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# Fuel Tax Credits and Refunds

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## What's New

The American Jobs Creation Act of 2004 (the Act), Public Law 108-357, made changes affecting fuel tax credits and refunds. The following is a brief review of some of these changes.

**The credits and refunds** for the nontaxable use of gasohol and, generally, the use of gasohol taxed at the full rate to produce gasohol have been eliminated.

**Credit for Alcohol Fuel Mixtures and Biodiesel (Including Agri-biodiesel) Mixtures.** The Act allows two new credits against any fuel tax liability reported on Form 720:

- The alcohol fuel mixture credit is 51 cents per gallon of ethanol (60 cents per gallon for alcohol other than ethanol).
- The biodiesel mixture credit is 50 cents per gallon of biodiesel (\$1.00 per gallon of agri-biodiesel).
- Producers and importers must first take the alcohol fuel mixture credit and biodiesel mixture credit on Schedule C (Form 720) against any fuel tax liability. A payment is allowed for any excess credit and may be taken as a credit on Schedule C (Form 720), as a refund on Schedule 3 (Form 8849), or as an income tax credit on Forms 4136, 6478, or 8864 as applicable. Only one claim may be made for any particular amount of alcohol or biodiesel.
- Persons who blend alcohol with gasoline, diesel fuel, or kerosene to produce an alcohol fuel mixture outside the bulk transfer terminal system must pay must pay the gasoline tax on the volume of alcohol in the mixture. See Form 720 to report this tax. You also must be registered with the IRS as a blender. See Form 637.
- Persons who blend biodiesel with undyed diesel fuel to produce a biodiesel mixture

outside the bulk transfer terminal system must pay the diesel fuel tax on the volume of biodiesel in the mixture. See Form 720 to report this tax. You also must be registered with the IRS as a blender. See Form 637.

- Producers and importers of straight alcohol or straight biodiesel must be registered with the IRS. See Form 637.

**Aviation-grade kerosene** is taxed and the tax on aviation fuel has been eliminated. The credit and refund rates are the same.

Claims for **Aviation-grade kerosene** sold for use on a farm or for use by state and local governments can only be made by the registered ultimate vendor.

**Credits and refunds can be made to certain registered ultimate vendors if the ultimate purchaser waives its right to a claim for credit or refund as follows.**

**Aviation-grade kerosene** sold for nontaxable uses (other than use on a farm or use by state and local governments).

**Gasoline and aviation gasoline** sold to state and local governments and nonprofit educational organizations.

**Undyed diesel fuel or undyed kerosene** sold for use by certain intercity and local buses.

**Refunds to gasoline wholesale distributors have been eliminated for fuel sold after December 31, 2004.** Schedule 4 (Form 8849) will not be revised and cannot be used for fuel sold after December 31, 2004.

**Definition of off-highway vehicle.** The Act provides that a vehicle with certain described features for off-highway transportation is not treated as a highway vehicle. This provision applies to taxable periods after October 22, 2004. Fuel used in mobile machinery in an off-highway business use is limited to an annual claim for taxable years beginning after October 22, 2004.

Additional nontaxable uses of **liquefied petroleum gas** have been added.

**The filled-in forms** have been removed. For copies of any forms referenced in this publication, see *How To Get Tax Help* later.

## Introduction

This publication covers federal fuel tax credits you may be able to claim on your income tax return. It also covers fuel tax refunds you may be able to claim during the year.

This publication discusses the following subjects.

- The kinds of fuels that qualify for a credit or refund.
- The uses of fuels that qualify for a credit or refund.
- Who may claim a credit or refund.
- How to claim a credit or refund for fuel taxes.
- The alcohol fuel mixture credit.
- The biodiesel mixture credit.
- The alcohol fuel credit.
- The biodiesel fuel credit.

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

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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

- 510** Excise Taxes for 2005

### Form (and Instructions)

- 637** Application for Registration (For Certain Excise Tax Activities)
- 720** Quarterly Federal Excise Tax Return
- 720X** Amended Quarterly Federal Excise Tax Return
- 4136** Credit for Federal Tax Paid on Fuels
- 6478** Credit for Alcohol Used as Fuel
- 8849** Claim for Refund of Excise Taxes
- 8864** Biodiesel Fuels Credit

### Notices

- Notice 2005-04. You can find Notice 2005-4 on page 289 of Internal Revenue Bulletin 2005-2 at [www.irs.gov/pub/irs-irbs/irb05-02.pdf](http://www.irs.gov/pub/irs-irbs/irb05-02.pdf).
- Notice 2005-24. You can find Notice 2005-24 on page 757 of Internal Revenue Bulletin 2005-12 at [www.irs.gov/pub/irs-irbs/irb05-12.pdf](http://www.irs.gov/pub/irs-irbs/irb05-12.pdf).

Table 1–1. **Type of Use Table**

No.	Type of Use (See Chapter 2 for definition of terms)
1	On a farm for farming purposes
2	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)
3	Export
4	In a boat engaged in commercial fishing
5	In certain intercity and local buses
6	For diesel fuel or kerosene in a qualified local bus
7	In a bus transporting students and employees of schools (school buses)
8	For diesel fuel and kerosene (other than aviation-grade kerosene) used other than as a fuel in the propulsion engine of a train or diesel-powered highway vehicle (but not off-highway business use)
9	In foreign trade
10	Certain helicopter and fixed-wing air ambulance uses
11	For aviation-grade kerosene used other than as a fuel in the propulsion engine of an aircraft
12	In a highway vehicle owned by the United States that is not used on a highway
13	Exclusive use by a nonprofit educational organization
14	Exclusive use by a state, political subdivision of a state, or the District of Columbia
15	In an aircraft or vehicle owned by an aircraft museum
16	In military aircraft
17	For use in the production of special fuels

# 1.

## Fuels

Federal excise taxes are imposed on certain fuels. This chapter defines the fuels and lists the nontaxable uses of each fuel. The nontaxable uses are defined in Chapter 2.

**Type of use table.** The nontaxable uses listed under each fuel are from *Table 1–1*. The first column of the table is the number you enter on Form 4136, Form 8849, or Schedule C (Form 720) for that type of use. For type of use 2, the mobile machinery parenthetical applies only to Form 8849 and Form 720.

## Gasoline and Aviation 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 in Publication 510, and any product commonly used as an additive in gasoline (other than alcohol).

Aviation gasoline means all special grades of gasoline suitable for use in aviation reciprocating engines and covered by ASTM specification D 910 or military specification MIL-G-5572.

## Nontaxable Uses

The following are the uses of **gasoline** 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.
- 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).
- Exclusive use by a state, political subdivision of a state, or the District of Columbia (see sales by registered ultimate vendors).
- 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 nonprofit educational organization (see sales by registered ultimate vendors).
- Exclusive use by a state, political subdivision of a state, or the District of Columbia (see sales by registered ultimate vendors).
- In an aircraft owned by an aircraft museum.
- In military aircraft.

## Sales by Registered Ultimate Vendors

This is a new category of registered ultimate vendor. This is an ultimate vendor that sells gasoline or aviation gasoline to any of the following.

- 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 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 D* in the Appendix on page 18. 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 Publication 510 for a discussion of the registration requirements.

## Gasohol Blending



*The credits and refunds for the nontaxable use of gasohol and, generally, the use of gasoline taxed at the full rate to produce gasohol have been eliminated. The new credits for alcohol fuel mixtures and biodiesel mixtures are discussed in Chapter 4, Alcohol Fuel Mixture Credit, and Chapter 5, Biodiesel Mixture Credit.*

## Undyed Diesel Fuel and Undyed Kerosene (Other Than Aviation-Grade Kerosene)

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,
- Transmix, and
- Diesel fuel blendstocks (when identified by the IRS).

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 D 396, 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. Distillation range of 125 degrees Fahrenheit or less.
  - b. Sulfur content of 10 ppm or less.
  - c. Minimum color of +27 Saybolt.

**Transmix** means a by-product of refined products created by the mixing of different specification products during pipeline transportation.

**Kerosene** means any of the following liquids.

- One of the two grades of kerosene (No. 1–K and No. 2–K) covered by ASTM specification D 3699.
- Kerosene-type jet fuel covered by ASTM specification D 1655 or military specification MIL-DTL-5624T (Grade JP-5) or MIL-DTL-83133E (Grade JP-8). See *Aviation-Grade Kerosene* later.

Kerosene also includes any liquid that would be described above but for the presence of a dye of the type used to dye kerosene for a nontaxable use.

However, kerosene does not include an excluded liquid, discussed above.

## Nontaxable Uses

The following are the uses of **undyed diesel fuel** and **undyed kerosene** for which a credit or refund may be allowable to an ultimate purchaser.

- Off-highway business use.
- Export.
- In certain intercity and local buses.
- In a qualified local bus.
- In a school bus.
- Used other than as a fuel.
- In a train (undyed diesel fuel only).
- In a highway vehicle owned by the United States that is not used on a highway.
- Exclusive use by a nonprofit educational organization.
- In a vehicle owned by an aircraft museum.

No credit or refund is allowable for any use of **dyed** diesel fuel and **dyed** kerosene. You buy these fuels excise tax free. See Publication 510 for more information about dyed fuels.

## 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 use on a farm for farming pur-



poses or for exclusive use by a state or local government,

- Undyed kerosene sold from a blocked pump (defined below),
- Undyed kerosene sold for blending, 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 (farming and state use).** This is a person that sells undyed diesel fuel or undyed kerosene to any of the following.

- The owner, tenant, or operator of a farm for use by that person on a farm for farming purposes.
- A person other than the owner, tenant, or operator of a farm for use by that person on a farm in connection with cultivating, raising, or harvesting.
- A state or local government for its exclusive use (including essential government use by an Indian tribal government).

The ultimate vendor must be registered by the IRS. See Publication 510 for a discussion of the registration requirements.

**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 nontaxable use.
2. It is at a fixed location.
3. It is identified with a legible and conspicuous notice stating, "UNDYED UNTAXED KEROSENE, NONTAXABLE USE ONLY."
4. It meets either of the following conditions.
  - a. It cannot reasonably be used to dispense fuel directly into the fuel supply tank of a diesel-powered highway vehicle 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 undyed kerosene for use other than as a fuel in a diesel-powered highway vehicle or train.

The ultimate vendor (blocked pump) must be registered by the IRS. See Publication 510 for a discussion of the registration requirements.

**Registered ultimate vendor (blending for cold weather).** This is a taxable fuel registrant

(discussed in Publication 510), a registered ultimate vendor, or a registered ultimate vendor (blocked pump).

A credit or refund may be allowable to a registered ultimate vendor (blending) if the vendor sold undyed kerosene in an area described in an IRS declaration of extreme cold for the production of a cold weather blend.

**Cold weather blend.** This is a blend of kerosene and diesel fuel produced in an area described in an IRS declaration of extreme cold and sold for use or used for heating purposes.

**Registered ultimate vendor (certain intercity and local buses).** This is a new category of registered ultimate vendor. This is an ultimate vendor that sells undyed diesel fuel or undyed kerosene to the ultimate purchaser for use in certain intercity 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 sample waiver is included as *Model Waiver E* in the Appendix on page 19. The registered ultimate vendor must have the waiver at the time the credit or payment is claimed.

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## Aviation-Grade Kerosene

Aviation-grade kerosene replaces aviation fuel. Aviation-grade kerosene means kerosene-type jet fuel covered by ASTM specification D 1655 or military specification MIL-DTL-5624T (Grade JP-5) or MIL-DTL-83133E (Grade JP-8).

### Nontaxable Uses

The following are the uses of aviation-grade kerosene taxed at the full rate for which a credit or refund of the full rate may be allowable to an ultimate purchaser.

- Export.
- In foreign trade.
- Certain helicopter and fixed-wing air ambulance uses.
- Used other than as a fuel in the propulsion engine of an aircraft.
- Exclusive use by a nonprofit educational organization.
- In an aircraft owned by an aircraft museum.
- In military aircraft.

A credit or refund at a reduced rate may be allowable to an ultimate purchaser of aviation-grade kerosene taxed at the full rate and used in commercial aviation (other than foreign trade).

A credit or refund may be allowable to an ultimate purchaser of aviation-grade kerosene taxed at the commercial aviation rate and used in foreign trade.

## Sales by Registered Ultimate Vendors

The registered ultimate vendor of aviation-grade kerosene may make a claim for a nontaxable use only if the ultimate purchaser waives its right to make a claim by providing the registered ultimate vendor with a waiver. A sample waiver is included as *Model Waiver C* in the Appendix on page 17. The ultimate vendor must have the waiver at the time the credit or payment is claimed.

A nontaxable use for this purpose means any use that is exempt from the tax imposed under section 4041(c) (other than by reason of a prior imposition of tax) and any use in commercial aviation within the meaning of section 4083(b).

**Registered ultimate vendor (farming and state use).** This is an ultimate vendor that sells aviation-grade kerosene to any of the following.

- The owner, tenant, or operator of a farm for use by that person on a farm for farming purposes.
- A person other than the owner, tenant, or operator of a farm for use by that person on a farm in connection with cultivating, raising, or harvesting.
- A state or local government for its exclusive use (including essential government use by an Indian tribal government).

The claim for a credit or refund may be allowable to the registered ultimate vendor only. The ultimate vendor must be registered by the IRS. See Publication 510 for a discussion of the registration requirements.

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## Liquefied Petroleum Gas

Liquefied petroleum gas (LPG) includes propane, butane, and pentane, or mixtures of those gases.

### Nontaxable Uses

The following are the uses of taxed LPG for which a credit or refund may be allowable to an 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 qualified local bus.
- In a school bus.
- 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.

## 2.

# Definitions

This chapter provides definitions of the terms used in Table 1–1 for nontaxable uses. If applicable, the type of use number from Table 1–1 is indicated in each heading.

## On a Farm for Farming Purposes (No. 1)

On a farm for farming purposes means fuel used in carrying on a trade or business of farming, on a farm in the United States, and for farming purposes.

**Farm.** A farm includes livestock, dairy, fish, poultry, fruit, fur-bearing animals, and truck farms, orchards, plantations, ranches, nurseries, ranges, and feed yards for fattening cattle. It also includes structures such as greenhouses used primarily for the raising of agricultural or horticultural commodities. A fish farm is an area where fish are grown or raised — not merely caught or harvested.

**Farming purposes.** 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. For this use to qualify, you must have produced more than half the commodity so treated during the tax year. Commodity means a single raw product. For example, apples and peaches are two separate commodities.
5. To plant, cultivate, care for, or cut trees or to prepare (other than sawing logs into lumber, chipping, 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.

**Custom application of fertilizer and pesticide.** The use of fuel in the aerial or other application of fertilizer, pesticides, or other substances is a use of fuel on a farm for farming purposes. In the case of gasoline, you, as the owner, tenant, or operator, may waive your right to be treated as the ultimate purchaser. If you waive your right, the applicator is treated as having used the gasoline on a farm for farming purposes. See Chapter 14 of Pub. 225, Farmer's Tax Guide, for a sample waiver.

To waive your right to be treated as the ultimate purchaser, you must take all the following actions.

- Before the applicator files his or her claim, execute in writing an irrevocable agreement stating that you knowingly give up your right to the credit or refund. You may authorize an agent, such as a cooperative, to sign the waiver for you.
- Identify clearly the period the waiver covers.

The applicator must retain a copy of the waiver and give you a copy. Do **not** send a copy to the Internal Revenue Service unless requested to do so.

The waiver may be a separate document or it may appear on an invoice or another document from the applicator. If the waiver appears on an invoice or other document, it must be printed in a section clearly set off from all other material, and it must be printed in type sufficiently large to put you on notice that you are waiving your right to the credit or refund. If the waiver appears as part of an invoice or other document, it must be signed separately from any other item that requires your signature.

The effective period of the waiver cannot extend beyond your tax year. When the period covered by the waiver extends beyond the applicator's tax year, the applicator can only claim a credit or refund for fuel used in the part of the waiver period included in the applicator's tax year. The applicator must wait until the next tax year to file a claim for fuel used in the rest of the waiver period.

**Fuel not used for farming.** Fuel is not used on a farm for farming purposes if it is used in any of the following ways.

- Off the farm, such as on the highway or in noncommercial aviation, even if the fuel is used in transporting livestock, feed, crops, or equipment.
- For personal use, such as mowing the lawn.
- In processing, packaging, freezing, or canning operations.
- In processing crude gum into gum spirits of turpentine or gum resin or in processing maple sap into maple syrup or maple sugar.

## Off-Highway Business Use (No. 2)

Off-highway business use means fuel used in a trade or business or in an income-producing activity other than as a fuel in a highway vehicle registered or required to be registered for use on public highways. The terms "highway vehicle", "public highway", and "registered" are defined below. Do not consider any use in a boat as an off-highway business use.

Off-highway business use includes fuels used in any of the following ways.

- In stationary machines such as generators, compressors, power saws, and similar equipment.
- For cleaning purposes.
- In forklift trucks, bulldozers, and earthmovers.
- For transmix (diesel fuel), the refining of tax paid transmix into gasoline, diesel fuel, or kerosene.

Generally, this use does not include nonbusiness use of fuel, such as use by minibikes, snowmobiles, power lawn mowers, chain saws, and other yard equipment.

**Example.** 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, tim-

bering, 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 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.
  - d. The vehicle must have traveled less than 7,500 miles on public highways during the owner's 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.

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## 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.

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## 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.

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## Buses

### 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.

### For Diesel Fuel or Kerosene 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 in-



tricity routes may consider its buses qualified local buses only when the buses are used on the subsidized intracity routes.

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## 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.

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

Diesel fuel and kerosene (other than aviation grade kerosene) 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 in the following ways:

- For home heating, lighting, and cooking.
  - In boats.
  - For any of the following nonbusiness uses.
1. In stationary machines, such as generators and compressors.
  2. For cleaning purposes.
  3. In minibikes and snowmobiles.

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## 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. In the case of aircraft registered in a foreign country, the country must allow reciprocal benefits for aircraft registered in the United States.

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## Certain Helicopter and Fixed-Wing Air Ambulance 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 de-

velopment or removal of, hard minerals, oil, or gas.

2. Planting, cultivating, cutting, transporting, or caring for trees (including logging operations).
3. Providing emergency medical services.

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. For item (1), treat each flight segment as a separate flight.

**Fixed-wing air ambulance uses.** Fixed-wing air ambulance uses means fuel used by a fixed-wing aircraft providing emergency medical services. The aircraft must be equipped for and exclusively dedicated on that flight to acute care emergency medical services.

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## For Aviation-Grade Kerosene Used Other Than as a Fuel in the Propulsion Engine of an Aircraft (No. 11)

Aviation-grade kerosene used other than as a fuel in the propulsion engine of an aircraft means aviation-grade kerosene used in the following ways.

- In stationary machines, such as generators and compressors.
- For cleaning purposes.
- In vehicles.

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## 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 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.

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

Exclusive use by a nonprofit educational organization means fuel used by an organization ex-

empt from income tax under section 501(a) of the Internal Revenue Code 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 section 501(c)(3) of the Internal Revenue Code if the school meets the above requirements.

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## 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.

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## 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 section 501(c)(3) of the Code.
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).

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## 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.

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## For Use in the Production of Special Fuels (No. 17)

For use in the production of special fuels means used to produce any liquid fuel (including LPG or liquefied natural gas) that is not gas oil, fuel oil, or a product taxable under section 4081.

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## In Commercial Aviation (Other Than Foreign Trade)

In commercial aviation (other than foreign trade) means fuel used in an aircraft in the business of transporting persons or property by air for compensation or hire. However, commercial aviation does not include any of the following.

- Any use of an aircraft that has a maximum certificated takeoff weight of 6,000 pounds or less unless the aircraft is operated on an established line.
- Any use exclusively for the purpose of skydiving.
- Any use of an aircraft owned or leased by a member of an affiliated group and unavailable for hire by nonmembers of the group. The determination of whether an aircraft is available for hire by nonmembers is made on a flight-by-flight basis.

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## 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.

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### 3.

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## Filing Claims

This chapter tells you how and when to make a claim for a credit or refund of excise taxes on fuels. This chapter also covers recordkeeping requirements, interest and penalty provisions,

and when to include the credit or refund in your income.

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## General Information

Generally, you will provide all the information needed to claim a credit or refund when you properly complete Form 8849, Form 4136, or Form 720 (Schedule C). 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 may make claims for the nontaxable use of fuels on Form 4136, Form 8849 (Schedule 1), and Form 720 (Schedule C) 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.
- The names and addresses of suppliers and amounts purchased from each in the period covered by your claim.
- The nontaxable use for which you used the fuel.
- The number of gallons used for each nontaxable use.

It is important that your records show separately the number of gallons used for each nontaxable use that qualifies as a claim. If the fuel is exported, you must have proof of exportation.

For more information about keeping records, see Publication 583, *Starting a Business and Keeping Records*, or Publication 552, *Record-keeping for Individuals*.

### Exceptions.

1. The ultimate purchaser may not claim a credit or refund for undyed diesel fuel, undyed kerosene, or aviation-grade kerosene sold for the exclusive use of a state or local government; or for use on a farm for farming purposes or
  - The name and taxpayer identification number of each person (farmer, custom harvester, or government unit) that bought the fuel.
  - The number of gallons sold to each person.
  - An unexpired certificate from the buyer. See *Model Certificate B* on page 16. The certificate expires on the earlier of one year after the date of the certificate or the date a new certificate is given to the registered ultimate vendor.
2. The ultimate purchaser may not claim a credit or refund if it has waived its right to a claim for credit or refund as follows.
  - a. The ultimate purchaser of gasoline or aviation gasoline used by a state or local government for its exclusive use or a by nonprofit educational organization for its exclusive use may waive its right to make a claim by providing a certificate that is signed under penalties of perjury by a person authorized to bind the ultimate purchaser and is in the same format as the *Model Certificate D* on page 18. A new certificate is required each year or when any information in the current certificate expires.
    - b. The ultimate purchaser of aviation-grade kerosene used for a nontaxable use may waive its right to make a claim by providing a waiver that is signed under penalties of perjury by a person authorized to bind the ultimate purchaser and is in the same format as the *Model Waiver C* on page 17. A new waiver is required each year or when any information in the current waiver expires.
    - c. The ultimate purchaser of undyed diesel fuel or undyed kerosene used in certain intercity and local buses may waive its right to make a claim by providing a waiver that is signed under penalties of perjury by a person authorized to bind the ultimate purchaser and is in the same format as the *Model Waiver E* on page 19. A new waiver is required each year or when any information in the current waiver expires.

**Registered ultimate vendor.** Registered ultimate vendors may make claims for certain sales of fuels on Form 4136, Form 8849 (Schedule 1), and Form 720 (Schedule C) if reporting excise tax liability on that return. If you are a registered ultimate vendor, you must keep certain information 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 possession in order to make the claim.

In addition, you must have a registration number that has not been revoked or suspended. You can get a registration number from the IRS by completing Form 637, *Application for Registration (For Certain Excise Tax Activities)*, and providing the information requested in its instructions.

**Farming and state use.** To make a claim as an ultimate vendor (farming or state), you must have a UV registration number. If you sell undyed diesel fuel, undyed kerosene, or aviation-grade kerosene for use on a farm for farming purposes or for use by a state or local government, you must keep the following information.

- The name and taxpayer identification number of each person (farmer, custom harvester, or government unit) that bought the fuel.
- The number of gallons sold to each person.
- An unexpired certificate from the buyer. See *Model Certificate B* on page 16. The certificate expires on the earlier of one year after the date of the certificate or the date a new certificate is given to the registered 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 exclusive use or to a state or local government for its



exclusive use, you must keep the following information.

- The name and taxpayer identification number of each person (nonprofit educational organization or government unit) that bought the fuel.
- The number of gallons sold to each person.
- An unexpired certificate from the buyer. See *Model Certificate D* on page 18. The certificate expires on the earlier of one year after the date of the certificate or the date a new certificate is given to the registered ultimate vendor.

**Blocked pump.** To make a claim as an ultimate vendor (blocked pump), you must have a UP registration number. If you sell undyed kerosene (other than aviation-grade kerosene) 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.

**Blending for extreme cold.** To make a claim, you must be a taxable fuel registrant, a registered ultimate vendor, or a registered ultimate vendor (blocked pump). If you sell undyed kerosene (other than aviation-grade kerosene) for blending with diesel fuel in an area under a declaration of extreme cold and the blend will be sold for use or used for heating purposes, you must keep the following information.

- The number of gallons sold to each person.
- An unexpired certificate from the buyer for each purchase of kerosene. See *Model Certificate A* on page 15.

**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. Current UV registrants will be able to file registered ultimate vendor claims for undyed diesel fuel or undyed kerosene used in certain intercity or local buses until June 30, 2005. 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 E* on page 19.

**Aviation-grade kerosene.** To make a claim as an ultimate vendor of aviation-grade kerosene for a nontaxable use or use in commercial aviation (other than foreign trade), you must have a UA registration number. See *Aviation-grade kerosene* on page 4 for a list of nontaxable uses. Current UV registrants will be able to file registered ultimate vendor claims for aviation-grade kerosene until June 30, 2005. 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 C* on page 17.

**Taxpayer identification number.** To file a claim, you must have a taxpayer identification number. Your taxpayer identification number can be any of the following.

- Employer identification number (EIN).
- Social security number (SSN).
- 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 income 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 Administration. To get an ITIN, file Form W-7, Application 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/](http://www.irs.gov/businesses/small/) and click on the "Employer ID Numbers (EINs)" link. You may also apply for an EIN by telephone by calling 1-800-829-4933, or you can fax or mail Form SS-4, Application for Employer Identification Number, to the IRS.

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## Claiming a Refund

Generally, you may claim a refund on **Form 8849**. Complete and attach to Form 8849 the appropriate Form 8849 schedules. However, if you file Form 720, you can use the Schedule C portion of Form 720 for your refund claims for the quarter. See the Form 720 instructions. Do not claim a refund on Form 8849 for any amount for which you have filed or will file a claim on Schedule C (Form 720) or Form 4136.

Alcohol fuel mixture credits and biodiesel mixture credits must be taken on Schedule C (Form 720) against your taxable fuel liability. To the extent the alcohol fuel mixture credit and biodiesel mixture credit exceed taxable fuel liability, a payment is allowed and may be taken as a credit on Schedule C (Form 720), as a refund on Schedule 3 (Form 8849), or as an income tax credit on Forms 4136, 6478, or 8864 as applicable. Only one claim may be made for any particular amount of alcohol or biodiesel.

## Ultimate Purchasers

If you are an ultimate purchaser, you may claim a refund for the excise tax on fuels you purchase and use for a nontaxable use. You may file a claim for refund for any quarter of your tax year for which you can claim at least \$750. This amount is the excise tax on all fuels **used** for a nontaxable use during that quarter or any prior

quarter (for which no other claim has been filed) during the tax year.

If you cannot claim at least \$750 at the end of a quarter, you carry the amount over to the next quarter of your tax year to determine if you can claim at least \$750. If you cannot claim at least \$750 at the end of your tax year, you must claim a credit on your income tax return using Form 4136.

**Use in mobile machinery.** An ultimate purchaser may only make an annual claim for off-highway business use in mobile machinery.

**How to file.** File the claim for refund by filling out Schedule 1 (Form 8849) and attaching it to Form 8849. Send it to the address shown in the instructions. Only one claim may be filed for a quarter.

**Example.** You purchased gasoline and undyed diesel fuel. For the first quarter of your tax year, the excise tax on fuel you use for an off-highway business use is \$184 for gasoline and \$244 for diesel fuel. You cannot file a claim for refund since the total (\$428) is less than \$750.

For the second quarter, the excise tax on fuel you use for an off-highway business use is \$92 for gasoline and \$244 for diesel fuel. You add the amount from the first quarter (\$428) to the total amount from the second quarter (\$336) and determine you can file a claim for refund since the total is \$764.

**When to file.** You must file a quarterly claim by the last day of the first quarter following the last quarter included in the claim. If you do not file a timely refund claim for any quarter of your tax year, you will have to claim a credit for that amount on your income tax return, as discussed earlier.

Generally, an **annual claim** must be made on Form 4136 (as discussed under *Claiming a Credit on Form 4136* later). However, the following must use Schedule 1 (Form 8849) to file an annual claim.

- The United States.
- A state, political subdivision of a state, and the District of Columbia.
- An organization exempt from income tax under section 501(a) of the Internal Revenue Code that is not required to file an income tax return.

## Registered Ultimate Vendors

If you are a registered ultimate vendor, you can make a claim for refund of the excise tax on fuel that you sold for certain uses. Complete Form 8849 and Schedule 2 (including line 6 or line 7, if applicable) to make the claim. See *Chapter 1. Fuels*.

**Undyed diesel fuel.** You must meet the following requirements for this claim.

- The claim must be for undyed diesel fuel sold for use on a farm for farming purposes or by a state or local government (including essential government use by an Indian tribal government).
- The claim must be for sales during a period of at least 1 week.

- The claim must be for at least \$200. Claims for sales by a registered ultimate vendor of undyed kerosene and aviation-grade kerosene can be combined with claims for sales of undyed diesel fuel to meet this requirement.

**Undyed kerosene (other than aviation-grade kerosene).** You must meet the following requirements for this claim.

- The claim must be for undyed kerosene sold for use on a farm for farming purposes, for use by a state or local government, from a blocked pump, or for blending with diesel fuel to be used for heating purposes.
- The claim must be for sales during a period of at least 1 week.
- The claim must be for at least \$100. Only claims for sales by a registered ultimate vendor of undyed kerosene can be used to meet this requirement.

**Aviation-grade kerosene.** You must meet the following requirements for this claim.

- The claim must be for aviation-grade kerosene sold to the buyer for a nontaxable use or any use in commercial aviation, if the ultimate purchaser has waived the right to make the claim; or the claim must be for aviation-grade kerosene sold for use on a farm for farming purposes or for use by a state or local government.
- The claim must be for sales during a period of 1 week.
- The claim must be for at least \$200. Claims for sales by registered ultimate vendors of undyed diesel fuel and undyed kerosene can be combined with claims for sales by registered ultimate vendors of aviation-grade kerosene to meet this requirement.

**Undyed diesel fuel or undyed kerosene used in certain intercity and local buses.** You must meet the following requirements for this claim. There is no minimum amount to make this claim.

- The claim must be for undyed diesel fuel or undyed kerosene used in certain intercity or local buses.
- The claim must be for sales during a period of at least 1 week.

**Gasoline and aviation gasoline.** You must meet the following requirements for this claim.

- The claim must be for gasoline or aviation gasoline sold to a state for its exclusive use or to a nonprofit educational organization for its exclusive use.
- The claim must be for sales during a period of 1 week.
- The claim must be for at least \$200.

**How to file.** File registered ultimate vendor claims by filling out Schedule 2 (Form 8849) and attaching it to Form 8849. Send it to the address

shown in the instructions. Write "Registered Ultimate Vendor Claim" on the envelope.



*Do not combine this claim with any other claim on Form 8849.*

**When to file.** The claim must be filed by the last day of the first quarter following the earliest quarter included in the claim. If you do not meet the requirements or fail to file a timely quarterly refund claim, you will have to make a claim for a credit on Form 4136.

## Claiming a Credit on Form 4136

A credit may be claimed on Form 4136 when you file your income tax return at the end of the year. If you meet certain requirements (discussed earlier), you may be able to make a claim during the year.

**Credit only.** You can claim the following taxes only as a credit on Form 4136.

- Tax on gasoline or aviation gasoline used on a farm for farming purposes.
- Tax on fuels used for nontaxable uses if the total for the tax year is less than \$750.
- Tax on fuel you did not include in any claim for refund (discussed above) previously filed for any quarter of the tax year.
- Tax on fuel you used in mobile machinery (off-highway business use) that traveled less than 7,500 miles.

Do not claim a credit for any amount for which you have filed a refund claim on Form 8849 or credit on Form 720 (Schedule C).

**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 claims).



*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.*

**How to claim a credit.** How you claim a credit depends on whether you are an individual, partnership, corporation, S corporation, or farmers' cooperative association.

**Individuals.** You claim the credit on the "Other payments from" line of Form 1040. Also check box b on that line. If you would not otherwise have to file an income tax return, you must do so to get a fuel tax credit.

**Partnership.** Partnerships (other than electing large partnerships) claim the credit by including a statement on Schedule K-1 (Form 1065), *Partner's Share of Income, Deductions, Credits, etc.*, showing each partner's share of the number of gallons of each fuel sold or used for a nontaxable use, the type of use, and the applicable credit per gallon. Each partner claims the

credit on his or her income tax return for the partner's share of the fuel used by the partnership.

**Other entities.** Corporations, S corporations, farmers' cooperative associations, and trusts must make the claim on the line for "credit for Federal tax paid on fuels" of the applicable income tax return.

Federal, state, and local governments, and certain tax-exempt organizations (as discussed earlier under *Claiming a Refund*) must use Form 8849, not Form 4136, to make an annual claim.

## Interest

IRS pays no interest on refunds described in this publication other than refunds to registered ultimate vendors (discussed earlier) not paid within 45 days. Refunds resulting from credits claimed on income tax returns may qualify for interest.

## Penalties

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.

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

## Including the Credit or Refund in Income

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 an expense deduction 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 an accrual method of accounting.

**Cash method.** 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 Form 4136. If you file an amended return and claim a credit, include the credit amount in gross income for the tax year in which you receive the credit.

**Example 1.** Sharon Brown, a cash basis farmer, filed her 2004 Form 1040 on March 3, 2005. On her Schedule F, Sharon deducted the total cost of gasoline (including \$110 of excise taxes) used on the farm. Then, on Form 4136, Sharon claimed the \$110 as a credit. Sharon

reports the \$110 as additional income on her 2005 Schedule F.

**Example 2.** March Corporation uses the calendar year as its tax year. For 2004, the following amounts of excise tax were included in the cost of gasoline the corporation used each quarter in a nontaxable use:

January 1 through March 31 . . . . .	\$1,300
April 1 through June 30 . . . . .	1,100
July 1 through September 30 . . . . .	400
October 1 through December 31 . . . . .	300
<b>Total</b>	<b><u>\$3,100</u></b>

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 \$2,400 (\$1,300 + \$1,100) in its gross income for the tax year in which it receives the refunds (2004).

**Form 4136.** The corporation claims the remaining amounts (\$400 + \$300) as a credit on its 2004 income tax return by attaching Form 4136. It files its tax return in 2005. It includes this credit (\$700) in its 2005 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 2004 return on April 15, 2005. On Schedule C (Form 1040) she deducts the total cost of gasoline (including \$155 of excise taxes) used for an off-highway business use during 2004. On Form 4136, Patty claims the \$155 as a credit. She reports the \$155 as additional income on her 2004 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 2004, the corporation reports the \$3,100 of excise taxes as income on its 2004 income tax return. This consists of the \$2,400 it claimed on Form 8849 and the \$700 it claimed on Form 4136.

## Example

Tyler S. Sands used undyed diesel fuel in vehicles used in his construction business. The vehi-

cles were not registered (or required to be registered) for highway use. In the fourth quarter of his 2004 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 (24.4 cents per gallon).

Because the tax is less than \$750, Tyler must claim a credit for the tax on his 2004 income tax return. He fills out Form 4136 and attaches it to his 2004 income tax return, which he files in 2005. He enters the \$732 on line 69 of his Form 1040 and checks box b.

Tyler uses the cash method of accounting. On his 2004 Schedule C (Form 1040), he deducts the total cost of the fuel, including the tax. When Tyler files his 2005 Form 1040, he will include the \$732 credit shown on his 2004 Form 4136 as additional income on his Schedule C (Form 1040) for 2005.

**Example, continued.** For the first two quarters of 2005, Tyler's records show the following.

Quarter	Gallons Used	Tax Rate	Claim Amount
First	2,750	.244	\$671
Second	2,500	.244	610

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 (\$671) to the second quarter amount (\$610) and claims a refund of \$1,281 by filing Form 8849 and Schedule 1 (Form 8849). The claim must be filed by September 30, 2005 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 \$1,281 excise tax refund as additional income on his Schedule C (Form 1040) for 2005.

## 4.

# Alcohol Fuel Mixture Credit

Beginning January 1, 2005, the procedures for making a claim for most alcohol-blended fuels have been changed. Special rules determine the order in which these claims can be made. Only one claim may be made for any amount of alcohol used to make an alcohol fuel mixture.

**Alcohol fuel mixture credit.** You can take a credit for the alcohol you use to produce a qualified mixture. A qualified mixture 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. Take into account alcohol you use to produce a qualified 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 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 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. However, denaturants can be counted only up to 5% of the total volume of alcohol and denaturant combined.

**Separation or failure to use as fuel.** If the credit applied to alcohol used in the production of a qualified 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.

**Gasoline tax 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 the gasoline tax on the volume of alcohol in the mixture. 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 mixture credit must first be taken against your taxable fuel liability on Form 720. Any excess credit may be taken on Schedule C (Form 720), Form 8849, Form 4136, or Form 6478. See Notice 2005-4 for more information.

**Claiming the excess credit.** Instead of waiting until the end of the quarter when you file Form 720 to claim any excess alcohol fuel mixture credit, you may be able to file Form 8849 (Schedule 3) during the quarter. For more information, see Form 8849 (Schedule 3) and Form 720.



## 5.

# Biodiesel (Including Agri-biodiesel) Mixture Credit

Beginning January 1, 2005, the procedures for making a claim for most alcohol-blended fuels have been changed. Special rules determine the order in which these claims can be made. Only one claim may be made for any amount of biodiesel used to make a biodiesel fuel mixture. See *How to claim the credit* later.

**Biodiesel mixture credit.** You can take the credit for biodiesel you use to produce a qualified mixture. A qualified mixture is a mixture of biodiesel with diesel fuel without regard to kerosene.

You can take the credit only for a mixture you produce. You must sell the mixture to any person for use as a fuel, or use it as a fuel in your trade or business. Take into account biodiesel you use to produce a qualified mixture only if the sale or use is in your trade or business.

You cannot take a credit for the casual off-farm production of a qualified biodiesel mixture.

**Biodiesel.** Biodiesel means the monoalkyl esters of long chain fatty acids derived from plant or animal matter which 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 of Testing Materials D6751.

**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.

**Certification.** 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. See *Model Certificate F* on page 20.

**Separation or failure to use as fuel.** If the credit applied to biodiesel used in the production of a qualified 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.

**Diesel fuel tax on the biodiesel in a biodiesel fuel mixture.** Persons who blend biodiesel with undyed diesel fuel to produce a biodiesel

mixture outside the bulk transfer terminal system must pay the diesel fuel tax on the volume of biodiesel in the mixture. 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 against your taxable fuel liability on Form 720. Any excess credit may be taken on Schedule C (Form 720), Form 8849, Form 4136, or Form 8864. See Notice 2005-4 for more information.

**Claiming the excess credit.** Instead of waiting until the end of the quarter when you file Form 720 to claim any excess biodiesel mixture credit, you may be able to file Form 8849 (Schedule 3) during the quarter. For more information, see Form 8849 (Schedule 3) and Form 720.

## 6.

# Alcohol Fuel Credit

If you sell or use alcohol (not in a mixture) as a fuel, you may be eligible for a general business 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 in Chapter 4 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.

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

**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. However, denaturants can be counted only up to 5% of the total volume of alcohol (including denaturants).

**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 30 million gallons of any type of alcohol.

For a partnership, trust, or S corporation, the 15- and 30-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.** For tax years ending after October 22, 2004, a cooperative described in 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 an eligible small ethanol producer and you do not use the ethanol for a purpose listed under *Qualified ethanol 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 alcohol fuel credit by completing Form 6478 and attaching it to your income tax return. All individuals and corporations taking the credit use Form 6478. Partnerships (including electing large partnerships), S corporations, estates, and trusts figure the credit on Form 6478 but divide the credit among their partners, shareholders, or beneficiaries.

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

Form 6478 is the only form on which you can claim the straight alcohol fuel credit and the small ethanol producer credit.

**General business credit.** You combine the alcohol fuel credit with other credits on Form 3800, General Business Credit, to figure your general business credit for the year. See the Form 3800 instructions for a list of these credits and whether you must file Form 3800.

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## 7.

# Biodiesel (Including Agri-biodiesel) Fuel 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 fuel credit consists of a straight biodiesel fuel credit and a biodiesel mixture credit. The biodiesel mixture credit was discussed in Chapter 5 earlier. See Chapter 5 for the definitions of biodiesel and agri-biodiesel.

**Certification.** 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. See *Model Certificate F* on page 20.

**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 (or agri-biodiesel) you used as a fuel in a trade or business if that biodiesel (or agri-biodiesel) was sold to you in a retail sale described above.

**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.

**How to claim the credit.** You take the biodiesel fuel credit by completing Form 8864 and attaching it to your income tax return. 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.

**General business credit.** You combine the biodiesel fuel credit with other credits on Form 3800, General Business Credit, to figure your general business credit for the year. See the Form 3800 instructions for a list of these credits and whether you must file Form 3800.

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## 8.

# 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.** If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.


The Taxpayer Advocate independently represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:


- Call the Taxpayer Advocate toll free at 1-877-777-4778.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call 1-800-829-4059 if you are a TTY/TDD user.
- Visit the website at [www.irs.gov/advocate](http://www.irs.gov/advocate).

For more information, see Publication 1546, The Taxpayer Advocate Service of the IRS.


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

 **Internet.** You can access the IRS website 24 hours a day, 7 days a week at [www.irs.gov](http://www.irs.gov) to:

- Download forms, instructions, and publications.
- Order IRS products online.
- See answers to frequently asked tax questions.
- Search publications online by topic or keyword.
- Send us comments or request help by email.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

 **Fax.** You can get over 100 of the most requested forms and instructions 24 hours a day, 7 days a week, by fax. Just call 703-368-9694 from your fax machine. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.

For help with transmission problems, call 703-487-4608. Long-distance charges may apply.

 **Phone.** Many services are available by phone.

- **Ordering forms, instructions, and publications.** Call 1-800-829-3676 to order current-year forms, instructions, and publications and prior-year forms and instructions. You should receive your order within 10 days.
- **Asking tax questions.** Call the IRS with your business tax questions at 1-800-829-4933.
- **Solving problems.** See *Services* under walk-in.
- **TTY/TDD equipment.** If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax or account

questions or to order forms and publications.

- **TeleTax topics.** Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.

**Evaluating the quality of our telephone services.** To ensure that IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to sometimes listen in on or record telephone calls. Another is to ask some callers to complete a short survey at the end of the call.



**Walk-in.** Many products and services are available on a walk-in basis.

- **Products.** You can walk in or telephone many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county governments, credit unions, and office supply stores have an extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.
- **Services.** You can walk in to your local Taxpayer Assistance Center every busi-

ness day to ask tax questions or get help with a tax problem. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. You can set up an appointment by calling your local Center and, at the prompt, leaving a message requesting Everyday Tax Solutions help. 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](http://www.irs.gov) 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 Distribution Center and receive a response within 10 workdays after your request is received.

National Distribution Center  
P.O. Box 8903  
Bloomington, IL 61702-8903



**CD-ROM for tax products.** You can order IRS Publication 1796, Federal Tax Products on CD-ROM, and obtain:

- Current tax forms, instructions, and publications.
- Prior-year tax forms and instructions.
- Frequently requested tax forms that may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

Buy the CD-ROM from National Technical Information Service (NTIS) on the Internet at [www.irs.gov/cdorders](http://www.irs.gov/cdorders) for \$22 (no handling fee) or call 1-877-233-6767 toll free to buy the CD-ROM for \$22 (plus a \$5 handling fee). The first release is available in early January and the final release is available in late February.



**CD-ROM for small businesses.** IRS

Publication 3207, Small Business Resource Guide, is a must for every small business owner or any taxpayer about to start a business. This handy, interactive CD contains all the business tax forms, instructions, and publications needed to successfully manage a business. In addition, the CD provides an abundance of other helpful information, such as how to prepare a business plan, finding financing for your business, and much more. The design of the CD makes finding information easy and quick and incorporates file formats and browsers that can be run on virtually any desktop or laptop computer.

It is available in April. You can get a free copy by calling 1-800-829-3676 or by visiting the website at [www.irs.gov/smallbiz](http://www.irs.gov/smallbiz).

**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.



# Appendix

This appendix contains models of the certificates and waivers discussed in this publication

## Model Certificate A

### CERTIFICATE OF BUYER FOR PRODUCTION OF A COLD WEATHER BLEND

To support vendor's claim for credit or payment under section 6427 of the Internal Revenue Code

\_\_\_\_\_ (Buyer) certifies the following under penalties of perjury:

Name of Buyer \_\_\_\_\_

A. The kerosene (other than aviation-grade kerosene) to which this certificate applies will be used by Buyer to produce a blend of kerosene and diesel fuel in an area described in a declaration of extreme cold and the blend will be sold for use or used for heating purposes.

B. This certificate applies to \_\_\_\_\_ percent of Buyer's purchases from \_\_\_\_\_

\_\_\_\_\_ (name, address, and employer identification number of seller) on invoice or delivery

ticket number \_\_\_\_\_ .

- 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.
- 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

\_\_\_\_\_  
Employer identification number

\_\_\_\_\_  
Address of Buyer

\_\_\_\_\_  
Signature and date signed

## Model Certificate B

### CERTIFICATE OF FARMING USE OR 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 — (check one):

1.  On a farm for farming purposes (as defined in §48.6420-4 of the Manufacturers and Retailers Excise Tax Regulations) and Buyer is the owner, tenant, or operator of the farm on which the fuel will be used;
2.  On a farm (as defined in §48.6420-4(c)) for any of the purposes described in paragraph (d) of that section (relating to cultivating, raising, or harvesting) and Buyer is not the owner, tenant, or operator of the farm on which the fuel will be used; or
3.  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 account or order number \_\_\_\_\_

■ Buyer will provide a new certificate to the vendor if any information in this certificate changes.

■ If Buyer uses the diesel fuel or kerosene to which this certificate relates for a purpose other than stated in the certificate, Buyer will be liable for any 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 Waiver C

**WAIVER FOR USE BY ULTIMATE PURCHASERS OF  
AVIATION-GRADE KEROSENE USED IN NONTAXABLE USES**

To support vendor's claim for a credit or payment under § 6427 of the Internal Revenue Code.

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Name, address, and employer identification number of ultimate vendor

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

The aviation-grade kerosene to which this waiver relates is purchased (check one):

\_\_\_\_\_ for export;

\_\_\_\_\_ for use in foreign trade (reciprocal benefits required for foreign registered airlines);

\_\_\_\_\_ for use in certain helicopter and fixed-wing air ambulance uses;

\_\_\_\_\_ for use other than as a fuel in the propulsion engine of an aircraft;

\_\_\_\_\_ for the exclusive use of a nonprofit educational organization;

\_\_\_\_\_ for use in an aircraft owned by an aircraft museum;

\_\_\_\_\_ for use in military aircraft;

\_\_\_\_\_ other nontaxable use (describe); or

\_\_\_\_\_ for use in commercial aviation (other than foreign trade).

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 account number \_\_\_\_\_

Buyer will provide a new waiver to the vendor if any information in this waiver changes.

If Buyer uses the aviation-grade kerosene 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 aviation-grade kerosene used in a nontaxable use.

Buyer acknowledges that it has not and will not claim any credit or payment for the aviation-grade 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 D

**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.

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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

\_\_\_\_\_ 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 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 E

**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):

\_\_\_\_\_ 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 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 F

### CERTIFICATE FOR BIODIESEL

(To support a claim under §§ 6426(c), 6427(e), and 40A of the Internal Revenue Code)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Name, address, and employer identification number of claimant.

The undersigned biodiesel producer ("Producer") hereby certifies the following under penalties of perjury:

Producer certifies that the biodiesel to which this certificate relates is 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 § 211 of the Clean Air Act (42 U.S.C § 7545).

Producer certifies that the biodiesel to which this certificate relates is:

\_\_\_\_\_ % Agri-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).

\_\_\_\_\_ % Biodiesel (other than agri-biodiesel)

This certificate applies to the following:

1. \_\_\_\_\_ Invoice or delivery ticket number
2. \_\_\_\_\_ Number of gallons

Producer understands that fraudulent use of this certificate may subject producer, claimant, and 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 Producer

\_\_\_\_\_  
Employer identification number

\_\_\_\_\_  
Address of Producer

\_\_\_\_\_  
Signature and date signed



To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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## Tax Publications for Business Taxpayers

See *How To Get Tax Help* for a variety of ways to get publications, including by computer, phone, and mail.

### General Guides

- 1 Your Rights as a Taxpayer
- 17 Your Federal Income Tax (For Individuals)
- 334 Tax Guide for Small Business (For Individuals Who Use Schedule C or C-EZ)
- 509 Tax Calendars for 2005
- 553 Highlights of 2004 Tax Changes
- 910 Guide to Free Tax Services

### Employer's Guides

- 15 (Circular E), Employer's Tax Guide
- 15-A Employer's Supplemental Tax Guide
- 15-B Employer's Tax Guide to Fringe Benefits
- 51 (Circular A), Agricultural Employer's Tax Guide
- 80 (Circular SS), Federal Tax Guide For Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands
- 926 Household Employer's Tax Guide

### Specialized Publications

- 225 Farmer's Tax Guide
- 378 Fuel Tax Credits and Refunds
- 463 Travel, Entertainment, Gift, and Car Expenses
- 505 Tax Withholding and Estimated Tax

- 510 Excise Taxes for 2005
- 515 Withholding of Tax on Nonresident Aliens and Foreign Entities
- 517 Social Security and Other Information for Members of the Clergy and Religious Workers
- 527 Residential Rental Property
- 533 Self-Employment Tax
- 534 Depreciating Property Placed in Service Before 1987
- 535 Business Expenses
- 536 Net Operating Losses (NOLs) for Individuals, Estates, and Trusts
- 537 Installment Sales
- 538 Accounting Periods and Methods
- 541 Partnerships
- 542 Corporations
- 544 Sales and Other Dispositions of Assets
- 551 Basis of Assets
- 556 Examination of Returns, Appeal Rights, and Claims for Refund
- 560 Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)
- 561 Determining the Value of Donated Property
- 583 Starting a Business and Keeping Records
- 587 Business Use of Your Home (Including Use by Daycare Providers)
- 594 The IRS Collection Process
- 595 Tax Highlights for Commercial Fishermen
- 597 Information on the United States-Canada Income Tax Treaty

- 598 Tax on Unrelated Business Income of Exempt Organizations
- 686 Certification for Reduced Tax Rates in Tax Treaty Countries
- 901 U.S. Tax Treaties
- 908 Bankruptcy Tax Guide
- 911 Direct Sellers
- 925 Passive Activity and At-Risk Rules
- 946 How To Depreciate Property
- 947 Practice Before the IRS and Power of Attorney
- 954 Tax Incentives for Distressed Communities
- 1544 Reporting Cash Payments of Over \$10,000
- 1546 The Taxpayer Advocate Service of the IRS—How To Get Help With Unresolved Tax Problems

### Spanish Language Publications

- 1SP Derechos del Contribuyente
- 179 Circular PR Guía Contributiva Federal Para Patronos Puertorriqueños
- 579SP Cómo Preparar la Declaración de Impuesto Federal
- 594SP Comprendiendo el Proceso de Cobro
- 850 English-Spanish Glossary of Words and Phrases Used in Publications Issued by the Internal Revenue Service
- 1544SP Informe de Pagos en Efectivo en Exceso de \$10,000 (Recibidos en una Ocupación o Negocio)

## Commonly Used Tax Forms

See *How To Get Tax Help* for a variety of ways to get forms, including by computer, fax, phone, and mail. Items with an asterisk are available by fax. For these orders only, use the catalog number when ordering.

Form Number and Title	Catalog Number	Form Number and Title	Catalog Number
W-2 Wage and Tax Statement	10134	1120S U.S. Income Tax Return for an S Corporation	11510
W-4 Employee's Withholding Allowance Certificate*	10220	Sch D Capital Gains and Losses and Built-In Gains	11516
940 Employer's Annual Federal Unemployment (FUTA) Tax Return*	11234	Sch K-1 Shareholder's Share of Income, Deductions, Credits, etc.	11520
940-EZ Employer's Annual Federal Unemployment (FUTA) Tax Return*	10983	2106 Employee Business Expenses*	11700
941 Employer's Quarterly Federal Tax Return*	17001	2106-EZ Unreimbursed Employee Business Expenses*	20604
1040 U.S. Individual Income Tax Return*	11320	2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts*	11744
Sch A & B Itemized Deductions & Interest and Ordinary Dividends*	11330	2441 Child and Dependent Care Expenses*	11862
Sch C Profit or Loss From Business*	11334	2848 Power of Attorney and Declaration of Representative*	11980
Sch C-EZ Net Profit From Business*	14374	3800 General Business Credit*	12392
Sch D Capital Gains and Losses*	11338	3903 Moving Expenses*	12490
Sch D-1 Continuation Sheet for Schedule D*	10424	4562 Depreciation and Amortization*	12906
Sch E Supplemental Income and Loss*	11344	4797 Sales of Business Property*	13086
Sch F Profit or Loss From Farming*	11346	4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return*	13141
Sch H Household Employment Taxes*	12187	5329 Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*	13329
Sch J Income Averaging for Farmers and Fishermen*	25513	6252 Installment Sale Income*	13601
Sch R Credit for the Elderly or the Disabled*	11359	8283 Noncash Charitable Contributions*	62299
Sch SE Self-Employment Tax*	11358	8300 Report of Cash Payments Over \$10,000 Received in a Trade or Business*	62133
1040-ES Estimated Tax for Individuals*	11340	8582 Passive Activity Loss Limitations*	63704
1040X Amended U.S. Individual Income Tax Return*	11360	8606 Nondeductible IRAs*	63966
1065 U.S. Return of Partnership Income*	11390	8822 Change of Address*	12081
Sch D Capital Gains and Losses*	11393	8829 Expenses for Business Use of Your Home*	13232
Sch K-1 Partner's Share of Income, Deductions, Credits, etc.*	11394		
1120 U.S. Corporation Income Tax Return*	11450		
1120-A U.S. Corporation Short-Form Income Tax Return*	11456		