __________

(period not to exceed 1 year after the effective date)

3. Type (or types) of gasoline blendstocks __________
4. Buyer's account or order number __________

Buyer will not claim a credit or refund under section 6427(h) of the Internal Revenue Code for any gasoline blendstocks covered by this certificate.

Buyer will provide a new certificate to the seller if any information in this certificate changes.

If Buyer resells the gasoline blendstocks to which this certificate relates, Buyer will be liable for tax unless Buyer obtains a certificate from the purchaser stating that the gasoline blendstocks will not be used to produce finished gasoline and otherwise complies with the conditions of §48.4081-4(b)(3) of the Manufacturers and Retailers Excise Tax Regulations.

Buyer understands that if Buyer violates the terms of this certificate, the Internal Revenue Service may withdraw Buyer's right to provide a certificate.

Buyer has not been notified by the Internal Revenue Service that its right to provide a certificate has been withdrawn.

In addition, the Internal Revenue Service has not notified Buyer that the right to provide a certificate has been withdrawn from a purchaser to which Buyer sells gasoline blendstocks tax free.

Buyer understands that the fraudulent use of this certificate may subject Buyer and all parties making such fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

________________________
Signature and date signed

________________________
Printed or typed name of person signing

________________________
Title of person signing

________________________
Name of Buyer

________________________
Employer identification number

________________________
Address of Buyer
Model Certificate G

CERTIFICATE OF REGISTERED FEEDSTOCK USER

(To support tax-free removals and entries (other than LUST) of kerosene under section 4082 of the Internal Revenue Code.)

____________________________ (Buyer) certifies the following under penalties of perjury:

Name of buyer

Buyer is a registered feedstock user with registration number ____________. Buyer’s registration has not been revoked or suspended.

The kerosene to which this certificate applies will be used by Buyer for a feedstock purpose.

This certificate applies to __________ percent of Buyer’s purchases from __________ (name, address, and employer identification number of seller) as follows (complete as applicable):

1. A single purchase on invoice or delivery ticket number ____________.

2. All purchases between __________ (effective date) and __________ (expiration date) (period not to exceed one year after the effective date) under account or order number(s) _____________. If this certificate applies only to Buyer’s purchases for certain locations, check here ______ and list the locations.

____________________________

If Buyer sells the kerosene to which this certificate relates, Buyer will be liable for tax on that sale.

Buyer will provide a new certificate to the seller if any information in this certificate changes.

If Buyer violates the terms of this certificate, the Internal Revenue Service may revoke the Buyer’s registration.

Buyer understands that the fraudulent use of this certificate may subject Buyer and all parties making any fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

Printed or typed name of person signing

Title of person signing

Employer identification number

Address of Buyer

Signature and date signed
Model Certificate J

CERTIFICATE OF PERSON BUYING COMPRESSED NATURAL GAS (CNG) FOR A NONTAXABLE USE

(To support tax-free sales of CNG under section 4041 of the Internal Revenue Code.)

Name, address, and employer identification number of seller

_________________________________________ ("Buyer") certifies the following under penalties of perjury:

Name of buyer

The CNG to which this certificate relates will be used in a nontaxable use.

This certificate applies to the following (complete as applicable):

If this is a single purchase certificate, check here ☑ and enter:

1. Invoice or delivery ticket number ________________
2. __________ (Gasoline gallon equivalents)

If this is a certificate covering all purchases under a specified account or order number, check here ☑ and enter:

1. Effective date __________
2. Expiration date __________
   (period not to exceed 1 year after the effective date)
3. Buyer’s account or order number ________________

Buyer will not claim a credit or refund under section 6427 of the Internal Revenue Code for any CNG to which this certificate relates.

Buyer will provide a new certificate to the seller if any information in this certificate changes.

Buyer understands that if Buyer violates the terms of this certificate, the Internal Revenue Service may withdraw Buyer’s right to provide a certificate.

Buyer has not been notified by the Internal Revenue Service that its right to provide a certificate has been withdrawn.

In addition, the Internal Revenue Service has not notified Buyer that the right to provide a certificate has been withdrawn from a purchaser to which Buyer sells CNG tax free.

Buyer understands that the fraudulent use of this certificate may subject Buyer and all parties making any fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

Printed or typed name of person signing

________________________

Title of person signing

________________________

Employer identification number

________________________

Address of Buyer

________________________

Signature and date signed

________________________
The undersigned aircraft operator ("Buyer") hereby certifies the following under the penalties of perjury:

The kerosene for use in aviation to which this certificate relates is purchased (check one):

1. for use on a farm for farming purposes;
2. for use in foreign trade (reciprocal benefits required for foreign registered airlines);
3. for use in certain helicopter and fixed-wing air ambulance uses;
4. for use other than as a fuel in the propulsion engine of an aircraft;
5. for the exclusive use of a qualified blood collector organization;
6. for the exclusive use of a nonprofit educational organization;
7. for the exclusive use of a state;
8. for use in an aircraft owned by an aircraft museum;
9. for use in military aircraft;
10. for use in commercial aviation (other than foreign trade).

With respect to kerosene for use in aviation purchased after June 30, 2005, for use in commercial aviation (other than foreign trade), Buyer’s registration number is ________. Buyer’s registration has not been suspended or revoked by the Internal Revenue Service.

This certificate applies to the following (complete as applicable):

1. Invoice or delivery ticket number
2. Number of gallons

This is a certificate covering all purchases under a specified account or order number:

1. Effective date _______
2. Expiration date _______ (period not to exceed 1 year after the effective date)
3. Buyer’s account number ________

Buyer agrees to provide the person liable for tax with a new certificate if any information in this certificate changes.

If the kerosene for use in aviation to which this certificate relates is being bought for use in commercial aviation (other than foreign trade), Buyer is liable for tax on its use of the fuel and will pay that tax to the government.

If Buyer sells or uses the kerosene for use in aviation to which this certificate relates for a use other than the use stated above, Buyer will be liable for tax.

Buyer understands that it must be prepared to establish by satisfactory evidence the purpose for which the fuel purchased under this certificate was used.

Buyer has not been notified by the Internal Revenue Service that its right to provide a certificate has been withdrawn. If Buyer violates the terms of this certificate, the Internal Revenue Service may withdraw Buyer’s right to provide a certificate.

The fraudulent use of this certificate may subject Buyer and all parties making any fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

Printed or typed name of person signing

Title of person signing

Name of Buyer

Employer identification number

Address of Buyer

Signature and date signed
Model Waiver L

WAIVER FOR USE BY ULTIMATE PURCHASERS OF KEROSENE FOR CERTAIN USES IN AVIATION
(To support vendor’s claim for a credit or payment under § 6427(l)(4)(C)(i) of the Internal Revenue Code.)

Name, Address, and Employer Identification Number of Ultimate Vendor

The undersigned ultimate purchaser (“Buyer”) hereby certifies the following under penalties of perjury:

A. The kerosene to which this waiver relates is purchased for — (check one):

1. Use on a farm for farming purposes,
2. Use in foreign trade (reciprocal benefits required for foreign registered airlines),
3. Use in certain helicopter and fixed-wing air ambulance uses,
4. The exclusive use of a qualified blood collector organization,
5. The exclusive use of a nonprofit educational organization,
6. Use in an aircraft owned by an aircraft museum,
7. Use in military aircraft, or
8. Use in commercial aviation (other than foreign trade).

B. This waiver applies to the following (complete as applicable):

This is a single purchase waiver:
1. Invoice or delivery ticket number
2. Number of gallons

This is a waiver covering all purchases under a specified account or order number:
1. Effective date
2. Expiration date (period not to exceed 1 year after the effective date)
3. Buyer’s account number

Buyer will provide a new waiver to the vendor if any information in this waiver changes.

If Buyer uses the kerosene for use in aviation to which this waiver relates for a use other than the use stated above, Buyer will be liable for tax.

Buyer understands that by signing this waiver, Buyer gives up its right to claim any credit or payment for the kerosene for use in aviation used in a nontaxable use.

Buyer acknowledges that it has not and will not claim any credit or payment for the kerosene for use in aviation to which this waiver relates.

Buyer understands that the fraudulent use of this waiver may subject Buyer and all parties making such fraudulent use of this waiver to a fine or imprisonment, or both, together with the costs of prosecution.

Printed or typed name of person signing
Title of person signing
Name of Buyer
Employer identification number
Address of Buyer
Signature and date signed
Model Certificate M

| CERTIFICATE FOR STATE USE OR NONPROFIT EDUCATIONAL ORGANIZATION USE |
| (To support vendor’s claim for a credit or payment under § 6416(a)(4) of the Internal Revenue Code.) |

Name, address, and employer identification number of ultimate vendor

The undersigned ultimate purchaser (“Buyer”) hereby certifies the following under the penalties of perjury:

Buyer will use the gasoline or aviation gasoline to which this certificate relates (check one):

- For the exclusive use of a state or local government; or
- For the exclusive use of a nonprofit educational organization.

This certificate applies to the following (complete as applicable):

- This is a single purchase certificate:
  1. Invoice or delivery ticket number
  2. Number of gallons

- This is a certificate covering all purchases under a specified account or order number:
  1. Effective date
  2. Expiration date (period not to exceed 1 year after the effective date)
  3. Buyer’s account number

Buyer will provide a new certificate to the vendor if any information in this certificate changes.

Buyer understands that by signing this certificate, Buyer gives up its right to claim any credit or payment for the gasoline or aviation gasoline to which this certificate relates.

Buyer acknowledges that it has not and will not claim any credit or payment for the gasoline or aviation gasoline to which this certificate relates.

Buyer understands that the fraudulent use of this certificate may subject Buyer and all parties making such fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

| Printed or typed name of person signing |
| Title of person signing |
| Name of Buyer |
| Employer identification number |
| Address of Buyer |
| Signature and date signed |
Model Waiver N

WAIVER FOR USE BY ULTIMATE PURCHASERS OF DIESEL FUEL OR
KEROSENE USED IN INTERCITY BUS TRANSPORTATION

(To support vendor’s claim for a credit or payment under § 6427 of the Internal Revenue Code.)

Name, address, and employer identification number of ultimate vendor

The undersigned ultimate purchaser (“Buyer”) hereby certifies the following under the penalties of perjury:

The diesel fuel or kerosene to which this waiver relates is purchased for use in intercity bus transportation.

This waiver applies to the following (complete as applicable):

1. ________ Invoice or delivery ticket number
2. ________ Number of gallons

This is a single purchase waiver:

This is a waiver covering all purchases under a specified account or order number:

1. Effective date ________
2. Expiration date ________ (period not to exceed 1 year after the effective date)
3. Buyer’s account number ________

Buyer will provide a new waiver to the vendor if any information in this waiver changes.

If Buyer uses the diesel fuel or kerosene to which this waiver relates for a use other than in intercity bus transportation, Buyer will be liable for tax.

Buyer understands that by signing this waiver, Buyer gives up its right to claim any credit or payment for the diesel fuel or kerosene used in intercity bus transportation.

Buyer acknowledges that it has not and will not claim any credit or payment for the diesel fuel or kerosene to which this waiver relates.

Buyer understands that the fraudulent use of this waiver may subject Buyer and all parties making such fraudulent use of this waiver to a fine or imprisonment, or both, together with the costs of prosecution.

Printed or typed name of person signing

Title of person signing

Name of Buyer

Employer identification number

Address of Buyer

Signature and date signed
# Model Certificate O

**CERTIFICATE FOR BIODIESEL**

Certificate Identification Number: ____________________________

(To support a claim related to biodiesel or a biodiesel mixture under section 6426 of the Internal Revenue Code.)

The undersigned biodiesel producer ("Producer") hereby certifies the following under penalties of perjury:

1. 

Producer's name, address, and employer identification number (EIN)

2. 

Name, address, and EIN of person buying the biodiesel from Producer

3. 

Date and location of sale to buyer

4. This certificate applies to ________ gallons of biodiesel.

5. Producer certifies that the biodiesel to which this certificate relates is:
   - ____% Agri-biodiesel (derived solely from virgin oils)
   - ____% Biodiesel other than agri-biodiesel

   This certificate applies to the following sale:
   - ____ Invoice or delivery ticket number
   - ____ Total number of gallons of biodiesel sold under that invoice or delivery ticket number (including biodiesel not covered by this certificate)
   - ____ Total number of certificates issued for that invoice or delivery ticket number

6. 

Name, address, and employer identification number of reseller to whom certificate is issued (only in the case of certificates reissued to a reseller after the return of the original certificate)

7. ________ Original Certificate Identification Number (only in the case of certificates reissued to a reseller after return of the original certificate)

   Producer is registered as a biodiesel producer with registration number ________.

   Producer's registration has not been suspended or revoked by the Internal Revenue Service.

   Producer certifies that the biodiesel to which this certificate relates in monoalkyl esters of long chain fatty acids derived from plant or animal matter that meets the requirements of the American Society of Testing and Materials D6751 and the registration requirements for fuels and fuel additives established by EPA under section 211 of the Clean Air Act (42 U.S.C. 7545).

   Producer understands that the fraudulent use of this certificate may subject Producer and all parties making any fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

Printed or typed name of person signing this certificate

Title of person signing

Signature and date signed
Model Certificate P

CERTIFICATE OF STATE USE
(To support vendor’s claim for credit or payment under section 6427 of the Internal Revenue Code.)

________________________________________
Name, Address, and Employer Identification Number of Vendor

The undersigned buyer (“Buyer”) hereby certifies the following under penalties of perjury:

A. Buyer will use the diesel fuel or kerosene to which this certificate relates for the exclusive use of a state or local government, or the District of Columbia.

B. This certificate applies to the following (complete as applicable):
   1. If this is a single purchase certificate, check here □ and enter:
      a. Invoice or delivery ticket number ____________________________
      b. Number of gallons ____________________________
   2. If this is a certificate covering all purchases under a specified account or order number, check here □ and enter:
      a. Effective date ____________________________
      b. Expiration date ____________________________
         (period not to exceed 1 year after effective date)
      c. Buyer’s account or order number ____________________________

■ Buyer will provide a new certificate to the vendor if any information in this certificate changes.

■ Buyer understands that the fraudulent use of this certificate may subject Buyer and all parties making such fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

Printed or typed name of person signing

Title of person signing

Name of Buyer

Employer identification number

Address of Buyer

Signature and date signed
Model Certificate Q

| CERTIFICATE OF ULTIMATE PURCHASER OF KEROSENE FOR USE IN NONEXEMPT, NONCOMMERCIAL AVIATION |
| (To support vendor's claim for credit or payment under section 6427(l)(4)(C)(ii) of the Internal Revenue Code.) |

Name, Address, and Employer Identification Number of Ultimate Vendor

The undersigned ultimate purchaser ("Buyer") hereby certifies the following under penalties of perjury:

A. The kerosene to which this certificate relates is purchased for a nonexempt use in noncommercial aviation.

B. This certificate applies to the following (complete as applicable):

1. If this is a single purchase certificate, check here ☐ and enter:
   a. Invoice or delivery ticket number ____________________________
   b. Number of gallons ____________________________

2. This is a certificate covering all purchases under a specified account or order number:
   a. Effective date ____________________________
   b. Expiration date ____________________________
      (period not to exceed 1 year after effective date)
   c. Buyer’s account number ____________________________

■ Buyer will provide a new certificate to the vendor if any information in this certificate changes.

■ If Buyer uses the kerosene to which this certificate relates for a use other than the nontaxable use stated above, Buyer will be liable for tax.

■ Buyer understands that the fraudulent use of this certificate may subject Buyer and all parties making such fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.

Printed or typed name of person signing

Title of person signing

Name of Buyer

Employer identification number

Address of Buyer

Signature and date signed
Model Certificate R

CERTIFICATE OF BUYER OF TAXABLE FUEL FOR USE BY A STATE OR NONPROFIT EDUCATIONAL ORGANIZATION

(To support credit card issuer’s claim for credit, refund, or payment under section 6416(a)(4)(B) or section 6427(l)(5)(D) of the Internal Revenue Code.)

<table>
<thead>
<tr>
<th>Name, Address, and Employer Identification Number of Credit Card Issuer.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The undersigned ultimate purchaser (&quot;Buyer&quot;) hereby certifies the following under penalties of perjury:</td>
</tr>
<tr>
<td>A. Buyer will use the taxable fuel to which this certificate relates for the exclusive use of a state; or</td>
</tr>
<tr>
<td>B. Buyer will use the gasoline to which this certificate relates for the exclusive use of a nonprofit educational organization.</td>
</tr>
<tr>
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</tr>
<tr>
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</tr>
<tr>
<td>b. Expiration date of certificate (period not to exceed 2 years after effective date)</td>
</tr>
<tr>
<td>c. Buyer’s account number</td>
</tr>
<tr>
<td>■ Buyer will provide a new certificate to the credit card issuer if any information in this certificate changes.</td>
</tr>
<tr>
<td>■ Buyer understands that by signing this certificate, Buyer gives up its right to claim a credit or payment for the taxable fuel purchased with the credit card to which this certificate relates.</td>
</tr>
<tr>
<td>■ Buyer acknowledges that it has not and will not claim any credit or payment for the taxable fuel purchased with the credit card to which this certificate relates.</td>
</tr>
<tr>
<td>■ Buyer understands that the fraudulent use of this certificate may subject Buyer and all parties making such fraudulent use of this certificate to a fine or imprisonment, or both, together with the costs of prosecution.</td>
</tr>
</tbody>
</table>

Printed or typed name of person signing

Title of person signing

Name of Buyer

Employer identification number

Address of Buyer

Signature and date signed
## Model Statement S

**STATEMENT OF BIODIESEL RESELLER**

(To support a claim related to biodiesel or a biodiesel mixture under section 6426 of the Internal Revenue Code.)

The undersigned biodiesel producer (“Reseller”) hereby certifies the following under penalties of perjury:

1. Reseller’s name, address, and employer identification number (EIN)

   

2. Name, address, and EIN of Reseller’s buyer

   

3. Date and location of sale to buyer

4. Volume of biodiesel sold

5. Certificate Identification Number on the Certificate for Biodiesel

   Reseller has bought the biodiesel described in the accompanying Certificate for Biodiesel and Reseller has no reason to believe that any information in the certificate is false.

   Reseller has not been notified by the Internal Revenue Service that its right to provide a certificate or statement has been withdrawn.

   Reseller understands that the fraudulent use of this statement may subject Reseller and all parties making any fraudulent use of this statement to a fine or imprisonment, or both, together with the costs of prosecution.

---

Printed or typed name of person signing this certificate

Title of person signing

Signature and date signed
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