



# Instructions for Form 720

(Revised July 1996)

## Quarterly Federal Excise Tax Return

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

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

The time needed to complete and file these forms and related schedules will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing and sending the form to the IRS
720	22 hr., 58 min.	2 hr., 17 min.	6 hr., 23 min.
Sch. A	1 hr., 55 min.		2 min.
Sch. C Part I	1 hr., 55 min.		2 min.
Part II	12 hr., 58 min.		13 min.
Part III	14 min.		

If you have comments concerning the accuracy of these time estimates or suggestions for making this form and related schedules simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this office. Instead, see **Where To File** below.

### Changes To Note

- Effective August 27, 1996, through December 31, 1996, the air transportation taxes, IRS Nos. 26, 27, and 28, have been reinstated. See page 2.
- Effective August 27, 1996, through December 31, 1996: the rate of tax on aviation fuel (other than gasoline), IRS No. 69, is \$.218 per gallon; the rate of tax on aviation gasoline, IRS No. 14, is \$.193 per gallon.
- The luxury tax on passenger vehicles, IRS No. 92, decreases to 9% of the sales price over \$34,000 beginning August 28, 1996. See page 3.
- The date by which certain employers will be required to deposit Federal taxes through the Electronic Federal Tax Payment System (EFTPS) has been changed from January 1, 1997, to July 1, 1997. See page 5.

### General Instructions

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

#### Purpose of Form

Use Form 720 and attachments to report and pay the excise taxes listed on the form.

### When To File

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

Quarter covered	All excise taxes other than ODCs, comm., and air trans. due by	ODCs, comm., and air trans. due by
Jan., Feb., Mar.	Apr. 30	May 31
Apr., May, June	July 31	Aug. 31
July, Aug., Sept.	Oct. 31	Nov. 30
Oct., Nov., Dec.	Jan. 31	Feb. 28

The filing date for the floor stocks tax on ozone-depleting chemicals (ODCs), IRS No. 20, is August 31, 1997, which is a return for the 2nd quarter of 1997.

If any due date for filing a return falls on a Saturday, Sunday, or legal holiday, you may file the return on the next business day.

If you are reporting two or more excise taxes and they are due on different dates, use the later filing date. **File only one return each quarter.**

### Where To File

If your principal business, office or agency, or legal residence in the case of an individual, is located in

File with the Internal Revenue Service Center at

Florida, Georgia, South Carolina	Atlanta, GA 39901-0009
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501-0009
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501-0009
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999-0009
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255-0009
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201-0009
California (all other counties), Hawaii	Fresno, CA 93888-0009
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999-0009
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301-0009
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501-0009

If you have no legal residence, principal place of business, or principal office or agency in any Internal Revenue district, file your return with the Internal Revenue Service Center, Philadelphia, PA 19255-0009.

### How To File

If you are not reporting a tax that you normally report, enter a zero on the appropriate line in Part I or II (Form 720). Also, if you have no tax to report, write "None" on lines 3 and 5, page 2, Part III, and sign the return.

If you have adjustments to Part I or Part II (Form 720) taxes, do not enter adjustments in the "tax" column. See

**Schedule C—Adjustments and Claims** on page 6.

### Special Rules—One-Time Filings

If you import for personal use a gas guzzling automobile or a passenger vehicle subject to the luxury tax, you may be eligible to make a one-time filing of Form 720 and Form 6197. You may make a one-time filing to report the gas guzzler tax or the luxury tax if you meet all three of the following conditions:

1. You do not use the vehicle in the course of any trade or business;
2. You do not import gas guzzling automobiles or luxury passenger vehicles in the course of your trade or business; and
3. You are not required to file Form 720 reporting excise taxes for the calendar quarter, except for one-time filings.

The following rules apply if you are making a one-time filing:

1. File the return for the quarter in which you incur liability for the tax. See **When To File** on page 1.
2. Pay the tax with the return. No deposits are required.
3. If you are an individual and do not have an employer identification number (EIN), enter your social security number (SSN) on Form 720 on the line for the EIN.
4. Check the one-time filing box above Part I on page 1 of Form 720.

### Final Return

File a final return if you have been filing a Form 720 and you: **(1)** go out of business, **(2)** stop collecting and paying air transportation and communications taxes reportable on Form 720, or **(3)** will not owe for excise taxes that are reportable on Form 720 in future quarters. For example, if you are only filing to report zero tax and you will no longer owe excise tax in future quarters, check the final return box above Part I on page 1 of Form 720. The IRS will then stop mailing Package 720 to you each quarter.

### Records

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

### Penalties and Interest

Avoid penalties and interest by filing returns and depositing and paying taxes when due. The law provides penalties for filing a return late; depositing taxes late; paying taxes late; willfully failing to collect

and pay tax, keep records, or file a return; negligence; and fraud. These penalties are in addition to the interest charge on late payments. The penalty for filing a return late will not be imposed if you can show that the failure to file a timely return is due to reasonable cause. Those filing after the due date must attach an explanation to the return to show reasonable cause.

**Trust fund recovery penalty.**— If communications and air transportation taxes are collected but not paid over to the IRS or are willfully not collected, the trust fund recovery penalty may apply. The penalty is 100% of these taxes. The penalty may apply to you if these taxes cannot be immediately recovered from the business. The penalty may be imposed on all persons who are determined by the IRS to be **responsible** for collecting, accounting for, and paying over these taxes, and who acted **willfully** in not doing so.

A **responsible person** can be an officer or employee of a corporation, a partner or employee of a partnership, an employee of a sole proprietorship, or an accountant. A responsible person may also include one who signs checks for the business or otherwise has authority to cause the spending of business funds. **Willfully** means voluntarily, consciously, and intentionally. A responsible person acts willfully if he or she knows the required actions are not being taken.

### Additional Information

- **Pub. 510**, Excise Taxes for 1996, has more information on the taxes reported on Form 720. Pub. 510 contains definitions and examples that will help you prepare Form 720 and the attachments.
- **Pub. 378**, Fuel Tax Credits and Refunds, has more information on how to file for these credits and refunds.

## Specific Instructions

### Name and Address

The first time you file Form 720, enter the required information. After that, the IRS will mail you a Package 720 with a preprinted label every quarter. Use the preprinted label on your form. Include the suite, room, or other unit number after the street address on the label. If you did not receive a label, type or print your name, address, and quarter ending date (month and year).

**P.O. box.**— If the Post Office does not deliver mail to the street address and you have a P.O. box, show the box number instead of the street address.

**Foreign address.**— If your address is outside the United States or its possessions or territories, instead of providing “city, state, and ZIP code,” enter the city, province or state, and name of

the country. Do not abbreviate the country name. Include the postal code, if any, in the appropriate location.

### Employer Identification Number (EIN)

If the EIN on the label is wrong or you did not receive a label, enter the correct number. (If you are a one-time filer, you do not need an EIN. See **Special Rules—One-Time Filings** on this page.) If you do not have an EIN, you must apply for one. Get **Form SS-4**, Application for Employer Identification Number. Form SS-4 has information on how to apply for an EIN. If the EIN has not been received by the filing date of Form 720, write “Applied for” in the space for the EIN.

## Part I

### Environmental Taxes

**Form 6627**, Environmental Taxes, is used to figure the environmental taxes on ODCs, IRS No. 98; imported products that used ODCs as materials in the manufacture or production of the product, IRS No. 19; and the floor stocks tax on ODCs, IRS No. 20. Attach Form 6627 to Form 720 each quarter. The tax rates for these taxes are shown on Form 6627 and its instructions.

**Note:** *The following taxes expired December 31, 1995: petroleum and imported petroleum products, IRS Nos. 53 and 16; chemicals (other than ozone-depleting chemicals (ODCs)), IRS No. 54; and imported chemical substances, IRS No. 17.*

### Communications and Air Transportation Taxes

**Who must file.**— The person receiving the payment for communications or air transportation services is required to collect and pay over the tax and file the return.

**Communications services (IRS No. 22).**— Enter the amount of tax collected or considered collected for the quarter. The tax is 3% of amounts paid for toll telephone service, teletypewriter exchange service, and local telephone service.

**Note:** *The following taxes apply to amounts paid on or after August 27, 1996, for transportation beginning on or after August 27, 1996, and before January 1, 1997. No tax applies to amounts paid before August 27, 1996, and, unless extended by future legislation, these taxes will not apply to amounts paid for transportation beginning after December 31, 1996.*

**Transportation of persons by air (IRS No. 26).**— Enter the amount of tax collected or considered collected for the quarter. The tax is 10% of amounts paid for taxable transportation of persons by air, including amounts paid for related seating or sleeping accommodations.

**Transportation of property by air (IRS No. 28).**— Enter the amount of tax collected or considered collected for the quarter. The tax is 6.25% of amounts paid for transportation of property by air.

**International air travel facilities (IRS No. 27).**— Enter the amount of tax collected or considered collected for the quarter. The tax is \$6 per person.

**Fuel Taxes**

Enter the number of gallons subject to tax for each fuel. The fuels subject to tax and the tax rates are listed on Form 720.

**Diesel fuel (IRS No. 60).**— If you are liable for the diesel fuel tax on removal at the terminal rack, report these gallons on line (a) of IRS No. 60. If you are liable for the diesel fuel tax on events other than removal at the terminal rack, report these gallons on line (b) of IRS No. 60. Include on line (b) the tax on previously untaxed liquids that are blended with previously taxed diesel fuel.

Multiply the total number of gallons subject to tax on lines (a) and (b) by \$.243 and make one entry in the tax column.

If you are reporting gallons that may again be subject to tax, you may need to file a "first taxpayer's report" with Form 720. See Regulations section 48.4081-7.

**Dyed diesel fuel used in trains (IRS No. 71).**— Dyed diesel fuel used in a diesel-powered train is taxed at \$.0555 a gallon.

**Dyed diesel fuel used in certain intercity or local buses (IRS No. 78).**— Dyed diesel fuel used in certain intercity or local buses is taxed at \$.073 a gallon.

**Special motor fuels (IRS No. 61).**— Any liquid other than gasoline, kerosene, gas oil, fuel oil, or diesel fuel sold for use or used in a motor vehicle or motorboat (other than a commercial fishing boat) is taxed at \$.183 a gallon.

**Other alcohol fuels (IRS No. 79).**— Report the tax for the following fuels on this line.

Gasohol containing at least 5.7% alcohol but less than 7.7% alcohol (methanol).....	.1488
Special motor fuels/alcohol mixture containing ethanol .....	.1290
Special motor fuels/alcohol mixture containing methanol .....	.1230
Diesel/alcohol mixture containing ethanol .....	.1890
Diesel sold for diesel/alcohol mixture containing ethanol .....	.2100
Diesel/alcohol mixture containing methanol .....	.1830
Diesel sold for diesel/alcohol mixture containing methanol .....	.2033
Aviation fuel/alcohol mixture containing ethanol .....	.043/.084*
Aviation fuel sold for aviation/alcohol mixture containing ethanol .....	.043/.09333*
Aviation fuel/alcohol mixture containing methanol .....	.043/.078*
Aviation fuel sold for aviation/alcohol mixture containing methanol .....	.043/.08666*

**Note:** The second rate (\*) for aviation fuel/alcohol mixtures applies after August 26, 1996.

**Gasoline (IRS No. 62).**— If you are liable for the gasoline tax on removal at the terminal rack, report these gallons on line (a) of IRS No. 62. If you are liable for the gasoline tax on events other than removal at the terminal rack, report these gallons on line (b) of IRS No. 62. If you are liable for the additional tax on failure to blend or later separation, report these gallons on line (c) of IRS No. 62.

Multiply the total number of gallons subject to tax on lines (a) and (b) by \$.183. Multiply the total number of gallons subject to tax on line (c) by the appropriate rate (see below). Combine the tax for lines (a), (b), and (c), and make one entry in the tax column.

If you are reporting gallons that may again be subject to tax, you may need to file a "first taxpayer's report" with Form 720. See Regulations section 48.4081-7.

**Additional tax on failure to blend or later separation.**— Anyone who purchases gasoline for gasohol production at one of the reduced rates (IRS No. 58, 73, and 74) and fails to blend the gasoline with alcohol is subject to an additional tax. Anyone who purchases gasohol at one of the reduced rates (IRS No. 59, 75, and 76) and later separates the gasoline from the mixture is subject to an additional tax. The additional tax rates per gallon of gasoline are:

Type of Mixture	Rate of Tax
At least 10% alcohol .....	\$.03967
At least 7.7% alcohol but less than 10% alcohol .....	.02979
At least 5.7% alcohol but less than 7.7% alcohol .....	.02158

Fuel	Tax Rate per Gallon
Qualified ethanol.....	\$.1290
Qualified methanol.....	.1230
Qualified methanol and ethanol produced from natural gas .....	.1130
Gasoline sold for gasohol production containing at least 10% alcohol (methanol).....	.13666
Gasoline sold for gasohol production containing at least 7.7% alcohol but less than 10% alcohol (methanol).....	.14821
Gasoline sold for gasohol production containing at least 5.7% alcohol but less than 7.7% alcohol (methanol).....	.15779
Gasohol containing at least 10% alcohol (methanol).....	.1230
Gasohol containing at least 7.7% alcohol but less than 10% alcohol (methanol).....	.1368

Report the number of gallons on line (c) of IRS No. 62.

**Compressed natural gas (IRS No. 101).**— Tax is imposed on compressed natural gas (CNG) that is sold for use or used as fuel in a motor vehicle or motorboat. The rate of tax is \$.4854 per thousand cubic feet (determined at standard temperature and pressure). See Regulations section 48.4041-21 to determine liability for, and exemptions from, the tax on CNG.

**Retail Tax**

**Truck, trailer, and semitrailer chassis and bodies, and tractors (IRS No. 33).**— The tax is 12% (.12) of the sales price on the first retail sale of each unit. The sales price of a vehicle includes certain related parts and accessories sold on or in connection with the sale of the vehicle. It applies to trucks that have a gross vehicle weight (GVW) over 33,000 pounds. It also applies to trailer and semitrailer chassis and bodies for use with a trailer or semitrailer with a GVW over 26,000 pounds. Tractors mainly used for highway transportation with a trailer or semitrailer are taxable regardless of GVW.

See Pub. 510 for more information.

**Ship Passenger Tax**

**Transportation by water (IRS No. 29).**— A tax is imposed on the operator of commercial ships. The tax is \$3 for each passenger on a commercial passenger ship that has berth or stateroom accommodations for at least 17 passengers if the trip is over 1 or more nights. A voyage extends "over 1 or more nights" if it is longer than 24 hours. The tax also applies to passengers on any commercial ship that transports passengers engaged in gambling aboard the ship beyond the territorial waters of the United States. Enter the number of passengers for the quarter on the line for IRS No. 29.

**Other Excise Tax**

**Obligations not in registered form (IRS No. 31).**— For obligations issued during the quarter, enter the principal amount of the obligation multiplied by the number of calendar years (or portion thereof) during the period beginning on the issue date and ending on the maturity date on the line for IRS No. 31.

**Luxury Tax**

**Passenger vehicles (IRS No. 92).**— The tax is imposed on the first retail sale of any passenger vehicle and is equal to 10% (9% after August 27, 1996) of the sales price to the extent the price exceeds \$34,000. The first retail sale includes the use or lease of a vehicle. The tax must be paid by the seller of the vehicle.

The tax generally applies to passenger vehicles having an unloaded vehicle weight of 6,000 pounds or less. The tax also applies to trucks and vans having a gross vehicle weight (the weight of the

vehicle plus its maximum load) of 6,000 pounds or less. Limousines are taxable regardless of weight. The tax does not apply to taxicabs and other passenger vehicles used by the purchaser exclusively in the business of transporting persons or property for compensation or hire, to law enforcement vehicles, public safety or public works vehicles, or emergency medical service vehicles. Add the tax on each sale during the quarter and enter the total on the line for IRS No. 92.

See Pub. 510 for more information.

## Manufacturers Taxes

**Caution:** *Do not include the excise tax on coal in the sales price when determining which tax rate to use.*

**Underground mined coal (IRS Nos. 36 and 37).**— The tax on underground mined coal is the lower of \$.10 per ton or 4.4% of the sales price. Enter on the line for IRS No. 36 the number of tons of underground mined coal sold at \$25 or more per ton. Enter on the line for IRS No. 37 the total sales price for all sales of underground mined coal sold at a selling price of less than \$25 per ton.

**Surface mined coal (IRS Nos. 38 and 39).**— The tax on surface mined coal is the lower of \$.55 per ton or 4.4% of the sales price. Enter on the line for IRS No. 38 the number of tons of surface mined coal sold at \$12.50 or more per ton. Enter on the line for IRS No. 39 the total sales price for all sales of surface mined coal sold at a selling price of less than \$12.50 per ton.

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

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

Figure the tax for each tire sold and enter the total for the quarter on the line for IRS No. 66.

**Gas guzzler tax (IRS No. 40).**— Use Form 6197, Gas Guzzler Tax, to figure the liability for this tax and attach it each quarter to Form 720. The tax rates for the gas guzzler tax are shown on Form 6197.

**Vaccine tax (IRS Nos. 81, 82, 83, and 84).**— Enter the number of doses of each vaccine on Form 720. The taxable vaccines are: DPT (diphtheria, pertussis, and tetanus); DT (diphtheria-tetanus); MMR (measles, mumps, and rubella); and polio.

## Foreign Insurance Taxes

**Policies issued by foreign insurers (IRS No. 30).**— Enter the amount of premiums paid during the quarter on policies issued by foreign insurers. Multiply the premiums paid by the rates listed on Form 720 and enter the total for the three types of insurance on the line for IRS No. 30.

**Treaty-based return positions under section 6114.**— Foreign insurers and reinsurers who take the position that a treaty of the United States overrules, or otherwise modifies, an Internal Revenue law of the United States, must disclose such position. This disclosure must be made once a year on a statement filed with the 1st quarter Form 720, which is due before May 1 of each year. The statement must report the payments of premiums that are exempt from the excise tax on policies issued by foreign insurers for the previous calendar year.

You may be able to use Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), as a disclosure statement.

**How to file.**— Send the Form 720 with the attached statement to: Internal Revenue Service, P.O. Box 21086, Philadelphia, PA 19114. At the top of Form 720, write "Section 6114 Treaty." You need an EIN to file Form 720. If you do not have an EIN, get Form SS-4 for instructions on how to apply for one. Provided you have no other transactions reportable on Form 720, check the one-time filing box on page 1. If this is your final return, check the final return box. Write "None" on lines 1, 3, and 5; and sign the return.

## Part II

**Sport fishing equipment (IRS No. 41).**— The tax on sport fishing equipment is 10% (.10) of the sales price. The tax is paid by the manufacturer, producer, or importer. Taxable articles include fishing rods and poles (and component parts), reels, fly fishing lines (and other lines not over 130 pounds test), fishing spears, spear guns, spear tips, terminal tackle, fishing supplies and accessories, and any parts or accessories sold on or in connection with these articles. Add the tax on each sale during the quarter and enter the total on the line for IRS No. 41.

**Electric outboard motors and sonar devices (IRS No. 42).**— The tax on an outboard motor or a sonar device for finding fish is 3% (.03) of its sale price. The tax is paid by the manufacturer, producer, or importer. The tax is limited to \$30 for each sonar device. Sonar devices for finding fish do not include graph recorders, digital types, meter readouts, or combination graph recorders or combination meter readouts. Add the tax on each sale during the quarter and enter the total on the line for IRS No. 42.

**Bows and arrows (IRS No. 44).**— The tax on the sales price of bows and arrows is 11% (.11). The tax is paid by the manufacturer, producer, or importer. It applies to bows having a draw weight of 10 pounds or more and to arrows 18 inches or more in overall length. Arrows less than 18 inches are taxable if they are suitable for use with a bow that has a draw weight of 10 pounds or more. The tax is also imposed on the sale of any part or accessory suitable for inclusion in or attachment to a taxable bow or arrow and any quiver suitable for use with taxable arrows. The tax on parts and accessories does not apply to an article on which the tax on bows and arrows has been previously imposed. Add the tax on each sale during the quarter and enter the total on the line for IRS No. 44.

**Inland waterways fuel use (IRS No. 64).**— Enter the number of gallons subject to tax. The tax is \$.243 per gallon.

**Alcohol sold as but not used as fuel (IRS No. 51).**— Alcohol, either mixed or straight, designated for use as fuel is eligible for a credit. Form 6478, Credit for Alcohol Used as Fuel, is used to figure the credit. An excise tax is imposed if the credit was determined and any person later either (1) uses a mixture or straight alcohol for a purpose other than fuel, (2) separates the alcohol from the mixture, or (3) mixes the straight alcohol. The tax for each gallon of alcohol that is at least 190 proof is \$.54 a gallon if ethanol; \$.60 a gallon if methanol; and \$.64 a gallon if the alcohol benefited from the small ethanol producer credit. The tax for each gallon of alcohol that is at least 150 proof but less than 190 proof is \$.40 a gallon if ethanol; \$.45 a gallon if methanol; and \$.50 a gallon if the alcohol benefited from the small ethanol producer credit.

## Floor Stocks Taxes

**Ozone-depleting chemicals floor stocks tax (IRS No. 20).**— Use Form 6627 to figure the liability for this tax. Enter the amount from Form 6627, Part III, line 4, column (d) on the line for IRS No. 20. Attach Form 6627 to Form 720 for the 2nd quarter of 1997. Deposit the payment by June 30, 1997, at an authorized depository. See **How To Make Deposits** on page 5.

## Part III

Report the total adjustments and claims from Part III, line 13 of Schedule C on line 4 of Form 720. See the **Schedule C** instructions on page 6.

You may have the overpayment refunded or applied to your next return. Enter on line 7 of your next return the amount you want to have applied to that return.

**Caution:** *If you owe other Federal tax, interest, or penalty, the overpayment on line 10 will be applied to the unpaid amounts.*

## Payment of Taxes

Generally, semimonthly deposits of excise taxes are required. However, no deposit is required for the situations listed below; the taxes are payable with the return.

- The net liability for taxes listed in Part I (Form 720) does not exceed \$2,000 for the quarter.
- The gas guzzler tax and/or the luxury tax is being paid on a one-time filing. See **Special Rules—One-Time Filings** on page 2.
- The liability is for taxes listed in Part II (Form 720), except for the floor stocks taxes, which require a single deposit. See **Floor Stocks Taxes** on page 4.
- The tax liability is for the removal of a batch of gasohol from an approved refinery by bulk transfer, if the refiner elects to treat itself for that removal as not registered under section 4101. See Regulations section 48.4081-3.

## How To Make Deposits

Deposit Federal excise tax payments with a **Form 8109**, Federal Tax Deposit Coupon, at an authorized depository or the Federal Reserve bank serving the area in which you are located. But see **Federal tax deposits by electronic funds transfer** on this page. See the instructions in the coupon book for additional information. If you do not have a coupon book, contact your IRS district office.

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 business accounts.

Generally, if any due date for making a deposit falls on a Saturday, Sunday, or legal holiday, you may make the deposit on the next business day.

**Semimonthly period.**— 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).

**Computation of net tax liability.**— Net tax liability for a semimonthly period is the liability for the period plus or minus any adjustments for the period. Liability for a semimonthly period may be figured by dividing the net tax liability for the month by 2, provided this method of computation is used for all semimonthly periods in the calendar quarter.

**Federal tax deposits by electronic funds transfer (EFT).**— If your total deposits of Federal income taxes withheld, social security, Medicare, and railroad retirement taxes were more than \$50,000 during calendar year 1995, and you are not already depositing by electronic funds transfer, you must begin making electronic deposits for **all** depository taxes arising after June 30, 1997. If you were required to deposit by electronic funds transfer in prior years, continue to do so throughout 1997. The **Electronic Federal Tax Payment**

**System (EFTPS)** must be used to make electronic deposits. If you are an employer required to use EFT, you must also deposit your Form 720 taxes through EFT. If you are required to make deposits by electronic funds transfer and fail to do so, you may be subject to a 10% penalty. Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS. For information on EFTPS, call 1-800-555-4477 or 1-800-945-8400. (These numbers are for EFTPS information only.)

If you are first required to make EFT deposits in 1997, your first EFT deposit will be due for a deposit obligation incurred for a return period beginning on or after July 1, 1997. For example, under the 9-day rule, the second semimonthly period for June 1997, is due July 9, 1997. If you were not subject to EFT prior to July 1, 1997, the July 9 deposit may be made by paper coupon. The deposit due July 24 will be the first EFT deposit required.

## When To Make Deposits

Taxes that are required to be deposited are grouped into classes as follows: **(1)** 9-day-rule taxes, **(2)** 14-day-rule taxes, **(3)** 30-day-rule taxes, and **(4)** alternative method taxes. If you are depositing more than one tax in a class, combine all the taxes in the class and make one deposit for the semimonthly period.

**9-day rule.**— The deposit of tax for a semimonthly period is due by the 9th day following that period. Generally, this is the 24th day of a month and the 9th day of the following month. The 9-day rule applies to all taxes in Part I of Form 720 except for:

- Gasoline and diesel fuel tax (IRS Nos. 60, 62, 58, 73, 74, 59, 75, and 76), if deposits by qualified persons are made by transfer between accounts in the same depository. See **14-day rule**.
- ODCs tax (IRS Nos. 19 and 98). See **30-day rule**.
- Communications and air transportation taxes (IRS Nos. 22, 26, 27, and 28), if deposits are based on amounts billed or tickets sold, rather than on amounts actually collected. See **Alternative method** on this page.
- One-time filers of luxury and gas guzzler tax. See **Special Rules—One-Time Filings** on page 2.

**14-day rule (IRS Nos. 60, 62, 58, 73, 74, 59, 75, and 76).**— Deposits of the gasoline and diesel fuel tax for a semimonthly period by an independent refiner or any person whose average daily production of crude oil for the preceding calendar quarter that did not exceed 1,000 barrels may be made by the 14th day following the semimonthly period. The deposits must be made by transfer between accounts with the same Government depository. If the 14th day is a Saturday, Sunday, or legal holiday, the due date is the immediately **preceding** day that is not a Saturday, Sunday, or legal holiday. The 14-day rule does not

apply to dyed diesel fuel used in trains (IRS No. 71) or to dyed diesel fuel used in certain intercity or local buses (IRS No. 78).

**30-day rule (IRS Nos. 19 and 98).**— The deposit of tax for a semimonthly period is due by the last day of the second following semimonthly period. Generally, this is the 15th day of the following month and the last day of the following month.

**Alternative method (IRS Nos. 22, 26, 27, and 28).**— Deposits of communications and air transportation taxes may be based on 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 August 16, 1996, to August 31, 1996, is considered collected from September 16, 1996, to September 22, 1996, and must be deposited by September 25, 1996.

To use the alternative method, you must keep a separate account of the tax included in amounts billed or tickets sold during the month and report on Form 720 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.

**Special rules for deposits of taxes in September 1996.**— If you are required to make deposits, an additional deposit is due in September as shown in the chart on page 6. The special rule does not apply to air transportation taxes or other taxes not required to be deposited. See Regulations section 40.6302(c)-5T for special rules for figuring the net tax liability for this period.

## Amount To Deposit

Deposits of taxes for a semimonthly period must not be less than the net tax liability for that period unless one of the safe harbor rules applies. The safe harbor rules apply separately to deposits under the 9-day rule, 14-day rule, 30-day rule, and the alternative method.

Under the alternative method, the deposit of tax for any semimonthly period must not be less than the net amount of tax that is considered collected during the semimonthly period. The net amount of tax that is considered collected during the semimonthly period must be either **(1)** the net amount of tax reflected in the separate account for the corresponding semimonthly period of the previous month or **(2)** one-half of the net amount of tax reflected in the separate account for the preceding month.

**Safe harbor rules.**— There are two safe harbor rules: one based on look-back quarter liability and one based on current liability.

The look-back quarter safe harbor rule applies to persons who filed a Form 720 for the look-back quarter (the 2nd calendar quarter preceding the current quarter). Persons who filed for the look-back quarter are considered to meet the semimonthly deposit requirement if the deposit for each semimonthly period in the current quarter is not less than 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 not less than 12.23% (11.12% non-EFT) of the net tax liability reported for the look-back quarter, and the total deposit for that semimonthly period must be not less than 16.67% of the net tax liability reported for the look-back quarter. This rule does not apply for 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 not less than 1/6 (16.67%) of the 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.

The current liability safe harbor rule applies to all filers of Form 720. Filers are considered to meet the semimonthly deposit requirement if the deposit for the semimonthly period is at least 95% of the net tax liability for the semimonthly period. For the semimonthly period for which the additional deposit is required, the additional deposit must be not less than 69.67% (63.34% non-EFT) of the net tax liability for the semimonthly period, and the total deposit for that semimonthly period must be not less than 95% of the net liability for the semimonthly period.

The following requirements must be satisfied for the safe harbor rules to apply:

1. Each deposit must be timely made at an authorized Government depository; and
2. Any underpayment for the current quarter must be paid by the due date of the return. However, if the due date of the return is extended because you report taxes with different return due dates, you must deposit on the earlier due date any underpayment for taxes ordinarily reported on the earlier date.

The IRS may withdraw the right to make deposits of tax using safe harbor rules from any person not complying with the rules as stated above.

## Schedule A—Excise Tax Liability

Complete Schedule A to record net tax liabilities for Part I taxes for each semimonthly period in a quarter even if your net liability is under \$2,000. See **Computation of net tax liability** on page 5.

If you are reporting more than one type of tax on lines 1, 2, 3, or 4, add the net liability for each tax for each semimonthly period and enter the total in the applicable box. See **When To Make Deposits** on page 5 for details on the types of taxes.

**Line 1.**— Report in boxes **A–F** the net liability for the 9-day-rule taxes.

Use line 1 for communications and air transportation taxes based on actual collections.

**Line 2.**— Report in boxes **G–L** the net liability for 30-day-rule taxes.

**Line 3.**— Report in boxes **M–R** the amount of tax based on billings or tickets sold for communications taxes (IRS No. 22) or air transportation taxes (IRS Nos. 26, 27, and 28). The amount of tax to report for a semimonthly period is the

amount that is considered collected during that period. For example, the amounts billed for communications services from December 1, 1996, to December 15, 1996, are considered collected during the period January 1, 1997, to January 7, 1997, and are reported for the 1st quarter of 1997 on Schedule A in box **M**, not the 4th quarter of 1996.

If you report based on actual collections, use line 1.

**Line 4.**— Report in boxes **S–X** the net liability for 14-day-rule taxes.

If you do not use the 14-day rule, report your gasoline or diesel fuel tax liability on line 1.

**Reporting tax liability under the special September rule.**— An additional reporting is required under the special September rule (for the period shown in the chart on this page) as follows:

- **9-day-rule taxes.** Enter the tax liability for the period beginning September 16 and ending September 25/26 below box **F**.
- **14-day-rule taxes.** Enter the tax liability for the period beginning September 16 and ending September 25/26 below box **X**.
- **ODCs.** Enter the tax liability for ODCs for the period beginning August 16 and ending September 10/11 below box **K**.
- **Communications based on amounts billed.** Enter the tax included in amounts billed during the period beginning September 1 and ending September 10/11 above box **M** on the **4th quarter return**.

For the remaining days in the September period, report the liability as follows:

- **9-day-rule taxes.** Enter the liability for the period beginning September 26/27 and ending September 30 in box **F**.
- **14-day-rule taxes.** Enter the liability for the period beginning September 26/27 and ending September 30 in box **X**.
- **ODCs.** Enter the liability for the period beginning September 11/12 and ending September 15 in box **K**. Leave box **J** blank. Enter the liability for the period beginning September 16 and ending September 30 in box **L**.
- **Communications based on amounts billed.** Enter the tax included in the amounts billed for the period beginning September 11/12 and ending September 15 in box **M** of the **4th quarter return**. Enter the tax included in amounts billed during the period beginning September 16 and ending September 30 in box **N** of the **4th quarter return**.

Additional deposit of taxes in September 1996

Type	For the Period		Due Date
	Beginning on	Ending on	
All Part I taxes:* EFT**	Sept. 16	Sept. 26	Sept. 30
Non-EFT	Sept. 16	Sept. 25	Sept. 27
ODCs (IRS Nos. 98 and 19): EFT	Aug. 16	Sept. 11	Sept. 30
Non-EFT	Aug. 16	Sept. 10	Sept. 27
Communications (IRS No. 22) (based on amounts billed): EFT	Sept. 1	Sept. 11	Sept. 30
Non-EFT	Sept. 1	Sept. 10	Sept. 27

\* Except ODCs and communications taxes based on amounts billed, which are listed separately.

\*\* See **Federal tax deposits by electronic funds transfer (EFT)** on page 5.

**Note:** For the remaining days in September, be sure to make your deposits by the regular due date.

## Schedule C—Adjustments and Claims

**Note:** If you are not required to file Form 720 but you are due a refund of excise tax, you must use **Form 8849, Claim for Refund of Excise Taxes**, to make your claim.

**Caution:** See Pub. 378 for claim requirements that set dollar amounts and dates for filing your claim.

To make adjustments or claims, complete Schedule C. Enter on line 4 of Form 720 the total from Part III, line 13, of Schedule C. You cannot claim any amounts on Schedule C that you took or will take as a credit on Form 4136 or as a refund on Form 8849 or Form 843.

Use Form 843 to request an abatement or refund of interest under section 6404(e) (due to IRS errors or delays) or an abatement of a penalty or addition to tax as a result of erroneous IRS written advice.

Complete all information requested for each claim you have. Your adjustment or claim will be disallowed if you do not follow the required procedures or do not provide all the required information.

If you bought fuel taxed at a rate that is different from the rate on the form, attach an explanation of the amount of credit you are claiming.

### Line 3

**Off-highway business use.**— You must have used the gasoline for a business use other than in a highway vehicle registered (or required to be registered) for highway use.

For gasoline you use in aviation, use line 7. For other nontaxable uses of gasoline, use line 11.

### Line 4

**Off-highway business use.**— You must have used the gasohol for a business use other than in a highway vehicle registered (or required to be registered) for highway use. The rate per gallon is based on the percentage of alcohol in the mixture.

For other nontaxable uses of gasohol, use line 11.

### Line 5

**5a. Heating oil.**— You must have used the diesel fuel as heating oil.

**5b. Off-highway business use.**— You must have used the diesel fuel for a business use other than in a highway vehicle registered (or required to be registered) for highway use.

**5c. Qualified local and school buses.**— You must have used the diesel fuel in a qualified local bus or in a bus that

transports students and school employees.

For diesel fuel you used in certain intercity or local buses or diesel-powered trains, use line 10. For other nontaxable uses of diesel fuel, use line 11.

**5d. Sales by registered ultimate vendors.**— You must attach the following information:

1. Your UV registration number issued to you by the IRS;
2. The name and TIN of each farmer, custom harvester, or governmental unit that bought diesel fuel from you and the number of gallons that you sold to each; and
3. A statement that you have:
  - Not included the amount of tax in the sales price and have not collected the amount of tax from your buyer; **or**
  - Repaid the amount of the tax to your buyer; **or**
  - Obtained the written consent from your buyer to take the claim.

### Line 6

**6a through 6c. Special fuels—**

**Off-highway business use.**— Generally, special motor fuels may be bought for nontaxable purposes at a price that does not include the excise tax. However, if you bought taxed special motor fuels, you may make a claim for the tax included in the price of special motor fuels you used for off-highway business use. You must have used the special motor fuels for a business use other than in a highway vehicle registered (or required to be registered) for highway use.

For other nontaxable uses of special motor fuels, use line 11.

**6d. Compressed natural gas (CNG).**— Generally, CNG may be bought for nontaxable purposes at a price that does not include the excise tax. However, if you bought taxed CNG, you may make a claim for the tax included in the price of CNG you used for off-highway business use. You must have used the CNG for a business use other than in a highway vehicle registered (or required to be registered) for highway use. The tax rate shown on line 6d is per thousand cubic feet (MCF).

For other nontaxable uses of CNG, use line 11.

### Line 7

**7a. Used in foreign trade or in certain helicopters.**— You may make a claim for the \$.183 per gallon of tax included in the price of gasoline. If tax was imposed at the \$.193 per gallon rate, you may make a claim for the \$.193 per gallon.

**7b. Used in commercial aviation.**— You may make a claim for \$.14 per gallon of the tax included in the price of gasoline. If the tax was imposed at the \$.193 per gallon rate, you may make a claim for \$.15 per gallon.

### Line 8

**8a. Used in foreign trade, on a farm, or in certain helicopters.**— You may make a claim for \$.043 per gallon of the tax included in the price of aviation fuel. If aviation fuel was taxed at \$.218 per gallon, you may file a claim for the \$.218 per gallon.

**8b. Used in commercial aviation (other than foreign trade).**— You may file a claim for \$.175 per gallon of the \$.218 tax included in the price of the aviation fuel after August 26, 1996.

### Line 9

If you bought gasoline taxed at the full rate, have not claimed a refund, and used that gasoline to make gasohol, you may make a claim for each gallon of gasoline you used to make gasohol. The rate per gallon is based on the percentage of alcohol in the mixture.

### Line 10

You must have used the diesel fuel for train or certain intercity or local bus use.

For other bus uses that qualify for a full refund of the tax, use line 5c.

### Line 11

Enter the claim amount for the IRS No. listed or use the blank line(s) for any claim not described.

You must attach a detailed explanation of the facts of the claim including a description of the transaction, how you figured the claim amount, etc. Also, be sure to include your name and EIN on each sheet you attach.