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**From:**

**Sent:** Wednesday, January 14, 2009 9:07:24 AM

**To:**

**Cc:**

**Subject:** RE: 6211(b)(4) question

Adding to our phone conversation, here's the piece we were missing:

"Tax shown on return" does include consideration of claimed section 34 fuel tax credits, but that number only goes negative when section 6211(b)(4) is applicable. To demonstrate: assume the tax liability without the credits is \$1,000 and the fuel credits are \$500. The "tax shown on return" is therefore \$500. Now assume the tax liability is \$1,000 but the claimed credits are \$2,000. Before considering section 6211(b)(4), the "tax shown on return" would be zero - the extra credits would sort of disappear. It's only because of the operation of section 6211(b)(4) that "tax shown on return" is actually a negative 1,000. If the service determined the tax to be \$1000 and the correct credit as zero, the deficiency would be \$1,000 - (-1,000), or \$2,000.

Because the "tax imposed" doesn't include the section 4041 amount, we're left with a deficiency that's the amount of the disallowed fuel tax credit.

That was a great question - thanks for giving me the time to work it out.