

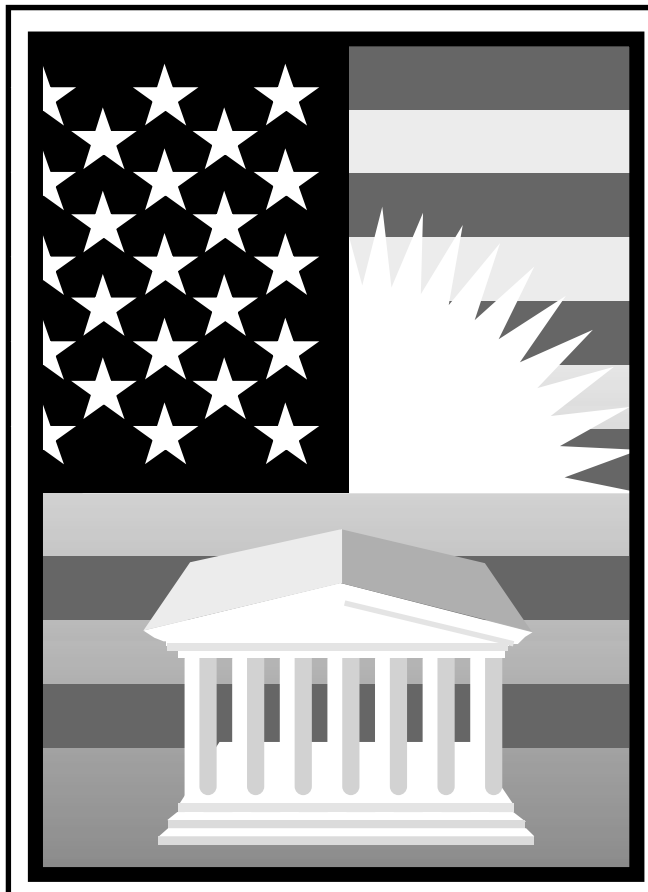


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Internal
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Excise Taxes for 2000



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Important Changes for 2000

Air transportation taxes. For transportation beginning in 2000, the tax on transportation of persons by air is increased to \$2.50 for each domestic segment. The percentage tax remains at 7.5%.

For 2000, the tax on the use of international air travel facilities is \$12.40 for both arrivals and departures. For air transportation between the continental United States and Alaska or Hawaii or between Alaska and Hawaii, the tax on departures is \$6.20.

Luxury tax. For 2000, the luxury tax on a passenger vehicle is 5% of the amount of the sales price that exceeds the base amount of \$38,000. The base amount is increased for electric vehicles and clean-fuel vehicles.

Vaccines. Any vaccine against streptococcus pneumoniae is subject to the tax on vaccines. This applies to sales or deliveries after December 17, 1999.

Electronic deposit requirement. For return periods beginning after 1999, you must use electronic funds transfer to deposit taxes if you had to deposit more than \$200,000 of federal depository taxes in the second preceding calendar year. Once you meet this requirement, you have to continue making deposits electronically for all subsequent years. For example, you must deposit taxes electronically for return periods beginning in and after 2000 if you deposited more than \$200,000 during 1998.

If you do not meet the \$200,000 threshold, electronic deposits are voluntary, even if you were required to deposit electronically under a previous threshold.

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.

Introduction

This publication covers the excise taxes for which you may be liable during 2000. It covers the excise taxes reported on Form 720, *Quarterly Federal Excise Tax Return*. It also provides information on wagering activities reported on Forms 11-C and 730.

Useful Items

You may want to see:

Publication

- 378** Fuel Tax Credits and Refunds
- 509** Tax Calendars for 2000

Form (and Instructions)

- 11-C** Occupational Tax and Registration Return for Wagering
- 637** Application for Registration (For Certain Excise Tax Activities)
- 720** Quarterly Federal Excise Tax Return
- 730** Monthly Tax on Wagering
- 1363** Export Exemption Certificate
- 2290** Heavy Highway Vehicle Use Tax Return
- 4136** Credit for Federal Tax Paid on Fuels
- 6197** Gas Guzzler Tax
- 6627** Environmental Taxes
- 8849** Claim for Refund of Excise Taxes

See *How To Get More Information* near the end of this publication for information about getting publications and forms.

Excise Taxes Not Covered

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

These forms and taxes are as follows.

- IRS Form 2290: Heavy Highway Vehicle Use Tax Return.
- ATF Form 5630.5: Alcohol, Tobacco.
- ATF Form 5630.7: Firearms.
- ATF Form 5300.26: Firearms.

If the taxes reported on IRS Form 2290 appear to apply to you, see the following discussion for information about them. If the taxes reported on the ATF forms appear to apply to you, see Appendix A at the end of this publication for more information.

IRS Form 2290: Highway Use Tax

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

A public highway is any road in the United States that is not a private roadway. This includes federal, state, county, and city roads. Canadian and Mexican heavy vehicles operated on U.S. highways may be liable for this tax. For more information, get the instructions for Form 2290.

Registration of vehicles. Generally, you must prove that you paid your federal highway use tax before registering your taxable vehicle with your state motor vehicle department. Generally, a copy of Schedule 1 of Form 2290, stamped after payment and returned to you by the IRS, is acceptable proof of payment.

Registration for Certain Activities

You must register for certain excise tax activities. See the instructions for Form 637 for the list of activities for which you must register. Each business unit that has, or is required to have, a separate employer identification number must register.

To apply for registration, complete Form 637 and provide the information requested in its instructions. File the form with the district director for the district in which your books and records and principal place of business are located.

If the district director approves your application, you will receive a Letter of Registration showing the activities for which you are registered, the effective date of the registration, and your registration number. A copy of Form 637 is not a Letter of Registration.

Environmental Taxes

Environmental taxes are imposed on ozone-depleting chemicals. Figure the environmental tax on Form 6627. Enter the tax on the appropriate lines of Form 720. Attach Form 6627 to Form 720 as a supporting schedule.

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

Ozone-Depleting Chemicals (ODCs)

Tax is imposed on chemicals that deplete the ozone layer and on imported products containing or manufactured with these chemicals. In addition, a floor stocks tax is imposed on ODCs held on January 1 by any person (other than the manufacturer or importer of the ODCs) for sale or for use in further manufacture.

Taxable ODCs

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

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

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

The creation of a mixture is treated as the use of the ODC contained in the mixture. An

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

The creation of a mixture for export or for use as a feedstock is not a taxable use of the ODCs contained in the mixture.

Exceptions. All of the following are exempt from the tax on ODCs.

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

Metered-dose inhalers. There is no tax on ODCs used or sold for use as propellants in metered-dose inhalers. For a sale to be nontaxable, the manufacturer or importer must obtain an exemption certificate from the purchaser that the manufacturer or importer relies on in good faith. The certificate must be in substantially the form set forth in section 52.4682-2(d)(5) of the regulations.

Recycled. There is no tax on any ODC diverted or recovered in the United States as part of a recycling process (and not as part of the original manufacturing or production process). There is no tax on recycled Halon-1301 or recycled Halon-2402 imported from a country that has signed the Montreal Protocol on Substances that Deplete the Ozone Layer (Montreal Protocol).

The Montreal Protocol is administered by the United Nations (U.N.). To determine if a country has signed the Montreal Protocol, contact the U.N. The Internet address is www.un.org/Depts/Treaty.

Export. Generally, there is no tax on ODCs sold for export if certain requirements are met. For a sale to be nontaxable, the seller and purchaser must be registered. The seller must obtain an exemption certificate from the purchaser that the seller relies on in good faith. The certificate must be in substantially the form set forth in section 52.4682-5(d)(3) of the regulations. The tax benefit of this exemption is limited. For more information, see section 52.4682-5 of the regulations.

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

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

Credits or Refunds

A credit or refund (without interest) of tax on ODCs may be claimed in the following situations.

- If taxed ODCs are used as a propellant in a metered-dose inhaler, then the person who used the ODC as a propellant may file a claim.

- If taxed ODCs are exported, then the manufacturer may file a claim.
- If taxed ODCs are used as a feedstock, then the person who used the ODC may file a claim.

For general information about credits and refunds, see *Credits and Refunds*, later.

Conditions to allowance for ODCs exported. To claim a credit or refund for ODCs that are exported, the manufacturer or importer must have repaid or agreed to repay the tax to the exporter, or obtained the exporter's written consent to allowance of the credit or refund.

Imported Taxable Products

Tax is imposed on imported products containing or manufactured with ODCs when the product is first sold or used by its importer. The importer is liable for the tax. A product is subject to tax if it is entered into the United States for consumption, use, or warehousing and is listed in the Imported Products Table, discussed later.

The tax is based on the weight of the ODCs used in the manufacture of the product. Use either of the following to figure the ODC weight.

- The actual weight of each ODC used as a material in manufacturing the product.
- The ODC weight listed for the product in the Imported Products Table, discussed later.

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

Use of imported products. You use an imported product if you put it into service in a trade or business or for production of income or use it in the making of an article, including incorporation into the article. The loss, destruction, packaging, repackaging, warehousing, or repair of an imported product is not a use of that product.

Entry as use. The importer may choose to treat the entry of a product into the United States as the use of the product. Tax is imposed on the date of entry. The choice applies to all imported taxable products that you own and have not used when you make the choice and all later entries. Make the choice by checking the box in Part II of Form 6627. The choice is effective as of the beginning of the calendar quarter to which the Form 6627 applies. You can revoke this choice only with IRS consent.

Sale of article incorporating imported product. The importer may treat the sale of an article manufactured or assembled in the United States as the first sale or use of an imported taxable product incorporated in that article if both the following apply.

- The importer has consistently treated the sale of similar items as the first sale or use of similar taxable imported products.
- The importer has not chosen to treat entry into the United States as use of the product.

Imported Products Table. The Imported Products Table appears in Appendix B at the end of this publication. Each listing in the ta-

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

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

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

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

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

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

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

The table gives the ODC weight in pounds per single unit of product unless otherwise specified.

Modifying the table. A manufacturer or importer of a product may request the IRS to add a product and its ODC weight to the table. They also may request the IRS to remove a product from the table, or change or specify the ODC weight of a product. The request must include all the following information for each product to be modified.

- The name of the product.
- The HTS heading or subheading.
- The type of modification requested.

- The ODC weight that should be specified (unless the product is being removed).
- The data supporting the request.



Include your name, address, taxpayer identification number, and principal place of business in your request. Send your request to the following address.

Internal Revenue Service
P.O. Box 7604
Ben Franklin Station
Attn: CC:DOM:CORP:R (Imported
Products Table)
Room 5226
Washington, DC 20044

Floor Stocks Tax

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

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

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

- 1) At least 400 pounds of ODCs subject to tax and not described in item (2) or (3).
- 2) At least 50 pounds of ODCs that are halons subject to tax.
- 3) At least 1,000 pounds of ODCs that are methyl chloroform subject to tax.

If you are liable for the tax, prepare an inventory on January 1 of the taxable ODCs held on that date for sale or for use in further manufacturing. You must pay this floor stocks tax by June 30 of each year.

For the tax rates, see the Form 6627 instructions.

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

- ODCs mixed with other ingredients that contribute to the accomplishment of the purpose for which the mixture will be used, unless the mixture contains only ODCs and one or more stabilizers.
- ODCs contained in a manufactured article.
- ODCs that have been reclaimed or recycled.
- ODCs sold for use as a feedstock.
- ODCs sold for export.
- ODCs sold for use as a propellant in a metered-dose inhaler.

Communications and Air Transportation Taxes

Excise taxes are imposed on amounts paid by the users of certain facilities and services. If you receive any payment on which tax is imposed, you are required to collect the tax,

file returns, and pay the tax to the government. Ordinarily, the tax attaches at the time the payment is made.

If you fail to collect and pay over the taxes, you may be liable for the trust fund recovery penalty. See *Penalties and Interest*, later.

Communications Tax

A 3% tax is imposed on amounts paid for all the following communications services.

- Local telephone service.
- Toll telephone service.
- Teletypewriter exchange service.

Local telephone service. This means access to a local telephone system and the privilege of telephonic quality communication with most people who are part of the system and any facility or services provided in connection with the service. The tax applies to lease payments for certain customer premises equipment (CPE) even though the lessor does not also provide access to a local telecommunications system.

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

Toll telephone service. This means a telephonic quality communication for which a toll is charged that varies with the elapsed transmission time of each communication. The toll must be paid within the United States. It also includes a long distance service that entitles the subscriber to make unlimited calls (sometimes limited as to the maximum number of hours) within a certain area for a flat charge. Microwave relay service used for the transmission of television programs and not for telephonic communication is not a toll telephone service.

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

Figuring the tax. The tax is based on the sum of all charges for local or toll telephone service included in the bill. However, if the bill groups individual items for billing and tax purposes, the tax is based on the sum of the individual items within that group. The tax on the remaining items not included in any group is based on the charge for each item separately. Do not include in the tax base state or local taxes (such as a retail sales or excise tax) that are separately stated on the taxpayer's bill.

If the tax on toll telephone service is paid by inserting coins in coin-operated telephones, figure the tax to the nearest multiple of 5 cents. When the tax is midway between 5-cent multiples, the next higher multiple applies.

Prepaid telephone cards. A prepaid telephone card is any card or any other similar arrangement that allows its holder to get local or toll telephone service and pay for those services in advance. The tax is imposed when the card is transferred by a telecommunications carrier to any person who is not a telecommunications carrier. The tax is based on the face amount of the card. If the face amount is not a dollar amount, the face amount will be determined under the regulations for section 4251 of the Internal Revenue Code.

Exemptions

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

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

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

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

Coin-operated telephones. Payments made for services by inserting coins in coin-operated telephones available to the public are not subject to tax for local telephone service. They also are not subject to tax for toll telephone service if the charge is less than 25 cents. But the tax applies if the coin-operated telephone service is furnished for a guaranteed amount. Figure the tax on the amount paid under the guarantee plus any fixed monthly or other periodic charge.

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

News services and radio broadcasts of news and sporting events. The tax on toll telephone service and teletypewriter exchange service does not apply to news services and radio broadcasts of news and sporting events. This exemption applies to payments received for messages from one member of the news media to another member (or to or from their bona fide correspondents). However, the tax applies to local telephone services and related charges. The tax does not apply to charges for services dealing exclusively with the collection or dissemination of news for the public press or radio or television broadcasting. It also does not apply to charges for services used in the collection or dissemination of news by a news ticker service furnishing a general news service similar to that of the public press. For the

exemption to apply, the charge for these services or facilities must be billed in writing to the person paying for the service and that person must certify in writing that the services are used for one of these exempt purposes. However, toll telephone service in connection with celebrities or special guests on talk shows is subject to tax.

Common carriers and communications companies. The tax on toll telephone service does not apply to WATS (wide area telephone service) used by common carriers, telephone and telegraph companies, or radio broadcasting stations or networks in their business. A common carrier is one holding itself out to the public as engaged in the business of transportation of persons or property for compensation, offering its services to the public generally.

Military personnel serving in a combat zone. The tax on toll telephone services does not apply to telephone calls originating in a combat zone that are made by members of the U.S. Armed Forces serving there if the person receiving payment for the call receives a properly executed certificate of exemption. The signed and dated exemption certificate must contain all the following information.

- The name of the member of the U.S. Armed Forces performing services in the combat zone who originated the call.
- The toll charges, point of origin, and name of carrier.
- A statement that the charges are exempt from tax under section 4253(d) of the Internal Revenue Code.
- The name and address of the telephone subscriber.

This exemption also applies to members of the Armed Forces serving in a qualified hazardous duty area. A qualified hazardous duty area is either of the following areas.

- Bosnia and Herzegovina, Croatia, or Macedonia, effective November 21, 1995.
- Federal Republic of Yugoslavia (Serbia/Montenegro), Albania, the Adriatic Sea, and the Ionian Sea north of the 39th parallel, effective March 24, 1999.

A qualified hazardous duty area includes an area only while the special pay provision is in effect for that area.

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

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

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

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

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

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

Exemption certificate. Any form of exemption certificate will be acceptable if it includes all the information required by the pertinent sections of the Internal Revenue Code and Regulations. File the certificate with the provider of the communication services.

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

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

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

All other organizations must furnish exemption certificates when required.

Credits or Refunds

If tax is collected and paid over for certain services or users exempt from the communications tax, the collector may claim a credit or refund if it has repaid the tax to the person from whom the tax was collected or obtained the consent of that person to the allowance of the credit or refund. Alternatively, the person who paid the tax may claim a refund by filing Form 8849.

Air Transportation Taxes

Taxes are imposed on amounts paid for all the following services.

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

Transportation of Persons by Air

The tax on transportation of persons by air is made up of the following two parts.

- The percentage tax.
- The domestic-segment tax.

However, see *Rural airports*, later.

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

The percentage tax applies to any amount paid (in cash or in kind) to an air carrier (or any related person) for the right to award air travel benefits. These include mileage awards and other reductions in the cost of any transportation of persons by air. This applies to frequent-flyer miles purchased by credit card companies, telephone companies, restaurants, hotels, and other businesses.

Domestic-segment tax. The domestic-segment tax is a flat dollar amount for each segment of taxable transportation for which an amount is paid. However, see *Rural airports*, later. A *segment* is a single takeoff and a single landing. The domestic-segment tax rate depends on when the segment begins. The amounts and the periods to which they apply are listed in the following table.

Time Period	Tax
January 1, 2000—December 31, 2000	\$2.50
January 1, 2001—December 31, 2001	\$2.75
January 1, 2002—December 31, 2002	\$3.00

After 2002, the domestic-segment tax will be adjusted for inflation.

Example. In January 2000, Frank Jones pays \$220 to a commercial airline for a flight in January from Washington to Chicago with an intermediate stop in Cleveland. The flight comprises two segments. The price includes the \$200 fare and \$20 excise tax $[(\$200 \times 7.5\%) + (2 \times \$2.50)]$ for which Frank is liable. The airline collects the tax from Frank and pays it to the government.

Rural airports. If a segment is to or from a rural airport, the domestic-segment tax does not apply. An airport is a rural airport for a calendar year if it satisfies both the following requirements.

- 1) Fewer than 100,000 commercial passengers departed from the airport during the second preceding calendar year.
- 2) The airport:
 - a) Is not located within 75 miles of another airport from which 100,000 or more commercial passengers departed during the second preceding calendar year, or
 - b) Was receiving essential air service subsidies as of August 5, 1997.

Revenue Procedure 98-18, in Cumulative Bulletin 1998-1, contains a list of rural airports.

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

- It begins and ends either in the United States or at any place in Canada or Mexico not more than 225 miles from the nearest point on the continental United States boundary (this is the **225-mile-zone rule**).
- It is directly or indirectly from one port or station in the United States to another in the United States, but only if it is not a

part of uninterrupted international air transportation, discussed later.

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

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

Transportation between the continental U.S. and Alaska or Hawaii. The tax on transportation of persons by air does not apply to the part of the trip between the point at which the route of transportation leaves or enters the continental United States (or a port or station in the 225-mile zone) and the point at which it enters or leaves Hawaii or Alaska. Leaving or entering occurs when the route of the transportation passes over either the United States border or a point 3 nautical miles (3.45 statute miles) from low tide on the coast line, or when it leaves a port or station in the 225-mile zone. Therefore, this transportation is subject to the percentage tax on the part of the trip in U.S. airspace, the domestic-segment tax for each domestic segment, and the tax on the use of international air travel facilities, discussed later.

Transportation within Alaska or Hawaii. The tax on transportation of persons by air applies to the entire fare paid in the case of flights between any of the Hawaiian Islands, and between any ports or stations in the Aleutian Islands or other ports or stations elsewhere in Alaska. The tax applies even though parts of the flights may be over international waters or over Canada, if no point on the direct line of transportation between the ports or stations is more than 225 miles from the United States (Hawaii or Alaska).

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

Liability for tax. The person paying for taxable transportation is liable for the tax and, ordinarily, the person receiving the payment collects the tax, files the returns, and pays the tax to the government. However, the tax must be collected by the person furnishing the initial transportation provided for under a pre-paid order, exchange order, or similar order paid for outside the United States.

A travel agency that is an independent broker and sells tours on aircraft that it charts is required to collect the transportation tax, file the returns, and pay the tax to the government. However, a travel agency that sells tours as the agent of an airline must collect the tax and remit it to the airline for the filing of returns and for the payment of the tax to the government.

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

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

Secondary liability. If the tax is not paid when payment for the transportation is made, the air carrier providing the initial segment of the transportation that begins or ends in the United States becomes liable for the tax.

Exemptions from tax. The tax on transportation of persons by air does not apply in the following situations.

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

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

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

However, for items (1) and (2), the tax applies if the helicopter takes off from, or lands at, a facility eligible for assistance under the Airport and Airway Development Act of 1970, or otherwise uses services provided under section 44509 or 44913(b) or subchapter I of chapter 471 of title 49, United States Code, during such use. For item (1), treat each flight segment as a separate flight.

Fixed-wing air ambulance. The tax does not apply to air transportation by fixed-wing aircraft if used for emergency medical transportation. The aircraft must be equipped for and exclusively dedicated on that flight to acute care emergency medical services.

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

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

Use of International Air Travel Facilities

A \$12.40 tax is imposed on amounts paid (whether in or outside the United States) for international flights that begin **or** end in the United States. This tax does not apply if all of the transportation is subject to the percentage tax, discussed earlier.

For a domestic segment that begins or ends in Alaska or Hawaii, a \$6.20 tax applies to departures.

Transportation of Property by Air

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

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

The tax does not apply to amounts paid for cropdusting, aerial firefighting service, or use of helicopters in construction to set heating and air conditioning units on roofs of buildings, to dismantle tower cranes, and to aid in construction of power lines and ski lifts.

The tax does not apply to payments for transportation of property by air in the course of **uninterrupted exportation** (including to United States possessions). Get Form 1363, *Export Exemption Certificate*, for more details.

The tax does not apply to air transportation by helicopter or fixed-wing aircraft for the purpose of providing emergency medical transportation. The fixed-wing aircraft must be equipped for and exclusively dedicated on that flight to acute care emergency medical services.

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

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

Liability for tax. The person paying for taxable transportation is liable for the tax and, ordinarily, the person engaged in the business of transporting property by air for hire receiving the payment, collects the tax, files the returns, and pays the tax to the government.

If tax is not included in a payment made outside the United States, the person furnishing the last segment of taxable transportation collects the tax from the person to whom the property is delivered in the United States.

Baggage. Regular and excess baggage accompanying a passenger on an aircraft operated on an established line is not property under these rules.

Mixed load of persons and property. If you receive a flat amount for air transportation of a mixed load of persons and property, allocate the payment between the amount subject to the tax on transportation of persons and the amount subject to the tax on transportation of property. Your allocation must be reasonable and supported by adequate records.

Special Rules on Transportation Taxes

In certain circumstances, the taxes on transportation of persons and property by air do not apply to amounts paid for those services.

Aircraft used by affiliated corporations.

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

An affiliated group of corporations, for this rule, is any group of corporations connected with a common parent corporation through 80% or more stock ownership.

Small aircraft. The taxes do not apply to transportation furnished by an aircraft having a maximum certificated takeoff weight of 6,000 pounds or less. However, the taxes do apply if the aircraft is operated on an established line. "Operated on an established line" means the aircraft operates with some degree of regularity between definite points.

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

Credits or Refunds

If tax is collected and paid over for air transportation that is not taxable air transportation, the collector may claim a credit or refund if it has repaid the tax to the person from whom the tax was collected or obtained the consent of that person to the allowance of the credit or refund. Alternatively, the person who paid the tax may claim a refund.

Fuel Taxes

Excise taxes are imposed on all the following fuels.

- Gasoline.
- Gasohol.
- Diesel fuel.
- Kerosene.
- Aviation fuel other than gasoline.
- Special motor fuels.
- Compressed natural gas.
- Fuels used in commercial transportation on inland waterways.

Registration Requirements

The following discussion applies to registration for purposes of the excise taxes on gasoline, diesel fuel, and kerosene. The terms used in this discussion are explained later. See *Registration for Certain Activities*, earlier, for more information about registration.

Persons that must register. You must register if you are any of the following persons.

- A blender.
- An enterer.
- A refiner.
- A terminal operator.
- A position holder.

In addition, bus and train operators must register if they will incur liability for tax at the bus or train rate.

Persons that may register. You may, but are not required to, register if you are any of the following persons.

- A gasohol blender.
- An industrial user.
- A throughputter that is not a position holder.
- A kerosene feedstock user.
- An ultimate vendor of diesel fuel or kerosene.

Ultimate vendors do not need to register to buy or sell diesel fuel or kerosene. However, they must be registered for filing certain claims for the excise tax on these fuels.

Taxable fuel registrant. An enterer, an industrial user, a refiner, a terminal operator, or a throughputter who receives a letter of registration under this provision is a taxable fuel registrant if the registration has not been revoked or suspended. The term **taxable fuel** means gasoline, diesel fuel, and kerosene. The term **registrant** as used in the discussions of these fuels means a taxable fuel registrant.

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

Gasoline

The following discussion provides definitions and an explanation of events relating to the excise tax on gasoline.

Definitions

The following terms are used throughout the discussion of gasoline. Some of these terms are also used in the discussions of diesel fuel and kerosene. Other terms are defined in the discussion to which they pertain.

Gasoline. This means finished gasoline and gasoline blendstocks. Finished gasoline means all products (including gasohol) that are commonly or commercially known or sold as gasoline and are suitable for use as motor fuel. The product must have an octane rating of 75 or more. Gasoline blendstocks are discussed later.

To figure the number of gallons on which tax is imposed, you may base your measurement on the actual volumetric gallons, gallons adjusted to 60 degrees Fahrenheit,

or any other temperature adjustment method approved by the IRS.

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

Aviation gasoline. This means all special grades of gasoline that are suitable for use in aviation reciprocating engines, as described in ASTM Specification D 910 and Military Specification MIL-G-5572.

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

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

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

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

Enterer. This is the importer of record for the fuel. However, if the importer of record is acting as an agent, the person for whom the agent is acting is the enterer. If there is no importer of record, the owner at the time of entry into the United States is the enterer.

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

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

Rack. This is a mechanism for delivering fuel from a refinery or terminal into a truck, trailer, railroad car, or other means of nonbulk transfer.

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

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

Removal. This is any physical transfer of fuel. It also means any use of fuel other than as a material in the production of taxable or

special fuels. However, fuel is not removed when it evaporates or is otherwise lost or destroyed.

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

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

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

Terminal operator. This is any person that owns, operates, or otherwise controls a terminal.

Throughputter. This is any person that is a position holder or that owns fuel within the bulk transfer/terminal system (other than in a terminal).

Taxable Events

The tax on gasoline is 18.4 cents a gallon. It is imposed on each of the following events. However, see the special rules that apply to gasoline blendstocks, later. Also, see the discussion under *Gasohol*, if applicable.

If the tax is paid on the gasoline in more than one event, a refund may be allowed for the "second" tax paid on the gasoline. See *Refunds of Second Tax*, later.



Aviation gasoline is taxable under the same rules as other gasoline. However, the tax on aviation gasoline is 19.4 cents a gallon.

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

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

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

- Be a registrant.
- Have an unexpired notification certificate (discussed later) from the position holder.
- Have no reason to believe that any information on the certificate is false.

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

- It is made by bulk transfer and the refiner or the owner of the gasoline immediately before the removal is not a registrant.
- It is made at the refinery rack.

The refiner is liable for the tax.

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

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

Entry into the United States. The entry of gasoline into the United States is taxable if the entry meets either of the following conditions.

- It is made by bulk transfer and the enterer is not a registrant.
- It is not made by bulk transfer.

The enterer is liable for the tax.

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

Bulk transfers not received at an approved terminal or refinery. The removal by bulk transfer of gasoline from a terminal or refinery, or the entering of gasoline by bulk transfer into the United States, is taxable if the following conditions apply.

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

The owner of the gasoline when it is removed from the pipeline or vessel is liable for the tax. However, an owner meeting certain conditions at the time of the removal from the pipeline or vessel will not be liable for the tax. The owner must meet all the following conditions.

- Be a registrant.

- Have an unexpired notification certificate (discussed later) from the operator of the terminal or refinery where the gasoline is received.
- Have no reason to believe that any information on the certificate is false.

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

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

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

- Be a registrant.
- Have an unexpired notification certificate (discussed later) from the buyer.
- Have no reason to believe that any information on the certificate is false.

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

The tax on these sales does not apply if all of the following apply.

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

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

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

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

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

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

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

Gasoline Blendstocks

Gasoline includes gasoline blendstocks. The previous discussions apply to these blendstocks. However, if certain conditions are met, the removal, entry, or sale of gasoline blendstocks is not taxable. Generally, this applies if the gasoline blendstock is not used to produce finished gasoline or is received at an approved terminal or refinery.

Blendstocks. The following are gasoline blendstocks.

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

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

Not used to produce finished gasoline. Gasoline blendstocks that are not used to produce finished gasoline are not taxable if the following conditions are met.

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

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

- Has an unexpired certificate (discussed later) from the buyer.

- Has no reason to believe that any information in the certificate is false.

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

- Has an unexpired certificate (discussed next) from the buyer.
- Has no reason to believe that any information in the certificate is false.

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

A certificate expires on the earliest of the following dates.

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

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

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

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

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

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

Refunds of Second Tax

If the tax is paid on more than one taxable event, the person paying the "second tax" may claim a refund of that tax if certain conditions and reporting requirements are met. No credit against any tax is allowed for this tax.

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

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

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

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

Internal Revenue Service
Cincinnati, OH 45999-0555

Write "EXCISE – FIRST TAXPAYER'S REPORT" across the top of that copy.

Optional report. A first taxpayer's report is not required for the tax imposed on a removal from a terminal rack, nonbulk entries into the United States, or removals or sales by blenders. However, if the person liable for the tax expects that another tax will be imposed on that fuel, that person should (but is not required to) file a first taxpayer's report.

Providing information. The first taxpayer must give a copy of the report to the buyer of the fuel within the bulk transfer/terminal system or, if the first taxpayer is not the owner at the time, to the person that owned the fuel immediately before the first tax was imposed. If the optional report is filed, a copy should (but is not required to) be given to the buyer or owner.

A person that receives a copy of the first taxpayer's report and later sells the fuel within the bulk transfer/terminal system must give the copy and a "Statement of Subsequent Seller" to the buyer. If the later sale is outside the bulk transfer/terminal system and that person expects that another tax will be imposed, that person should (but is not required to) give the copy and the statement to the buyer. A model statement of subsequent seller is shown in Appendix C as Model Certificate D. Your statement must contain all information necessary to complete the model.

If the first taxpayer's report relates to fuel sold to more than one buyer, copies of that report must be made when the fuel is divided. Each buyer must be given a copy of the report.

Refund claim. You must make your claim for refund on Form 8849. Complete Schedule 5 (Form 8849) and attach it to your Form 8849. You must have filed Form 720 and paid the second tax before you file for a refund of that tax. Do not include this claim with a claim under another tax provision. You must not have included the second tax in the price of

the fuel and must not have collected it from the purchaser. You must attach the following information to your claim.

- A copy of the first taxpayer's report (discussed earlier).
- A copy of the statement of subsequent seller if the fuel was bought from someone other than the first taxpayer.

Credits and Refunds

A credit or refund of the gasoline tax may be allowable if gasoline is, by any person:

- Exported,
- Used or sold for use as supplies for vessels or aircraft as defined in section 4221(d)(3) of the Internal Revenue Code (generally, this is gasoline used in a boat engaged in commercial fishing, in military aircraft, and in foreign trade),
- Sold to a state for its exclusive use,
- Sold to a nonprofit educational organization for its exclusive use,
- Sold to the United Nations for its exclusive use, or
- Used or sold in the production of special fuels.

Claims by wholesale distributors. A credit or refund is allowable to a gasoline wholesale distributor who buys gasoline tax paid and then sells it to the ultimate purchaser (including an exporter) for a purpose listed in the previous list. A wholesale distributor includes any person who makes retail sales of gasoline at 10 or more retail motor fuel outlets. This does not include a producer or importer.

The wholesale distributor must have sold the gasoline at a tax-excluded price and obtained a certificate of ultimate purchaser or proof of exportation.

Claims by persons who paid the tax to the government. A credit or refund is allowable to the person that paid the tax to the government if the gasoline was sold to the user (including an exporter) by either that person or by a retailer for a purpose listed in the previous list. A credit or refund also is allowable to that person if the gasoline was sold to the user by a wholesale distributor and either of the following is true.

- The distributor bought the gasoline at a price that did not include the tax.
- The sale to the user was charged on an oil company credit card.

The person that paid the tax must submit the following with its claim.

- 1) One of the three items below.
 - a) Proof of exportation.
 - b) A certificate of ultimate purchaser.
 - c) A certificate of ultimate vendor.
- 2) A statement that the person has done any of the following.
 - a) Has neither included the tax in the price of the gasoline nor collected the tax from the buyer.
 - b) Has repaid, or agreed to repay, the tax to the ultimate vendor of the gasoline.

- c) Has gotten the written consent of the ultimate vendor to the allowance of the credit or refund.

Claims by the ultimate purchaser. A credit or refund is allowable to the ultimate purchaser of tax-paid gasoline used for a non-taxable use. See Publication 378 for more information about these claims.

Gasohol

Generally, the same rules that apply to the imposition of tax on the removal and entry of gasoline (discussed earlier) apply to gasohol.

However, the removal of gasohol from a refinery is taxable if the removal is from an approved refinery by bulk transfer and the registered refiner chooses to be treated as not registered. This is in addition to the taxable events discussed earlier under *Removal from refinery*.

Gasohol. Gasohol is a mixture of gasoline and alcohol that satisfies the alcohol-content requirements. Alcohol includes ethanol and methanol. The term "alcohol" does not include alcohol produced from petroleum, natural gas, coal (including peat), or any derivative or product of these items or alcohol that is less than 190 proof. Methanol produced from methane gas formed in waste disposal sites qualifies as alcohol because it is not "alcohol produced from natural gas." Ethanol used to produce ethyl tertiary butyl ether (ETBE) generally qualifies as alcohol for this purpose.

Alcohol-content requirements. To qualify as gasohol, the mixture must contain a specific amount of alcohol by volume, without rounding. Figure the alcohol content on a batch-by-batch basis. There are three types of gasohol.

- **10% gasohol.** This is a mixture that contains at least 9.8% alcohol.
- **7.7% gasohol.** This is a mixture that contains at least 7.55%, but less than 9.8%, alcohol.
- **5.7% gasohol.** This is a mixture that contains at least 5.59%, but less than 7.55%, alcohol.

If the mixture is produced within the bulk transfer/terminal system, such as at a refinery, determine whether the mixture is gasohol when the taxable removal or entry of the mixture occurs.

If the mixture is produced outside the bulk transfer/terminal system, determine whether the mixture is gasohol immediately after the mixture is produced. If you splash blend a batch in an empty tank, figure the volume of alcohol (without adjustment for temperature) by dividing the metered gallons of alcohol by the total metered gallons of alcohol and gasoline as shown on each delivery ticket. However, if you add the metered gallons to a tank already containing more than 0.5% of its capacity in a liquid, include the amount of alcohol and non-alcohol fuel contained in that liquid in figuring the volume of alcohol in that batch.

Example 1. John uses an empty 8,000 gallon tank to blend alcohol and gasoline. His delivery tickets show that he blended Batch 1 using 7,200 metered gallons of gasoline and 800 metered gallons of alcohol. John divides the gallons of alcohol (800) by the total

gallons of alcohol and gasoline delivered (8,000). Batch 1 qualifies as 10% gasohol.

Example 2. John blends Batch 2 in an empty tank. According to his delivery tickets, he blended 7,220 gallons of gasoline and 780 gallons of alcohol. Batch 2 contains 9.75% alcohol (780 ÷ 8,000); it qualifies as 7.7% gasohol.

Batches containing at least 9.8% alcohol. If a mixture contains at least 9.8% but less than 10% alcohol, part of the mixture is considered to be 10% gasohol. To figure that part, multiply the number of gallons of alcohol in the mixture by 10. The other part of the mixture is excess liquid that is subject to the rules on failure to blend, discussed later.

Batches containing at least 7.55% alcohol. If a mixture contains at least 7.55% but less than 7.7% alcohol, part of the mixture is considered to be 7.7% gasohol. To figure that part, multiply the number of gallons of alcohol in the mixture by 12.987. The other part of the mixture is excess liquid that is subject to the rules on failure to blend, discussed later.

Batches containing at least 5.59% alcohol. If a mixture contains at least 5.59% but less than 5.7% alcohol, part of the mixture is considered to be 5.7% gasohol. To figure that part, multiply the number of gallons of alcohol in the mixture by 17.544. The other part of the mixture is excess liquid that is subject to the rules on failure to blend, discussed later.

Gasohol blender. A gasohol blender is any person that regularly buys gasoline and alcohol and produces gasohol for use in its trade or business or for resale. A "registered gasohol blender" is one that has been registered by the IRS. See *Registration Requirements*, earlier.

Tax Rates

The tax rate depends on the type of gasohol. These rates are less than the regular tax rate for gasoline. The reduced rate also depends on whether you are liable for the tax on the removal or entry of gasoline used to make gasohol, or on the removal or entry of gasohol. You may be liable for additional tax if you later separate the gasoline from the gasohol or fail to blend gasoline into gasohol.

Tax on gasoline. The tax on gasoline that is removed or entered for the production of gasohol depends on the type of gasohol that is to be produced. The rates apply to the tax imposed on the removal at the terminal or refinery, or on the nonbulk entry into the United States (as discussed under *Gasoline*, earlier). The rates for gasoline used to produce gasohol containing ethanol are shown on Form 720. The rates for gasoline used to produce gasohol containing methanol are shown in the instructions for Form 720.

Requirements. The reduced rates apply if the person liable for the tax (position holder, refiner, or enterer) is a registrant and:

- 1) A registered gasohol blender and that person produces gasohol with the gasoline within 24 hours after removing or entering the gasoline, or
- 2) That person, at the time that the gasoline is sold in connection with the removal or entry:

- a) Has an unexpired certificate from the buyer, and
- b) Has no reason to believe that any information in the certificate is false.

Certificate. The certificate from the buyer certifies that the gasoline will be used to produce gasohol within 24 hours after purchase. The certificate may be included as part of any business records normally used for a sale. A copy of the registrant's letter of registration cannot be used as a gasohol blender's certificate. A model certificate is shown in Appendix C as Model Certificate E. Your certificate must contain all information necessary to complete the model.

A certificate expires on the earliest of the following dates.

- The date 1 year after the effective date (which may be no earlier than the date signed) of the certificate.
- The date that a new certificate is provided to the seller.
- The date that the seller is notified that the gasohol blender's registration has been revoked or suspended.

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

Tax on gasohol. The tax on the removal or entry of gasohol depends on the type of gasohol. The rates for gasohol containing ethanol are shown on Form 720. The rates for gasohol containing methanol are shown in the instructions for Form 720.

Later separation. If a person separates gasoline from gasohol on which a reduced tax rate was imposed, that person is treated as the refiner of the gasoline. Tax is imposed on the removal of the gasoline. This tax rate is the difference between the regular tax rate for gasoline and the tax rate imposed on the prior removal or entry of the gasohol.

Failure to blend. Tax is imposed on the removal, entry, or sale of gasoline on which a reduced rate of tax was imposed if the gasoline was not blended into gasohol, or was blended into gasohol taxable at a higher rate. If the gasoline was not sold, the person liable for this tax is the person that was liable for the tax on the entry or removal. If the gasoline was sold, the person that bought the gasoline in connection with the taxable removal or entry is liable for this tax. This tax is the difference between the tax that should have applied and the tax actually imposed.

Example. John uses an empty 8,000 gallon tank to blend gasoline and alcohol. The delivery tickets show that he blended 7,205 metered gallons of gasoline and 795 metered gallons of alcohol. He bought the gasoline at a reduced tax rate of 14.444 cents per gallon. The batch contains 9.9375% alcohol (795 ÷ 8,000). John determines that 7,950 gallons (10 × 795) of the mixture qualifies as 10% gasohol. See *Batches containing at least 9.8% alcohol*, earlier. The other 50 gallons is excess liquid that he failed to blend into gasohol. He is liable for a tax of 3.956 cents per gallon (18.40 (full rate) – 14.444 (reduced rate)) on this excess liquid.

Diesel Fuel and Kerosene

Generally, diesel fuel and kerosene are taxed in the same manner as gasoline (discussed earlier). The following discussion provides information about the excise tax on diesel fuel and kerosene.

Definitions

The following terms are used in this discussion of the tax on diesel fuel and kerosene. Other terms used in this discussion are defined under *Gasoline*.

Diesel fuel. This is any liquid (other than gasoline) that, without further processing or blending, is suitable for use as a fuel in a diesel-powered highway vehicle or a diesel-powered train. It does not include kerosene, No. 5 and No. 6 fuel oils, or F-76 (Fuel Naval Distillate MIL-F-16884).

Kerosene. This means the following fuels.

- The two grades of kerosene (No. 1-K and No. 2-K) described in ASTM Specification D 3699.
- Aviation-grade kerosene.

Aviation-grade kerosene. This is kerosene-type jet fuel described in ASTM Specification D 1655 and military specifications MIL-T-5624R and MIL-T-83133D (Grades JP-5 and JP-8).

Diesel-powered highway vehicle. This is any self-propelled vehicle designed to carry a load over the public highways (whether or not also designed to perform other functions) and propelled by a diesel-powered engine. Generally, do not consider specially designed mobile machinery for nontransportation functions and vehicles specially designed for off-highway transportation as diesel-powered highway vehicles. For more information about these vehicles and for information about vehicles not considered highway vehicles, get Publication 378.

Diesel-powered train. This is any diesel-powered equipment or machinery that rides on rails. The term includes a locomotive, work train, switching engine, and track maintenance machine.

Taxable Events

The tax on diesel fuel and kerosene is 24.4 cents a gallon. It is imposed on each of the following events. The tax does not apply to dyed diesel fuel or dyed kerosene, discussed later.

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

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

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

The terminal operator is jointly and severally liable for the tax if the position holder

is a person other than the terminal operator and is not a registrant. However, a terminal operator will not be liable for the tax in this situation if, at the time of the removal, the terminal operator meets all the following requirements.

- Is a registrant.
- Has an unexpired notification certificate (discussed under *Gasoline*) from the position holder.
- Has no reason to believe that any information on the certificate is false.

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

- It is made by bulk transfer and the refiner or owner of the fuel immediately before the removal is not a registrant.
- It is made at the refinery rack.

The refiner is liable for the tax.

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

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

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

- It is made by bulk transfer and the enterer is not a registrant.
- It is not made by bulk transfer.

The enterer is liable for the tax.

Removal from a terminal by an unregistered position holder. The removal by bulk transfer of undyed diesel fuel or undyed kerosene from a terminal is taxable if the position holder for that fuel is not a registrant. The position holder is liable for the tax. The terminal operator is jointly and severally liable for the tax if the position holder is a person other than the terminal operator. However, see *Terminal operator's liability* under *Removal from terminal*, earlier, for an exception.

Bulk transfers not received at an approved terminal or refinery. The removal by bulk transfer of undyed diesel fuel or undyed kerosene from a terminal or refinery or the

entering of undyed diesel fuel or undyed kerosene by bulk transfer into the United States is taxable if the following conditions apply.

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

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

- Be a registrant.
- Have an unexpired notification certificate (discussed under *Gasoline*) from the operator of the terminal or refinery where the undyed diesel fuel or undyed kerosene is received.
- Have no reason to believe that any information on the certificate is false.

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

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

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

- Be a registrant.
- Have an unexpired notification certificate (discussed under *Gasoline*) from the buyer.
- Have no reason to believe that any information on the certificate is false.

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

The tax on these sales does not apply if all the following tests are met.

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

Removal or sale of blended diesel fuel or kerosene. The removal or sale of blended diesel fuel or blended kerosene by the blender is taxable. See *Blended taxable fuel* in *Definitions* under *Gasoline*, earlier.

The blender is liable for the tax. The tax is figured on the number of gallons of blended diesel fuel or kerosene that were not previously subject to the tax.

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

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

Aviation-grade kerosene. The excise tax on kerosene is not imposed on aviation-grade kerosene if the following conditions are met.

Not connected to sale. The removal or entry of aviation-grade kerosene not in connection with a sale is not subject to the tax on kerosene if all the following conditions are met.

- 1) The person otherwise liable for the tax (position holder, refiner, or enterer) is a registrant.
- 2) In the case of a removal from a terminal, the terminal is an approved terminal.
- 3) The kerosene will be used as fuel in an aircraft and one of the following applies.
 - a) The person otherwise liable for the tax subsequently delivers the kerosene into the fuel supply tank of an aircraft.
 - b) The person otherwise liable for the tax is a registered aviation fuel producer or commercial airline.
 - c) The tax on aviation fuel has been imposed on the kerosene.

Connected to sale. The removal or entry of aviation-grade kerosene in connection with a sale is not subject to the tax on kerosene if all the following conditions are met.

- 1) The person otherwise liable for the tax (position holder, refiner, or enterer) is a registrant.
- 2) In the case of a removal from a terminal, the terminal is an approved terminal.
- 3) The kerosene will be used as fuel in an aircraft and one of the following applies.
 - a) The buyer is a registered aviation fuel producer, commercial airline, or importer.
 - b) The buyer is buying the kerosene for its own use in a nontaxable use (as discussed under *Aviation Fuel Exemptions*, later).
 - c) The tax on aviation fuel is, or has been, imposed on the kerosene.

Condition (3) is met only if the person otherwise liable for the tax has an unexpired certificate from the buyer and has no reason to believe any information in the certificate is false. The certificate may be included as part of any business records normally used for a

sale. A model certificate is shown in Appendix C as Model Certificate G. Your certificate must contain all information necessary to complete the model.

A certificate expires on the earliest of the following dates.

- The date 1 year after the effective date (not earlier than the date signed) of the certificate.
- The date the buyer provides a new certificate or notice that the current certificate is invalid to the seller.
- The date the seller is notified that the buyer's right to provide a certificate has been withdrawn.

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

The IRS may withdraw the buyer's right to provide a certificate if the buyer uses or disposes of the aviation-grade kerosene other than as a fuel in an aircraft.

Bulk transfers to kerosene feedstock user.

The removal of kerosene from a pipeline or vessel is not taxable if the kerosene is received by a kerosene feedstock user. A **kerosene feedstock user** is a registrant that receives kerosene by bulk transfer for its own use in the manufacture or production of any substance (other than gasoline, diesel fuel, or special fuels).

Dyed Diesel Fuel and Dyed Kerosene

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

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

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

- Contains the dye Solvent Red 164 (and no other dye) at a concentration spectrally equivalent to at least 3.9 pounds of the solid dye standard Solvent Red 26 per thousand barrels of fuel.
- Contains any dye of a type and in a concentration that has been approved by the Commissioner.

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

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

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

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

Penalty. A penalty is imposed on persons who:

- 1) Know or have reason to know that they sold or held for sale dyed diesel fuel or dyed kerosene for a taxable use,
- 2) Know or have reason to know that they used or held for use dyed diesel fuel or dyed kerosene for a taxable use, or
- 3) Alter or attempt to alter the strength or composition of the dye in any dyed diesel fuel or dyed kerosene.

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

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

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

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

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

Alaska. Diesel fuel or kerosene removed, entered, or sold in Alaska for ultimate sale or use in an exempt area of Alaska does not have to meet the dyeing requirements to be exempt from the excise tax on diesel fuel or kerosene. The removal or entry of any diesel fuel or kerosene is not taxable if all the following requirements are satisfied.

- 1) The person that would be liable for the tax as discussed under *Taxable Events*, earlier:
 - a) Is a registrant,
 - b) Can show satisfactory evidence of the nontaxable nature of the transaction, and
 - c) Has no reason to believe the evidence is false.

- 2) In the case of a removal from a terminal, the terminal is an approved terminal.
- 3) The owner of the fuel immediately after the removal or entry holds the fuel for its own use in a nontaxable use or is a qualified dealer.

Subsequent sales of diesel fuel or kerosene by a qualified dealer are subject to tax unless all of the following are true.

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

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

Back-Up Tax

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

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

Generally, this "back-up tax" is imposed at a rate of 24.4 cents a gallon. The rate for delivery of the fuel into a train is 4.4 cents a gallon. The rate for delivery into certain intercity or local buses is 7.4 cents a gallon.

If you are liable for the back-up tax, you may be liable for the penalty discussed under *Dyed Diesel Fuel and Dyed Kerosene*. However, the penalty applies only to dyed diesel fuel and dyed kerosene, while the back-up tax can apply to other fuels. The penalty may apply if the fuel is held for sale or use for a taxable use while the back-up tax does not apply until the fuel is delivered into the fuel supply tank.

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

Exemptions from the back-up tax. The back-up tax does not apply to a delivery of diesel fuel or kerosene for uses (1) through (8) listed under *Nontaxable Uses*, next.

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

Nontaxable Uses

Diesel fuel or kerosene intended for a nontaxable use generally is not subject to the excise tax if the fuel meets the dyeing requirements discussed earlier under *Dyed Diesel Fuel and Dyed Kerosene*.

The following are nontaxable uses of diesel fuel and kerosene.

- 1) Use on a farm for farming purposes (discussed later).
- 2) Exclusive use of a state (defined earlier under *Gasoline*).
- 3) Use in a vehicle owned by an aircraft museum (as discussed later under *Aviation Fuel*).
- 4) Use in a school bus (discussed later).
- 5) Use in a qualified local bus (discussed later).
- 6) Use in a highway vehicle that:
 - a) Is not registered (and is not required to be registered) for highway use under the laws of any state or foreign country, and
 - b) Is used in the operator's trade or business or for the production of income.
- 7) Exclusive use of a nonprofit educational organization.
- 8) Use in a vehicle owned by the United States that is not used on a highway.
- 9) Diesel fuel or kerosene that is exported.
- 10) Use other than as a fuel in a propulsion engine of a diesel-powered highway vehicle (such as home heating oil).
- 11) Use as a fuel in a propulsion engine of a diesel-powered train (subject to back-up tax, discussed earlier).
- 12) Use in an intercity or local bus meeting certain qualifications, discussed later (subject to back-up tax, discussed earlier).

For information about filing a claim for refund or credit for the tax on undyed diesel fuel or undyed kerosene used for a nontaxable use, see Publication 378.

Used on a farm for farming purposes. Diesel fuel or kerosene is used on a farm for farming purposes if it is bought by the owner, tenant, or operator of the farm and used for any of the following purposes.

- 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, tools, or equipment.

- 4) To handle, dry, pack, grade, or store any raw agricultural or horticultural commodity (as provided below).
- 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 (as provided below).

Diesel fuel or kerosene is used on a farm for farming purposes if it is bought by a person other than the owner, tenant, or operator and used on a farm for any of the purposes in item (1) or (2).

Item (4) applies only if more than one-half of the commodity that was so treated during the tax year was produced on the farm. Commodity refers to a single raw product. For example, apples would be one commodity and peaches another. The more-than-one-half test applies separately to each commodity.

Item (5) applies if the operations are minor in nature when compared to the total farming operations.

If undyed diesel fuel or undyed kerosene is used on a farm for farming purposes, the fuel may not be considered as being used for any other nontaxable use.

A **farm** includes livestock, dairy, fish, poultry, fruit, fur-bearing animals, and truck farms, orchards, plantations, ranches, nurseries, ranges, and feedyards for fattening cattle. It also includes structures such as greenhouses used primarily for raising agricultural or horticultural commodities. A fish farm is an area where fish are grown or raised—not merely caught or harvested. The farm must be operated for profit and located in any of the 50 states or the District of Columbia.

Diesel fuel or kerosene is **not used** for farming purposes if it is used in any of the following ways.

- Off the farm, such as on the highway, 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.

Buses. Generally, diesel fuel or kerosene used in a bus is used for a nontaxable use. However, fuel used in certain buses is subject to a reduced rate of excise tax.

School bus. No tax is imposed on dyed fuel used in a school bus while the bus is engaged in the transportation of students and school employees. 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.

Qualified local bus. No tax is imposed on dyed fuel used in a qualified local bus while the bus is engaged in furnishing intracity passenger land transportation for compensation if the bus meets all the following tests.

- Is available to the general public.
- Operates along scheduled, regular routes.

- Has a seating capacity of at least 20 adults (excluding the driver).
- Is under contract with or receiving more than a nominal subsidy from any state or local government to furnish that transportation.

Intracity passenger land transportation means land transportation between points located within the same metropolitan area. It includes transportation along routes that cross state, city, or county lines if the routes remain within the metropolitan area.

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. A subsidy is more than nominal if it is reasonably expected to exceed an amount equal to 3 cents multiplied by the number of gallons of fuel used in buses on subsidized routes.

A company that operates its buses along subsidized and unsubsidized intracity routes may consider its buses qualified local buses only when the buses are used on the subsidized intracity routes.

Intercity or local bus. A reduced rate of tax (7.4 cents a gallon) is imposed on dyed fuel delivered into the fuel supply tank of an intercity or local bus. (See *Back-Up Tax*, earlier.) This is a bus used to furnish (for compensation) passenger land transportation that is available to the general public and:

- The transportation is scheduled and along regular routes regardless of the size of the bus, or
- The seating capacity of the bus is at least 20 adults (not including the driver).

A bus is available to the general public if the bus is available for hire to more than a limited number of persons, groups, or organizations.

Other buses. The full amount of tax (24.4 cents a gallon) is imposed on dyed fuel delivered into the fuel supply tank of a bus not previously described.

Credit or refund. If undyed diesel fuel or undyed kerosene is bought and used in a bus for a nontaxable use, a credit or refund of the tax can be claimed by the buyer of the fuel used in the bus. See Publication 378 for more information.

Aviation Fuel

Tax of 21.9 cents per gallon is imposed on the sale of aviation fuel by its producer or importer. The person making the taxable sale is liable for the tax. The use of aviation fuel (other than a nontaxable use) by a producer is considered a sale of that fuel. This applies if there was no tax on the sale of the fuel or the tax had been credited or refunded.

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

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

Aviation fuel. This is kerosene and any other liquid (other than gasoline or diesel fuel) that is suitable for use as fuel in an aircraft.

Producers. Producers include refiners, blenders, and wholesale distributors of aviation fuel and dealers selling aviation fuel exclusively to producers of aviation fuel if these persons have been registered by the IRS. The term also includes the actual producer of aviation fuel. See *Registration for Certain Activities*, earlier.

Any person buying aviation fuel at a reduced rate is the producer of that fuel.

Wholesale distributors. To qualify as a wholesale distributor, you must hold yourself out to the public as being engaged in the trade or business of:

- 1) Selling aviation fuel to producers or retailers or to users who purchase in bulk quantities (25 gallons or more) and accept delivery into bulk storage tanks, and one of the following applies.
 - a) At least 30% of your sales of aviation fuel during the preceding 12-month period are to these buyers, or
 - b) At least 50% of the volume of aviation fuel is sold to these buyers **and** at least 500 of your sales during the preceding 12-month period are made to these buyers, or
- 2) Selling aviation fuel for nontaxable uses (such as use on a farm for farming purposes) **and** sell at least 70% of your volume of aviation fuel during the preceding 12-month period to these users.

Bulk storage tanks. A bulk storage tank is a container that holds at least 50 gallons and is not the fuel supply tank of any engine that is mounted on, or attached to, an aircraft.

Refunds of Prior Tax

A registered aviation fuel producer holding aviation fuel on which a prior tax was paid (and not credited or refunded), can get a refund (without interest) of the tax. Generally, this applies when a producer buys tax-paid fuel from a retailer. No credit against any tax is allowed.

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

- 1) A tax on the aviation fuel was paid to the government by an importer or producer (the first producer) and the tax has not been credited or refunded.
- 2) After the tax was imposed, the fuel was acquired by a registered aviation fuel producer (the second producer).
- 3) The second producer has filed a timely claim for refund that contains the information required (see *Refund claim*, later).
- 4) The first producer and any person that owns the fuel after its sale by the first producer and before its purchase by the second producer (a subsequent seller) have met the reporting requirements, discussed next.

Reporting requirements. Generally, the first producer must file a report (the first producer's report). A model first producer's report is shown in Appendix C as Model Certificate H. The report must contain all information needed to complete the model.

Providing information. The first producer must give a copy of the report to the person to whom the first producer sells the aviation fuel.

Each subsequent seller must give to its buyer a statement that provides all the information necessary to complete the "Statement of Subsequent Seller (Aviation Fuel)" shown in Appendix C as Model Certificate I. The statement can be at the bottom or on the back of the copy of the first producer's report (or in an attached document).

If the first producer's report relates to aviation fuel that is divided among more than one buyer, copies of that report should be made when the fuel is divided and a copy given to each buyer.

Refund claim. You must make your claim for refund on Form 8849. Complete Schedule 6 (Form 8849) and attach it to Form 8849. Do not include this claim with a claim under another tax provision. See the form instructions for how and where to file the claim. You must attach all the following information to Schedule 6.

- Volume and type of aviation fuel.
- Date on which you acquired the aviation fuel to which the claim relates.
- Amount of tax on the fuel the first producer paid to the government and a statement that you have not included this tax in the sales price of the fuel and have not collected it from any person who bought the fuel from you.
- Name, address, and employer identification number of the first producer that paid the tax to the government.
- A copy of the first producer's report that relates to the aviation fuel covered by the claim (discussed earlier).
- A copy of any statement of subsequent seller that you received with respect to the aviation fuel.

Aviation Fuel Exemptions

Registered producers may sell aviation fuel tax free or at a tax-reduced rate for purposes described below, but **only** if certain prescribed conditions are met. No **seller** of aviation fuel is eligible to claim a credit or refund for aviation fuel used by the buyer for these purposes.

Sales to other producers. Registered producers may sell aviation fuel tax free to other registered producers of aviation fuel. The buyer must give the seller a written statement containing the buyer's registration number.

Sales for nontaxable uses. A registered producer may sell aviation fuel tax free for any of the following uses.

- Use other than as a fuel in the propulsion engine of an aircraft (such as use as heating oil).
- In military aircraft owned by the United States or a foreign country.
- In a domestic air carrier engaged in foreign trade or trade between the United States and any of its possessions.
- In a foreign air carrier engaged in foreign trade or trade between the United States and any of its possessions, but only if the country in which the foreign carrier is

registered allows U.S. carriers reciprocal privileges. For a list of these countries, see Revenue Ruling 74-346 in Cumulative Bulletin 1974-2, Revenue Ruling 75-109 in Cumulative Bulletin 1975-1, and Revenue Rulings 75-398 and 75-526 in Cumulative Bulletin 1975-2.

- Use on a farm for farming purposes, as discussed earlier under *Diesel Fuel and Kerosene*.
- In an aircraft or vehicle owned by an aircraft museum, discussed next.
- Certain helicopter and fixed-wing air ambulance uses, discussed later.
- Use by a state, as discussed earlier under *Gasoline*.
- Exclusive use by the United Nations.

A buyer for these uses gives its supplier a signed **exemption certificate** stating the buyer's name, address, taxpayer identification number, registration number (if applicable), and intended use. A buyer may give a separate exemption certificate for each purchase or may give one certificate to cover all purchases from a particular seller for up to 1 year.

Aircraft museums. Aviation fuel may be sold tax free for use in an aircraft that is owned by an aircraft museum and used exclusively for purposes described in item (3) of the following definition.

An aircraft museum is an organization with all the following characteristics.

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

Certain helicopter uses. Aviation fuel may be sold tax free for use in a helicopter that is used for one of the following purposes.

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

For items (1) and (2), this applies if the helicopter does 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, during such use. For item (1), each flight segment is treated as a separate flight.

Fixed-wing air ambulance uses. Aviation fuel may be sold tax free for use in a fixed-wing aircraft that is providing emergency medical transportation. The exemption applies if the aircraft is equipped for and exclusively dedicated on that flight to acute care emergency medical services.

Sales to commercial airlines. Registered producers may sell aviation fuel at the tax-reduced rate of 4.4 cents a gallon to a registered commercial aircraft operator for use as a fuel in commercial aviation (other than foreign trade).

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

- Any use 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. (Whether an aircraft is available for hire to nonmembers is determined on a flight-by-flight basis.)

To buy at a tax-reduced rate, the airline gives the seller a written **exemption certificate** stating the buyer's name, address, taxpayer identification number, registration number, and intended use of the fuel. An airline may give a separate exemption certificate for each purchase or may give one certificate to cover all purchases from a particular seller for up to 1 year.

Special Motor Fuels

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

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

Types of special motor fuels. Special motor fuels include any liquid **other than** gasoline, diesel fuel, kerosene, gas oil, and fuel oil. The tax rates for these fuels are shown in the Form 720 instructions.

Special motor fuels/alcohol mixture. Tax is imposed at a reduced rate on the sale or use of a blend of alcohol with special motor fuels. The blend must be at least 10% alcohol that is 190 proof or more. Figure the proof of any alcohol without regard to any added denaturants.

The alcohol includes methanol or ethanol. But it does not include alcohol produced from petroleum, natural gas, coal (including peat), or any derivative or product of these items. Methanol produced from methane gas formed in waste disposal sites is not "alcohol produced from natural gas."

Treat the separation of special motor fuel from an alcohol mixture on which tax has

been paid at a reduced rate as a sale of special motor fuel. The tax on the sale is imposed on the person who makes the separation. Reduce the tax on special motor fuel by the tax already paid on the alcohol mixture.

Qualified methanol and ethanol fuels.

A special rate applies to these fuels. These fuels consist of at least 85% methanol, ethanol, or other alcohol produced from a substance other than petroleum or natural gas.

Partially exempt methanol and ethanol fuels. A special rate applies to these fuels. These fuels consist of at least 85% methanol, ethanol, or other alcohol produced from natural gas.

Liquified petroleum gas. A special rate applies to liquified petroleum gas (LPG), such as propane or butane.

Tax is imposed on the delivery of LPG into the fuel supply tank of certain intercity and local buses and qualified local and school buses and must be reported on Form 720 even though a credit or refund may be allowable for LPG used in those buses.

Motor vehicle. For the purpose of applying the tax on the delivery of special motor fuels, motor vehicles include all types of vehicles, whether or not registered (or required to be registered) for highway use, that have both the following characteristics.

- Propelled by a motor.
- Designed for carrying or towing loads from one place to another, regardless of the type of material or load carried or towed.

Motor vehicles do not include any vehicle that moves exclusively on rails, or any of the following items.

Farm tractors	Trench diggers
Power shovels	Bulldozers
Road graders	Road rollers
Similar equipment that does not carry or tow a load	

Nontaxable Uses

The following are nontaxable uses of special motor fuels.

- In an off-highway business use (discussed later).
- In a boat engaged in commercial fishing.
- On a farm for farming purposes, as discussed earlier under *Diesel Fuel and Kerosene*.
- By a state for its exclusive use, as mentioned earlier under *Gasoline*.
- By nonprofit educational organizations for their exclusive use, as discussed earlier under *Communications Tax*.
- By the United Nations for its official use.
- In an aircraft or vehicle owned by an aircraft museum as discussed earlier under *Aviation Fuel*.

Off-highway business use. This is use in a highway vehicle that is not registered (or required to be registered) for highway use under the laws of any state or foreign country and is used in the operator's trade or business or for the production of income. It also includes use in a vehicle owned by the United States that is not used on a highway.

Compressed Natural Gas

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

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

Tax rate. The rate is 48.54 cents per thousand cubic feet (determined at standard temperature and pressure).

Motor vehicle. For this purpose, motor vehicle has the same meaning as given under *Special Motor Fuels*, earlier.

Nontaxable Uses

The following are nontaxable uses of CNG.

- In an off-highway business use, as discussed earlier under *Special Motor Fuels*.
- In a boat engaged in commercial fishing.
- In a school bus or qualified local bus, as discussed earlier under *Diesel Fuel and Kerosene*.
- On a farm for farming purposes, as discussed earlier under *Diesel Fuel and Kerosene*.
- By a state for its exclusive use, as discussed earlier under *Gasoline*.
- By nonprofit educational organizations for their exclusive use, as discussed earlier under *Communications Tax*.
- By the United Nations for its official use.
- By aircraft museums, as discussed earlier under *Aviation Fuel*.
- Use in any boat operated by the United States for its exclusive use or any vessel of war of any foreign nation.

There is no tax on a delivery in connection with a sale of CNG only if, by the time of sale, the seller meets both the following conditions.

- Has an unexpired certificate from the buyer.
- Has no reason to believe that any information in the certificate is false.

Certificate. The certificate from the buyer certifies that the CNG will be used in a nontaxable use. The certificate may be included as part of any business records normally used for a sale. A model certificate is shown in Appendix C as Model Certificate F. Your certificate must contain all information necessary to complete the model.

A certificate expires on the earliest of the following dates.

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

Fuels Used on Inland Waterways

Tax of 24.4 cents a gallon is imposed on any liquid fuel used in the propulsion system of commercial transportation vessels while traveling on certain inland and intracoastal waterways. The tax generally applies to all types of vessels, including ships, barges, and tugboats.

The person who operates the vessel in which the fuel is consumed is the user and must file returns and pay the tax. The tax is paid with the Form 720. No tax deposits are required.

Inland and intracoastal waterways. Inland and intracoastal waterways on which fuel consumption is subject to tax are specified in section 206 of the Inland Waterways Revenue Act of 1978, as amended.

Commercial waterway transportation.

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

- In the business of transporting property for compensation or hire.
- To transport property in the business of the owner, lessee, or operator of the vessel, whether or not a fee is charged.

The operation of all vessels (except certain fishing vessels) meeting either of these requirements is commercial waterway transportation regardless of whether the vessel is actually transporting property on a particular voyage. The tax is imposed on fuel consumed in vessels while engaged in any of the following activities.

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

Fishing vessels exception. The tax does not apply to fuel used by a fishing vessel while traveling to a fishing site, while engaged in fishing, or while returning from the fishing site with its catch. A vessel is not transporting property in the business of the owner, lessee, or operator by merely transporting fish or other aquatic animal life caught on the voyage.

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

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

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

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

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

Voyages crossing boundaries of the taxable waterways. The tax applies to fuel consumed by a vessel crossing the boundaries of the specified waterways only to the extent of fuel consumed for propulsion while on those waterways. Generally, the operator may figure the amount of fuel so used during a particular voyage by multiplying total fuel consumed in the propulsion engine by a fraction. The numerator of the fraction is the time spent operating on the specified waterways, and the denominator is the total time spent on the voyage. This calculation may not be used where it is found to be unreasonable.

Exceptions. Certain types of commercial waterway transportation are excluded from the tax.

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

Passenger vessels. Fuel is not taxable when used by vessels primarily for the transportation of persons. The tax does not apply to fuel used in commercial passenger vessels while transporting property in addition to transporting passengers. Nor does it apply to ferryboats carrying passengers and their cars.

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

However, it is taxable when any of the following conditions applies.

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

- Part of the cargo carried is not being transported internationally.

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



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

Your records should include all of the following information.

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

If you claim an exemption from the tax, include in your records the following additional information as it pertains to you.

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

Alcohol Sold as Fuel But Not Used as Fuel

If you sell or use alcohol (either mixed or straight) as a fuel, you may be eligible for an income tax credit. Use Form 6478, *Credit for Alcohol Used as Fuel*, to figure the credit. If the credit was claimed, you are liable for an excise tax if you do any of the following.

- Use the mixture or straight alcohol other than as a fuel.
- Separate the alcohol from a mixture.
- Mix the straight alcohol.

Report the tax on Form 720. The rate of tax depends on the rate at which the credit was allowed. No tax deposits are required.

For more information about this credit, see *Alcohol Fuel Credit* in Publication 378.

Manufacturers Taxes

If you are a manufacturer and you sell an article subject to a manufacturers excise tax, you are liable for the tax unless an exemption applies. The following discussion on manufacturers taxes applies to the tax on the following items.

- Sport fishing equipment.
- Bows.
- Arrow components.
- Coal.

- Tires.
- Gas guzzler automobiles.
- Vaccines.

Manufacturer. The term "manufacturer" includes a producer or importer. A manufacturer is any person who produces a taxable article from new or raw material, or from scrap, salvage, or junk material, by processing or changing the form of an article or by combining or assembling two or more articles. If you furnish the materials and keep title to those materials and to the finished article, you are considered the manufacturer even though another person actually manufactures the taxable article.

A manufacturer who sells a taxable article in knockdown condition is liable for the tax. The person who buys these component parts and assembles a taxable article may also be liable for tax as a further manufacturer depending on the labor, material, and overhead required to assemble the completed article if the article is assembled for business use.

Importer. An importer is the person who brings an article into the United States, or withdraws an article from a customs bonded warehouse for sale or use in the United States.

Sale. A sale is the transfer of the title to, or the substantial incidents of ownership in, an article to a buyer for consideration which may consist of money, services, or other things.

Use considered sale. A manufacturer who uses a taxable article is liable for the tax in the same manner as if it were sold.

Lease considered sale. The lease of an article (including any renewal or extension of the lease) by the manufacturer is generally considered a taxable sale. However, for the gas guzzler tax, only the first lease (excluding any renewal or extension) of the automobile by the manufacturer is considered a sale.

Manufacturers taxes based on sales price.

The manufacturers taxes that are imposed on the sale of sport fishing equipment, electric outboard motors, sonar devices, bows, and arrow components are based on the sale price of the article. The taxes imposed on coal are based either on the sales price or the weight.

The "price" for which an article is sold includes the total consideration paid for the article, whether that consideration is in the form of money, services, or other things. However, you include certain charges made when a taxable article is sold while you exclude others. To figure the price on which you base the tax, use the following rules.

- 1) **Include** both the following charges in the price.
 - a) Any charge for coverings or containers (regardless of their nature).
 - b) Any charge incident to placing the article in a condition packed ready for shipment.
- 2) **Exclude** all the following charges from the price.
 - a) The manufacturers excise tax, whether or not it is stated as a separate charge.
 - b) The cost of transportation. (The cost of transportation of goods to a warehouse before their bona fide sale is not excludable.)

- c) Delivery, insurance, installation, retail dealer preparation costs, and other charges that you incur in placing the article in the hands of the purchaser under a bona fide sale.
- d) Discounts, rebates, and similar allowances actually granted to the purchaser.
- e) Local advertising charges. A charge made separately when the article is sold and that qualifies as a charge for "local advertising" may, within certain limits, be excluded from the sale price.
- f) Charges for warranty paid at the purchaser's option. However, a charge for a warranty of an article that the manufacturer, producer, or importer requires the purchaser to pay to obtain the article is included in the sale price on which the tax is figured.
- g) Bonus goods. Allocate the sales price if you give free nontaxable goods with the purchase of taxable merchandise. Impose the tax only on the sale price attributable to the taxable articles.

Example. A manufacturer sells a quantity of taxable articles and gives the purchaser certain nontaxable articles as a bonus. The sale price of the shipment is \$1,500. The normal sale price is \$2,000: \$1,500 for the taxable articles and \$500 for the nontaxable articles. Since the taxable items represent 75% of the normal sale price, the tax is based on 75% of the actual sale price, or \$1,125 (75% of \$1,500). The remaining \$375 is allocated to the nontaxable articles.

Tax Liability

Tax attaches when the title to the article sold passes from the manufacturer to the buyer. When the title passes depends on the intention of the parties as gathered from the contract of sale. In the absence of expressed intention, the legal rules of presumption followed in the jurisdiction where the sale occurs determine when title passes.

If the taxable article is used by the manufacturer, the tax attaches at the time use begins.

Partial payments. The tax applies to each partial payment received when taxable articles are:

- Leased,
- Sold conditionally,
- Sold on installment with chattel mortgage, or
- Sold on installment with title to pass in the future.

To figure the tax, multiply the partial payment by the tax rate in effect at the time of the payment.

Exemptions

The following sales are exempt from the manufacturers tax.

- To a state or local government for the exclusive use of the state or local government. (This exemption does not apply to the taxes on coal, gas guzzlers, and vaccines.) State is defined under *Gasoline*.
- To a nonprofit educational organization for its exclusive use. (This exemption does not apply to the taxes on coal, gas guzzlers, and vaccines.) Nonprofit educational organization is defined under *Communications Tax*.
- For use by the purchaser as supplies for vessels. (This exemption does not apply to the taxes on coal and vaccines.) Supplies for vessels means ships' stores or sea stores on vessels of war of the United States or any foreign nation, vessels employed in the fisheries or whaling business, or vessels actually engaged in foreign trade.
- By the purchaser for further manufacture, or for resale by the purchaser to a second purchaser for use by the second purchaser for further manufacture. (This exemption does not apply to the tax on coal.) Use for further manufacture means use in the manufacture or production of an article subject to the manufacturers excise taxes. If you buy articles tax free and resell or use them other than in the manufacture of another article, you are liable for the tax on their resale or use just as if you had manufactured and sold them.
- For export or for resale by the purchaser to the second purchaser for export. (This exemption does not apply to the tax on coal.) An article may be exported to a foreign country or to a possession of the United States. (A vaccine shipped to a possession of the United States is not considered to be exported.) If an article is sold tax free for export and the manufacturer does not receive proof of export, described later, the manufacturer is liable for the tax.
- Of articles of native Indian handicraft, such as bows and arrow components, manufactured by Indians on reservations, in Indian schools, or under U.S. jurisdiction in Alaska.

Requirements for Exempt Sales

The following requirements must be met for a sale to be exempt from the manufacturers tax.

Registration requirements. The manufacturer, first purchaser, and second purchaser in the case of resales, must be registered. See the Form 637 instructions for more information.

Exceptions to registration requirements. Registration is not required for any of the following.

- State or local governments.
- Sales or resales to foreign purchasers for export.
- The United States.

- Parties to a sale of supplies for vessels.

Certification requirement. If the purchaser is registered, the purchaser must give the manufacturer its registration number and certify the exempt purpose for which the article will be used. The information must be in writing and may be noted on the purchase order or other document furnished by the purchaser to the seller in connection with the sale.

For a sale to a state or local government, the exemption certificate must be signed by an officer or employee authorized by the state. See section 48.4221-5(c) of the regulations for the certificate requirements.

For sales for use as supplies for vessels, if the manufacturer and purchaser are not registered, the owner of the vessel must provide an exemption certificate to the manufacturer before or at the time of sale. See section 48.4221-4(d) of the regulations for the certificate requirements.

Proof of export requirement. Within 6 months of the date of sale or shipment by the manufacturer, whichever is earlier, the manufacturer must receive proof of exportation. See section 48.4221-3(d) of the regulations for evidence that qualifies as proof of exportation.

Proof of resale for further manufacture requirement. Within 6 months of the date of sale or shipment by the manufacturer, whichever is earlier, the manufacturer must receive proof that the article has been resold for use in further manufacture. See section 48.4221-2(c) of the regulations for evidence that qualifies as proof of resale.

Information to be furnished to the purchaser. The manufacturer must indicate to the purchaser that the articles normally would be subject to tax and are being sold tax free for an exempt purpose because the purchaser has provided the required certificate.

Credits or Refunds

The manufacturer may be eligible to obtain a credit or refund of the manufacturers tax. If a tax-paid article is exported, the exporter or shipper may claim a credit or refund if the manufacturer waives its right to claim the credit or refund. In the case of an article used to make another taxable article, the subsequent manufacturer may claim the credit or refund.

A credit or refund of the manufacturers taxes may be allowable if any of the following is done to a tax-paid article by any person.

- Exported.
- Used or sold as supplies for vessels (except for coal and vaccines).
- Sold to a state or local government for its exclusive use (except for coal, gas guzzlers, and vaccines).
- Sold to a nonprofit educational organization for its exclusive use (except for coal, gas guzzlers, and vaccines).

In addition, a credit or refund of manufacturers taxes may be allowable for the following special cases.

- Taxable articles in which the price is re-adjusted by reason of return or repossession of the article.

- Tax-paid articles used for further manufacture of another article subject to the manufacturers taxes.

Conditions to allowance. To claim a credit or refund, in the case of an export, supplies for vessels, or sales to a state or local government or nonprofit educational organization, the person who paid the tax must submit, with the claim, a statement asserting any of the following.

- That the tax was neither included in the price of the article nor collected from a vendee. The statement must also identify the nature of the evidence available to establish these facts.
- That the person has repaid, or agreed to repay, the tax to the ultimate vendor of the article.
- That the person has secured, and will submit upon the request of the IRS, the written consent of the ultimate vendor to allowance of the credit or refund.

The ultimate vendor is the seller making the sale that gives rise to the overpayment of tax or that immediately precedes the exportation or use that gives rise to the overpayment.

Sport Fishing Equipment

A tax of 10% of the sale price is imposed on many articles of sport fishing equipment sold by the manufacturer. This includes any parts or accessories sold on or in connection with, or with the sale of, those articles.

Pay the tax with your return. No tax deposits are required.

Sport fishing equipment includes all the following items.

- 1) Fishing rods and poles (and component parts), fishing reels, fly fishing lines, and other fishing lines not over 130 pounds test, fishing spears, spear guns, and spear tips.
- 2) Items of terminal tackle, including leaders, artificial lures, artificial baits, artificial flies, fishing hooks, bobbers, sinkers, snaps, drayles, and swivels (but not including natural bait or any item of terminal tackle designed for use and ordinarily used on fishing lines not described in (1) above).
- 3) The following items of fishing supplies and accessories: fish stringers, creels, tackle boxes, bags, baskets, and other containers designed to hold fish, portable bait containers, fishing vests, landing nets, gaff hooks, fishing hook disgorgers, and dressing for fishing lines and artificial flies.
- 4) Fishing tip-ups and tilts.
- 5) Fishing rod belts, fishing rodholders, fishing harnesses, fish fighting chairs, fishing outriggers, and fishing downriggers.

See Revenue Ruling 88-52, in Cumulative Bulletin 1988-1, for a more complete description of the items of taxable equipment.

Electric outboard boat motors and sonar devices. A tax of 3% of the sale price is imposed on electric outboard motors and sonar devices suitable for finding fish, sold by the manufacturer. This includes any parts or accessories sold on or in connection with, or

with the sale of, those articles. The tax on any sonar device, however, cannot exceed \$30. A sonar device suitable for finding fish does not include any device that is a graph recorder, a digital type, a meter readout, a combination graph recorder, or a combination meter readout.

Certain equipment resale. The tax on the sale of sport fishing equipment is imposed a second time under the following circumstances. If the manufacturer sells a taxable article to any person, the manufacturer is liable for the tax. If the purchaser or any other person then sells it to a person who is related (discussed next) to the manufacturer, that related person is liable for a second tax. The second tax, however, is not imposed if the constructive sale price rules under section 4216(b) of the Internal Revenue Code apply to the sale by the manufacturer.

If the second tax is imposed, a credit for tax previously paid by the manufacturer is available provided the related person can document the amount of tax paid. The documentation requirement is generally satisfied only through submission of copies of actual records of the person that previously paid the tax.

Related person. For the tax on sport fishing equipment, a person is a related person of the manufacturer if that person and the manufacturer have the relationship described in section 465(b)(3)(C) of the Internal Revenue Code.

Bows

A tax of 11% of the sale price is imposed on the sale by the manufacturer of any bow having a draw weight of 10 pounds or more. The tax also is imposed on the sale of any part or accessory suitable for inclusion in or attachment to a taxable bow and any quiver suitable for use with arrows described next. For a list of taxable and nontaxable articles, see Revenue Ruling 98-5, in Cumulative Bulletin 1998-1.

Pay this tax with your return. No tax deposit is required.

Arrow Components

A tax of 12.4% of the sale price is imposed on the sale by the manufacturer of any shaft, point,nock, or vane of a type used in the manufacture of any arrow that after its assembly meets either of the following conditions.

- Measures 18 inches or more in overall length.
- Measures less than 18 inches in overall length but is suitable for use with a taxable bow, discussed earlier.

Pay this tax with your return. No tax deposit is required.

Coal

Producers of coal from mines in the United States are liable for the tax on the first sale or use of the coal. The **producer** is the person who has vested ownership of the coal under state law immediately after the coal is severed from the ground. Determine vested ownership without regard to the existence of any contractual arrangement for the sale or other disposition of the coal or the payment of any royalties between the producer and

third parties. A producer includes any person who extracts coal from the coal waste refuse piles (or from the silt waste product) that results from the wet washing of coal.

The tax is not imposed on coal extracted from a riverbed by dredging if it can be shown that the coal has been taxed previously.

Tax rates. The tax on underground-mined coal is the lower of:

- \$1.10 a ton, or
- 4.4% of the sale price.

The tax on surface-mined coal is the lower of:

- 55 cents a ton, or
- 4.4% of the sale price.

Coal will be taxed at the 4.4% rate if the selling price is less than \$25 a ton for underground-mined coal and less than \$12.50 a ton for surface-mined coal. Apply the tax proportionately if a sale or use includes a portion of a ton.

Example. If you sell 21,000 pounds (10.5 tons) of coal from an underground mine for \$525, the price per ton is \$50. The tax is \$1.10 times 10.5 tons (\$11.55).

Coal production. Coal is produced from surface mines if all geological matter (trees, earth, rock) above the coal is removed before the coal is mined. Treat coal removed by auger and coal reclaimed from coal waste refuse piles as produced from a surface mine.

Treat coal as produced from an underground mine when the coal is not produced from a surface mine. In some cases, a single mine may yield coal from both surface mining and underground mining. Determine if the coal is from a surface mine or an underground mine for each ton of coal produced and not on a mine-by-mine basis.

Determining the selling price. The producer pays the tax on coal at the time of sale or use. In figuring the selling price for applying the tax, the point of sale is f.o.b. (free on board) mine or f.o.b. cleaning plant if you clean the coal before selling it. This applies even if you sell the coal for a delivered price. Thus, f.o.b. mine or f.o.b. cleaning plant is the point at which you figure the number of tons sold for applying the applicable tonnage rate, and the point at which you figure the sale price for applying the 4.4% rate.

The tax applies to the full amount of coal sold. However, the IRS allows a calculated reduction of the taxable weight of the coal for the weight of the moisture in excess of the coal's inherent moisture content. Include in the sale price any additional charge for a freeze-conditioning additive in figuring the tax.

Coal used by the producer. This means that you used the coal in other than a mining process. A mining process means the same for this purpose as for percentage depletion. For example, the tax does not apply if you break the coal, clean it, size it, or apply any other process considered mining under the rules for depletion before selling the coal. In this case, the tax applies only when you sell the coal. But the tax does apply when you use the coal as fuel or as an ingredient in making coke. The tax does not apply to coal used as fuel in the coal drying process since it is considered to be used in a mining process.

You must use a constructive sale price to figure the tax under the 4.4% rate if you use the coal in other than a mining process. Base your constructive sale price on sales of a like kind and grade of coal by you or other producers made f.o.b. mine or cleaning plant. Normally, you use the same constructive price used to figure your percentage depletion deduction.

Blending. If you blend surface-mined coal with underground-mined coal during the cleaning process, you must figure the excise tax on the sale of the blended, cleaned coal. But figure the tax separately for each type of coal in the blend. Base the tax on the amount of each type in the blend if you can determine the proportion of each type of coal contained in the final blend. Base the tax on the ratio of each type originally put into the cleaning process if you cannot determine the proportion of each type of coal in the blend. However, the tax is limited to 4.4% of the sale price per ton of the blended coal.

Exemption from tax. The tax does not apply to sales of lignite coal and imported coal. There are no exemptions from the tax on the sales of taxable coal.

Tires

Tax is imposed on the sale or use by the manufacturer of tires of the type used on highway vehicles and made all or in part of rubber.

The tax is based on the weight of each tire. The tax does not apply to tires that weigh 40 pounds or less. The tax rate is shown in the Form 720 instructions.

Determination of weight. Do not include metal rims or rim bases in figuring the total weight of a tire. But include wire staples, darts, clips, and other material or fastening devices that form a part of the tire or are required for its use in the total weight of the tire.

Consider studs as part of a tire, and include them in the total weight. The total weight of a **tubeless tire** or inner tube includes the weight of the air valve and stem or any other mechanism that functions as a part of the tire or attaches to the inner tube and is used in connection with inflating the tire or tube or maintaining its air pressure.

When you sell tires with metal rims or rim bases attached, you must keep records establishing what portion of the total weight of the finished product represents the tire without the metal rim or rim base.

Alternative method of determining weight. If you have received permission from the IRS, you may determine total weight of tires that you manufactured and sold using the average weight for each type, size, grade, and classification.

See Revenue Procedure 92-82, in Cumulative Bulletin 1992-2, for several alternative methods that you may use to determine tire weight.

Manufacturer's retail stores. The excise tax on tires is imposed at the time the tires are delivered to the manufacturer-owned retail stores, not at the time of sale.

Tires on imported articles. The importer of an article equipped with taxable tires is treated as the importer of the tires and is lia-

ble for the tire excise tax when the article is sold (except in the case of an automobile bus chassis or body with tires).

Tires not subject to tax. The tax does not apply to the following items.

- Tires of extruded tiring with an internal wire fastening agent.
- Tires manufactured from a thermoplastic substance known commercially as polyethylene.
- Recapped or retreaded tires if the tires have been sold previously in the United States and were taxable tires at the time of sale.
- Tire carcasses not suitable for commercial use.
- Tires for use on qualifying intercity, local, and school buses.

Qualifying intercity or local bus. This is any bus used mainly (more than 50%) to transport the general public for a fee and that either operates on a schedule along regular routes or seats at least 20 adults (excluding the driver).

Qualifying school bus. This is any bus used mainly (85% or more) to transport students and employees of schools.

Credit or refund. A credit or refund is allowable if the tax on a tire has been paid on its sale by the manufacturer and the tire is sold by any person on, or in connection with, any other article that is:

- An automobile bus chassis or body,
- Exported,
- Sold to a state or local government,
- Sold to a nonprofit educational organization, or
- Used or sold for use as supplies for vessels.

The person who sold the article is eligible to make the claim.

Gas Guzzler Tax

Tax is imposed on the sale by the manufacturer or importer of automobiles of a model type that has a fuel economy standard as measured by the Environmental Protection Agency (EPA) of less than 22.5 miles per gallon. If you import an automobile for personal use, you may be liable for this tax. Figure the tax on Form 6197, *Gas Guzzler Tax*, as discussed later. The tax rate is based on fuel economy rating. The tax rates for the gas guzzler tax are shown on Form 6197.

Sale. Sale includes the manufacturer's use of an automobile or the first lease of an automobile. For rules on paying the tax in the case of a first lease, see section 4217(e)(2) of the Internal Revenue Code.

Manufacturer. Manufacturer includes a producer or importer. The tax applies to automobiles imported for business **or** personal use. Consider the lengthening of an existing automobile (for example, to make a stretch limousine) to be the manufacture of an automobile.

Automobiles. An automobile is any four-wheeled vehicle that is:

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

Limousines. The tax generally applies to limousines (including stretch limousines) regardless of their weight.

Vehicles not subject to tax. For the gas guzzler tax, the following vehicles are not considered automobiles.

- 1) Vehicles operated exclusively on a rail or rails.
- 2) Vehicles sold for use and used primarily:
 - a) As ambulances or combination ambulance-hearses,
 - b) For police or other law enforcement purposes by federal, state, or local governments, or
 - c) For firefighting purposes.
- 3) Vehicles defined in 49 USC 32901 (1978) as non-passenger automobiles.

You can sell a vehicle described in item (2) tax free only when you make the sale directly to a purchaser for the described emergency use and you and the purchaser (other than a state or local government) are registered. However, if you pay the tax on a vehicle that is used or resold for an emergency use, you can either file a claim for the refund of the tax paid on the sale on Form 8849 or take a credit on Form 720. You must support the claim by evidence of the intended use. You must establish that you repaid the tax to the purchaser.

Treat an Indian tribal government as a state only if the police or other law enforcement purposes are an essential tribal government function.

Model type. Model type is a particular class of automobile as determined by EPA regulations.

Fuel economy. Fuel economy is the average number of miles that the automobile travels on a gallon of gasoline (or diesel fuel) rounded to the nearest 0.1 mile as figured by the EPA.

Imported automobiles. The tax applies to automobiles that do not have a prototype-based fuel economy rating assigned by the EPA. An automobile that is imported into the United States without a certificate of conformity to United States emission standards and which has no assigned fuel economy rating must be either:

- Converted by installation of emission controls to conform in all material respects to an automobile that is already certified for sale in the United States, or
- Modified by installation of emission control components and individually tested to demonstrate emission compliance.

An imported automobile that has been converted to conform to an automobile already certified for sale in the United States may use the fuel economy rating assigned to the conformed automobile.

A fuel economy rating is not generally available for those imported automobiles that have been modified because the EPA does not require a highway fuel economy test on them. A separate highway fuel economy test would be required to devise a fuel economy rating (otherwise the automobile is presumed to fall within the lowest fuel economy rating).

For more information about fuel economy ratings for imported automobiles, see Revenue Ruling 86-20 and Revenue Procedure 86-9 in Cumulative Bulletin 1986-1, and Revenue Procedure 87-10 in Cumulative Bulletin 1987-1.

Exemptions. No one is exempt from the gas guzzler tax, including the federal government, state and local governments, and nonprofit educational organizations. However, see *Vehicles not subject to tax*, earlier.

Form 6197. Use Form 6197 to figure your tax liability for each quarter. Attach Form 6197 to your Form 720 for the quarter. See the instructions for Form 6197 for more information about filing and the special rules for filing if you import an automobile for personal use.

Vaccines

Tax is imposed on certain vaccines sold by the manufacturer, producer, or importer in the United States. A taxable vaccine means any of the following vaccines.

- Any vaccine containing diphtheria toxoid.
- Any vaccine containing tetanus toxoid.
- Any vaccine containing pertussis bacteria, extracted or partial cell bacteria, or specific pertussis antigens.
- Any vaccine containing polio virus.
- Any vaccine against measles.
- Any vaccine against mumps.
- Any vaccine against rubella.
- Any vaccine against hepatitis B.
- Any vaccine against chicken pox.
- Any vaccine against rotavirus gastroenteritis.
- Any conjugate vaccine against streptococcus pneumoniae.
- Any HIB vaccine.

The tax is 75 cents per dose of each taxable vaccine. The tax on a vaccine that contains more than one taxable vaccine is 75 cents times the number of doses of each taxable vaccine.

Exemptions. The tax does not apply if the sale is:

- To the first or second purchaser for further manufacture, or
- For export, other than to a U.S. possession.

Credit or refund. A credit or refund (without interest) is available if the vaccine is:

- Returned to the person who paid the tax (other than for resale), or
- Destroyed.

The claim for a credit or refund must be filed within 6 months after the vaccine is returned or destroyed.

Conditions to allowance. To claim a credit or refund, the person who paid the tax must have repaid or agreed to repay the tax to the ultimate purchaser of the vaccine or obtained the consent of such purchaser to allowance of the credit or refund.

Retail Tax on Heavy Trucks, Trailers, and Tractors

A tax of 12% of the sales price is imposed on the first retail sale of the following articles, including related parts and accessories sold on or in connection with, or with the sale of, the articles. The seller is liable for the tax.

- Truck chassis and bodies.
- Truck trailer and semitrailer chassis and bodies.
- Tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

A sale of a truck, truck trailer, or semitrailer is considered a sale of a chassis and a body.

Chassis or body. A chassis or body is taxable only if you sell it for use as a component part of a highway vehicle that is a truck, truck trailer or semitrailer, or a tractor of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

Highway vehicle. A highway vehicle is one designed to carry a load over highways, whether or not it is also designed to perform other functions.

Vehicles not considered highway vehicles. The following vehicles are not highway vehicles for purposes of the retail tax.

- 1) Specially designed mobile machinery for nontransportation functions.
- 2) Certain trailers and semitrailers specially designed to perform nontransportation functions off the highway.
- 3) Certain vehicles specially designed for off-highway transportation.

A vehicle described in item (3) is not a highway vehicle if it is designed primarily to carry a specific type of load other than over the public highway for certain operations (construction, manufacturing, mining, processing, farming, drilling, timbering, or similar operations) and its use in carrying this load over public highways is substantially limited or impaired because of its design.

Gross vehicle weight. The tax does not apply to truck chassis and bodies suitable for use with a vehicle that has a gross vehicle weight of 33,000 pounds or less. It also does not apply to truck trailer and semitrailer chassis and bodies suitable for use with a trailer or semitrailer that has a gross vehicle weight of 26,000 pounds or less. Tractors (and truck chassis completed as tractors) are subject to tax without regard to gross vehicle weight.

The gross vehicle weight means the maximum total weight of a loaded vehicle. Generally, this maximum total weight is the gross vehicle weight rating provided by the manufacturer or determined by the seller of the completed article.

The gross vehicle weight must be determined by the seller solely on the basis of the strength of the chassis frame and the axle capacity and placement and, in the case of semitrailers, the weight to be borne by the towing vehicle. In making this determination, the seller may not take into account readily attachable components to lower the gross vehicle weight rating. "Readily attachable components" include springs, brakes, rims, and tires.

Parts or accessories. The tax applies to parts or accessories sold on or in connection with, or with the sale of, a taxable article. For example, if at the time of the sale by the retailer, the part or accessory has been ordered from the retailer, the part or accessory will be considered as sold in connection with the sale of the vehicle. The tax applies in this case whether or not the retailer bills the parts or accessories separately.

If the retailer sells a taxable chassis, body, or tractor without parts or accessories considered essential for the operation or appearance of the taxable article, the sale of the parts or accessories by the retailer to the purchaser is considered made in connection with the sale of the taxable article even though they are shipped separately, at the same time or on a different date. The tax applies unless there is evidence to the contrary. For example, if a retailer sells to any person a chassis and the bumpers for the chassis, or sells a taxable tractor and the fifth wheel and attachments, the tax applies to the parts or accessories regardless of the method of billing or the time at which the shipments were made. The tax does not apply to parts and accessories that are spares or replacements.

Separate purchase. The tax generally applies to the price of a part or accessory and its installation if the following conditions are met.

- The owner, lessee, or operator of any vehicle that contains a taxable article installs, or causes to be installed, any part or accessory on the vehicle.
- The installation occurs within 6 months after the vehicle is first placed in service.

The owners of the trade or business installing the parts or accessories are secondarily liable for the tax.

A vehicle is placed in service on the date that the owner takes actual possession of the vehicle. This date is established by a signed delivery ticket or other comparable document indicating delivery to and acceptance by the owner.

The tax does not apply if the installed part or accessory is a replacement part. The tax also does not apply if the total price of the parts and accessories, including installation charges, during the 6-month period is **\$1,000 or less**. However, if the total price is **more than \$1,000**, the tax applies to the cost of all parts and accessories (and installation charges) during that period.

Example. You bought a taxable vehicle and placed it in service on April 8. On May 3, you bought and installed parts and accessories at a cost of \$850. On July 15, you bought and installed parts and accessories for \$300. Tax of \$138 applies (12% of \$1150) on July 15. Also, tax will apply to any costs of additional parts and accessories installed on the vehicle before October 8.

Table 1. Tax Base

Transaction	Figuring the Base
Sale by the manufacturer, producer, importer, or related person	Sales price <u>plus</u> (presumed markup percentage × sales price)
Sale by the dealer	Total consideration paid for the item including any charges incident to placing it in a condition ready for use
Long-term lease by the manufacturer, producer, importer, or related person	Constructive sales price <u>plus</u> (presumed markup percentage × constructive sales price)
Short-term lease by the manufacturer, producer, importer, or related person	Constructive sales price at which such or similar articles are sold
Short-term lease by a lessor other than the manufacturer, producer, importer, or related person	Price for which the article was sold to the lessor <u>plus</u> the cost of parts and accessories installed by the lessor <u>plus</u> a presumed markup percentage
Short-term lease where the articles are regularly sold at arm's length	Lowest established retail price in effect at the time of the taxable use

First retail sale defined. The sale of an article is treated as a first retail sale, and the seller will be liable for the tax imposed on the sale unless one of the following exceptions applies.

- There has been a prior taxable sale, lease, or use of the article (except in the case of a chassis or body of a trailer or semitrailer).
- The sale qualifies as a tax-free sale under section 4221 of the Internal Revenue Code (see *Sales exempt from tax*, later).
- The seller in good faith accepts from the purchaser a statement signed under penalties of perjury and executed in good faith that the purchaser intends to resell the article or lease it on a long-term basis.

A long-term lease is a lease with a term of 1 year or more. A long-term lease before a first retail sale is treated as a taxable sale. The tax is imposed on the lessor at the time of the lease.

A short-term lease (a lease with a term of less than 1 year) by a manufacturer, producer, importer, related person, or purchaser before a taxable sale is treated as a taxable use. The tax is imposed on the lessor at the time of the lease.

A vehicle that is exported before its first retail sale, used in a foreign country, and then returned to the U.S., is subject to the retail tax on its first retail sale after importation.

Tax on resale of tax-paid trailers and semitrailers. The tax applies to a trailer or semitrailer resold within 6 months after having been sold in a taxable sale. The seller liable for the tax on the resale can claim a credit equal to the tax paid on the prior taxable sale. The credit cannot exceed the tax on the resale.

Use treated as sale. If any person uses a taxable article before the first retail sale of the article, that person is liable for the tax as if the article had been sold at retail by that person. Figure the tax on the price at which similar articles are sold in the ordinary course of trade by retailers. The tax attaches when the use begins.

If the seller of an article **regularly** sells the articles at retail in arm's-length transactions,

figure the tax on its use on the lowest established retail price for the articles in effect at the time of the taxable use.

If the seller of an article does **not** regularly sell the articles at retail in arm's-length transactions, a constructive price on which the tax is figured will be determined by the IRS after considering the selling practices and price structures of sellers of similar articles.

If a seller of an article incurs liability for tax on the use of the article and later sells or leases the article in a transaction that otherwise would be taxable, liability for tax is not incurred on the later sale or lease.

Presumptive retail sales price. There are rules to ensure that the tax base of transactions considered to be taxable sales includes either an actual or presumed markup percentage. The following discussions show how you figure the presumptive retail sales price depending on the type of transaction and the persons involved in the transaction.

The **presumed markup percentage** to be used for trucks and truck-tractors is 4%. But for truck trailers and semitrailers and remanufactured trucks and tractors, the presumed markup percentage is zero.

Sale. Generally, you figure the tax imposed on a sale by a manufacturer, producer, importer, or related person on a tax base of the sales price plus an amount equal to the presumed markup percentage times that sales price.

Long-term lease. In the case of a long-term lease by a manufacturer, producer, importer, or related person, figure the tax on a tax base of the constructive sales price plus an amount equal to the presumed markup percentage times the constructive sales price.

Short-term lease. When a manufacturer, producer, importer, or related person leases an article in a short-term lease that is considered a taxable use, figure the tax on a constructive sales price at which those or similar articles generally are sold in the ordinary course of trade by retailers.

But if the lessor in this situation regularly sells articles at retail in arm's-length transactions, figure the tax on the lowest established retail price in effect at the time of the taxable use.

If a person other than the manufacturer, producer, importer, or related person leases an article in a short-term lease that is considered a taxable use, figure the tax on a tax base of the price for which the article was sold to the lessor plus the cost of parts and accessories installed by the lessor and a presumed markup percentage.

Related person. A related person is any person that is a member of the same controlled group as the manufacturer, producer, or importer. Do not treat as a related person a person that sells the articles through a permanent retail establishment in the normal course of being a retailer if that person has records to prove that the article was sold for a price that included a markup equal to or greater than the presumed markup percentage.

General rule for sales by dealers to the consumer. In the case of a taxable sale, other than a long-term lease, by a person other than a manufacturer, producer, importer, or related person, your tax base is the retail sales price as discussed later under *Determination of tax base*.

When you sell an article to the consumer, generally you do not add a presumed markup to the tax base. However, you do add a markup if all the following apply.

- You do not perform any significant activities relating to the processing of the sale of a taxable article.
- The main reason for processing the sale through you is to avoid or evade the presumed markup.
- You do not have records proving that the article was sold for a price that included a markup equal to or greater than the presumed markup percentage.

In these cases, your tax base is the sales price plus an amount equal to the presumed markup percentage times that selling price.

Determination of tax base. These rules apply to both normal retail sales price and presumptive retail sales price computations. To arrive at the amount on which the tax is based, the price is the total consideration paid (including trade-in allowance) for the item and includes any charge incident to placing the article in a condition ready for use. However, see *Presumptive retail sales price*, earlier.

Exclusions from tax base. Exclude from the tax base the retail excise tax imposed on the sale. Exclude any state or local retail sales tax if stated as a separate charge from the price whether the sales tax is imposed on the seller or purchaser. Also exclude the value of any used component of the article furnished by the first user of the article.



The value of tires is included in the tax base. See *Tire credit*, later.

Exclude charges for transportation, delivery, insurance, and installation (other than installation charges for parts and accessories, discussed earlier) and other expenses incurred in connection with the delivery of an article to a purchaser. These expenses are those incurred in delivery from the retail dealer to the customer. In the case of delivery directly from the manufacturer to the dealer's customer, include the transportation and delivery charges to the extent the charges do

not exceed what it would have cost to ship the article to the dealer.

Exclude amounts charged for machinery or equipment that does not contribute to the highway transportation function of the vehicle, provided those charges are supported by adequate records. For example, for an industrial vacuum loader vehicle, exclude amounts charged for the vacuum pump and hose, filter system, material separator, silencer or muffler, control cabinet, and ladder. Similarly, for a sewer cleaning vehicle, exclude amounts charged for the high pressure water pump, hose components, and the vacuum pipe.

Sales not at arm's length. For any taxable article sold (not at arm's length) at less than the fair market price, figure the excise tax on the price for which similar articles are sold at retail in the ordinary course of trade.

A sale is not at arm's length if either of the following apply.

- One of the parties is controlled (in law or in fact) by the other or there is common control, whether or not the control is actually exercised to influence the sales price.
- The sale is made under special arrangements between a seller and a purchaser.

Restoration of worn vehicles. The tax does not apply to the sale or use of a worn vehicle restored to a usable condition if the cost of the restoration is not more than 75% of the cost of a comparable new vehicle. If the restoration includes the use of a glider kit, the tax does not apply to the sale or use of the restored vehicle as long as the total cost of the repair is not more than the 75% limit. Add the cost of non-emergency repairs, modifications, and upgrades occurring over any 6-month period in figuring the 75% limit.

Repairs and modifications. The tax does not apply to the sale or use of an article that has been repaired or modified unless the cost of the repairs and modifications is more than 75% of the retail price of a comparable new article. This includes modifications that change the transportation function of an article or restore a wrecked article to a functional condition. However, this exception generally does not apply to an article that was not subject to the tax when it was new.

Installment sales. If the first retail sale is an installment sale, or other form of sale in which the sales price is paid in installments, the tax arises at the time of the sale. The tax is figured on the entire sales price. No part of the tax is deferred because the sales price is paid in installments.

Further manufacture. The tax does not apply to the use by a person of a taxable article as material in the manufacture or production of, or as a component part of, another article to be manufactured or produced by that person. Do not treat a person as engaged in the manufacture of any article merely because that person combines the article with any of the following items.

- Coupling device (including any fifth wheel).
- Wrecker crane.
- Loading and unloading equipment (including any crane, hoist, winch, or power liftgate).
- Aerial ladder or tower.
- Ice and snow control equipment.

- Earth moving, excavation, and construction equipment.
- Spreader.
- Sleeper cab.
- Cab shield.
- Wood or metal floor.

Merely combining articles as described here does not give rise to taxability.

Articles exempt from tax. The tax on heavy trucks, trailers, and tractors does not apply to sales of the following articles.

Rail trailers and rail vans. This is any chassis or body of a trailer or semitrailer designed for use both as a highway vehicle and a railroad car (including any parts and accessories designed primarily for use on and in connection with it). Do not treat a piggyback trailer or semitrailer as designed for use as a railroad car.

Parts and accessories. This is any part or accessory sold separately from the truck or trailer, except as described earlier in *Parts or accessories* and *Separate purchase*.

Trash containers. This is any box, container, receptacle, bin or similar article that meets all the following conditions.

- Designed to be used as a trash container.
- Not designed to carry freight other than trash.
- Not designed to be permanently mounted or permanently affixed to a truck chassis or body.

House trailers. This is any house trailer (regardless of size) suitable for use in connection with either passenger automobiles or trucks.

Camper coaches or bodies for self-propelled mobile homes. This is any article designed to be mounted or placed on trucks, truck chassis, or automobile chassis and to be used primarily as living quarters or camping accommodations on and off the trucks. Further, the tax does not apply to chassis specifically designed and constructed to accommodate and transport self-propelled mobile home bodies.

Farm feed, seed, and fertilizer equipment. This is any body primarily designed to process or prepare, haul, spread, load, or unload feed, seed, or fertilizer to or on farms. This exemption applies only to the farm equipment body (and parts and accessories) and not to the chassis upon which the farm equipment is mounted.

Ambulances and hearses. This is any ambulance, hearse, or combination ambulance-hearse.

Truck-tractors. This is any truck-tractor specifically designed for use in shifting semitrailers in and around freight yards and freight terminals.

Concrete mixers. This is any article designed to be placed or mounted on a truck, truck trailer, or semitrailer chassis to be used to process or prepare concrete.

Sales exempt from tax. The following sales are ordinarily exempt from tax.

- To a state or local government for its exclusive use.
- To Indian tribal governments, but only if the transaction involves the exercise of an essential tribal government function.

- To a nonprofit educational organization for its exclusive use.
- For use by the purchaser for further manufacture of other taxable articles (see below).
- For export or for resale by the purchaser to a second purchaser for export (see below).
- To the United Nations for official use.

Registration. In general the seller and buyer must be registered for a sale to be tax free. Certain registration exceptions apply in the case of sales to state and local governments and to foreign purchasers for export.

Further manufacturing. If you buy articles tax free and resell or use them other than in the manufacture of another article, you are liable for the tax on their resale or use just as if you had manufactured and sold them.

Export returned to United States. If an article is sold tax free for export and subsequently is returned to the United States in an unused and undamaged condition, the importer must pay the tax on any later sale or use of the article in the United States.

Credits and refunds. A credit or refund of the tax on heavy trucks may be allowable if the tax has been paid with respect to an article and, before any other use, such article is by any person used as a component part of another taxable heavy truck manufactured or produced. The person using the article as a component part is eligible for the credit or refund.

A credit or refund is allowable if, before any other use, an article is, by any person:

- Exported,
- Used or sold as supplies for vessels,
- Sold to a state or local government for its exclusive use, or
- Sold to a nonprofit educational organization for its exclusive use.

A credit or refund is also allowable if there is a price readjustment.

See *Conditions to allowance under Credits and Refunds*, later.

Tire credit. A credit is allowed against the tax on heavy trucks if tires are sold on or in connection with the sale of the article. The credit is equal to the manufacturers excise tax imposed on the tires (discussed earlier).

Ship Passenger Tax

A tax of \$3 per passenger is imposed on certain ship voyages, as explained later under *Taxable situations*. The tax is imposed only once for each passenger, either at the time of first embarkation or disembarkation in the United States.

The person providing the voyage is liable for the tax.

Voyage. A voyage is the vessel's journey that includes the outward and homeward trips or passages. The voyage starts when the vessel begins to load passengers and continues during the entire period until the vessel has completed at least one outward and one homeward passage. The tax may be imposed even if a passenger does not make both an outward and a homeward passage as long

as the voyage begins or ends in the United States.

Passenger. A passenger is an individual carried on the vessel other than the Master or a crew member or other individual engaged in the business of the vessel or its owners.

Example 1. John Smith works as a guest lecturer. The cruise line hired him for the benefit of the passengers. Therefore, he is engaged in the business of the vessel and is not a passenger.

Example 2. Marian Green is a travel agent. She is taking the cruise as a promotional trip to determine if she wants to offer it to her clients. She is a passenger.

Taxable situations. There are two taxable situations. The first situation includes voyages on commercial passenger vessels extending over one or more nights. A voyage extends over one or more nights if it extends for more than 24 hours. A passenger vessel is any vessel with stateroom or berth accommodations for more than 16 passengers.

The second situation includes voyages on a commercial vessel transporting passengers engaged in **gambling** on the vessel beyond the territorial waters of the United States. Territorial waters of the United States are those waters within the international boundary line between the United States and any contiguous foreign country or within 3 nautical miles (3.45 statute miles) from low tide on the coastline. If passengers participate as players in any policy game or other lottery, or any other game of chance for money or other thing of value that the owner or operator of the vessel (or their employee, agent, or franchisee) conducts, sponsors, or operates, the voyage is subject to the ship passenger tax. The tax applies regardless of the duration of the voyage. A casual, friendly game of chance with other passengers that is not conducted, sponsored, or operated by the owner or operator is not gambling for determining if the voyage is subject to the ship passenger tax.

Luxury Tax

The luxury tax is imposed on the first retail sale of a passenger vehicle with a price exceeding the base amount. The seller of the vehicle is liable for the luxury tax.

For 2000, the tax is 5% of the amount the sales price exceeds the base amount of \$38,000. However, the base amount is increased for the following vehicles.

- For an electric vehicle, the base amount is increased by 50%.
- For a clean-fuel vehicle, the base amount is increased by the amount that the price of the vehicle increases due to the installation of retrofit parts and components that permit the vehicle to be propelled by a clean-burning fuel.

Passenger vehicles. Generally, the tax applies if the passenger vehicle has an unloaded weight of 6,000 pounds or less. However, the tax applies to trucks and vans only

if they have a **maximum loaded** weight of 6,000 pounds or less. The tax applies to limousines regardless of their weight.

Leases. Generally, a lease is considered a sale of the vehicle. The sales price is the lowest price for which the vehicle is sold by retailers in the ordinary course of business. For rules on paying the tax on a lease, see section 4217(e)(2) of the Internal Revenue Code.

Use treated as sale. If any person uses a passenger vehicle (other than as a demonstrator) before its first retail sale, the person is taxed on such use as if that person sold the vehicle at retail.

Parts and accessories. Certain parts or accessories installed **within six months** of the date on which a passenger vehicle is placed in service may be subject to the tax. The same rate of tax applies to parts and accessories that applies to vehicles.

The owner, lessee, or operator of the vehicle is liable for the tax. If the part is installed by someone else, the installer is secondarily liable for the tax.

The tax does not apply to any of the following items.

- Replacement parts or accessories.
- Parts or accessories installed to help a person with a disability operate, enter, or exit the vehicle.
- Parts or accessories that permit the vehicle to be propelled with a clean-burning fuel.
- Parts and accessories if the total cost (including installation) of all parts and accessories does not exceed \$1,000.

Exemptions. The luxury tax does not apply to the sale of a passenger vehicle for the following purposes.

- For use exclusively in public safety, law enforcement, or public works activities by the federal, state, or local government. Treat an Indian tribal government as a state only if the use is an essential tribal government function.
- For use exclusively in providing emergency medical services by any person.
- For use by the purchaser exclusively in the business of transporting persons or property for hire or compensation.
- For export. The requirements for making a sale of an article for export exempt from the manufacturers tax also applies to these sales.

Resale or substantial non-exempt use.

The tax applies to vehicles that were originally exempt from the luxury tax if the purchaser resells the vehicle or makes a substantial non-exempt use of the vehicle within 2 years after the date of purchase.

Imported vehicles. The tax applies to taxable vehicles that are imported for sale or use (except for vehicles first used before January 1, 1991). The tax is imposed on the first domestic sale or use of the vehicle.

Credit or refund. If the price of the vehicle is readjusted, the seller may qualify for a credit or refund of any tax overpaid. A readjustment of the price may occur if either of the following events occurs.

- The vehicle is returned or repossessed.
- A bona fide discount, rebate, or allowance is applied against the price of the vehicle.

For information on conditions to allowance that apply to credits and refunds, see *Credits and Refunds*, later.



Luxury Tax Computation

1. Enter the retail price of the vehicle ... _____
2. Enter additions to the retail price _____
3. Add lines 1 and 2 _____
4. Enter subtractions from the retail price _____
5. Adjusted sales price. Subtract line 4 from line 3 _____
6. Base amount for 2000 **\$38,000 ***
7. Taxable adjusted sales price. Subtract line 6 from line 5. If line 6 is greater than line 5, make no entry—the luxury tax does not apply to the vehicle _____
8. Tax rate for 2000 **.05 (5%)**
9. Luxury tax. Multiply the amount on line 7 by the tax rate on line 8 _____

Line 1. The retail price is the total consideration paid in cash, cash equivalents, goods, services, and the wholesale fair market value of any trade-in minus any payoff made by the seller and any cash given back to the customer. For leases, enter the lowest price for which the vehicle is sold by retailers in the ordinary course of business.

Line 2. Additions include the following items if stated separately on the invoice and not included in the retail price.

- Preparation charges.
- Delivery charges.
- Packaging.
- Parts or accessories sold on or in connection with the vehicle.
- Taxes (except the luxury tax and state sales tax).
- Commissions.
- Mandatory warranties.
- Any other charges not listed above.

Line 4. Subtractions include the following if they are separately stated on the invoice and are included in line 3.

- State and local sales taxes.
- Title and registration charges.
- Optional warranty charges.
- Rebates and price adjustments paid.
- The value of used components supplied by the purchaser.

* The base amount for an electric vehicle is \$57,000. The base amount for a clean-fuel vehicle is \$38,000 plus the amount the price of the vehicle increases due to the installation of retrofit parts and components that permit the vehicle to be propelled by a clean-burning fuel.

Other Excise Taxes

Excise taxes are imposed on both the following items.

- Policies issued by foreign insurers.
- Obligations not in registered form.

Policies Issued by Foreign Insurers

Tax is imposed on policies of insurance issued by foreign insurers. The following tax rates apply to each dollar (or fraction thereof) of the premium paid.

- Casualty insurance and indemnity, fidelity, and surety bonds: 4 cents (for example, on a premium payment of \$10.10, the tax is 44 cents).
- Life, sickness, and accident insurance, and annuity contracts: 1 cent (for example, on a premium payment of \$10.10, the tax is 11 cents).
- Reinsurance policies covering any of the contracts taxable in the two preceding paragraphs: 1 cent.

However, the tax does not apply to casualty insurance premiums paid to foreign insurers for coverage of export goods in transit to foreign destinations.

Premium. Premium means the agreed price or consideration for assuming and carrying the risk or obligation. It includes any additional charge or assessment that is payable under the contract, whether in one sum or installments. If premiums are refunded, claim the tax paid on those premiums as an overpayment against tax due on other premiums paid or file a claim for refund.

When liability attaches. The liability for this tax attaches when the premium payment is transferred to the foreign insurer or reinsurer (including transfers to any bank, trust fund, or similar recipient designated by the foreign insurer or reinsurer) or to any nonresident agent, solicitor, or broker. A person can pay the tax before the liability attaches if the person keeps records consistent with that practice.

Person liable for the tax. The person who makes the payment of the premium to the foreign insurer or to any nonresident agent, solicitor, or broker pays the tax. This is the resident person who actually transfers the money or its equivalent to the insurer or agent.



The person required to pay this tax must keep accurate records that identify each policy or instrument subject to tax. These records must clearly establish the type of policy or instrument, the gross premium paid, the identity of the insured and insurer, and the total premium charged. If the premium is to be paid in installments, the records must also establish the amount and anniversary date of each installment.

The records must be kept at the place of business or other convenient location for at least 3 years after the later of the date any part of the tax became due, or the date any part of the tax was paid. During this period, the records must be readily accessible to the IRS.

The person having control or possession of a policy or instrument subject to this tax must keep the policy for at least 3 years after the date any part of the tax on it was paid.

Treaty-based positions under IRC 6114. You may have to file an annual report disclosing the amount of premiums that are exempt from United States excise tax as a result of the application of a treaty with the United States that overrides (or otherwise modifies) any provision of the Internal Revenue Code.

Attach any disclosure statement to the first quarter Form 720. You may be able to use Form 8833, *Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)*, as a disclosure statement. See the Form 720 instructions for how and where to file.

See Revenue Procedure 92-14 in Cumulative Bulletin 1992-1 for procedures you can use to claim a refund of this tax under certain U.S. treaties.

Obligations Not in Registered Form

Tax is imposed on any person who issues a registration-required obligation not in registered form. The tax is:

- 1% of the principal of the obligation, multiplied by
- The number of calendar years (or portions of calendar years) during the period starting on the date the obligation was issued and ending on the date it matures.

A **registration-required obligation** is any obligation other than one that meets any of the following conditions.

- 1) Is issued by a natural person.
- 2) Is not of a type offered to the public.
- 3) Has a maturity (at issue) of not more than one year.
- 4) Can only be issued to a foreign person.

For item (4), if the obligation is not in registered form, the interest on the obligation must be payable only outside the United States and its possessions. Also, the obligation must state on its face that any U.S. person who holds it shall be subject to limits under the U.S. income tax laws.

Filing Form 720

File Form 720 for each calendar quarter until you file a **final** Form 720. If you are not reporting a tax that you normally report, enter zero on the line for that tax.

Be sure to sign the return. An unsigned return is not considered filed.

You may be required to file your returns on a monthly or semimonthly basis instead of quarterly if you do not make deposits as required (see *Deposit Requirements*, later) or are liable for the excise tax on gasoline, diesel fuel, or kerosene and meet certain conditions.

Form 720. The form has various sections.

- Part I consists of excise taxes generally required to be deposited (See *Deposit Requirements*, later).

- Part II consists of excise taxes that are NOT required to be deposited.
- Part III consists of the lines for figuring your tax liability, showing any adjustments and claims, and indicating the amount of your deposits.
- Schedule A, *Excise Tax Liability*, is used to report your net tax liability for each semimonthly period in the quarter. Complete it if you have an entry in Part I.
- Schedule C, *Adjustments and Claims*, is used if you have an entry for adjustments and claims in Part III.

Forms attached to Form 720. You may have to attach the following forms.

- Form 6197 for the gas guzzler tax.
- Form 6627 for environmental taxes.

Employer identification number. If you file Form 720, you generally need an employer identification number (EIN). If you do not have an EIN, you need to file Form SS-4, *Application for Employer Identification Number*. You can get a Form SS-4 from the IRS or from the Social Security Administration. If you do not receive an EIN by the time a return is due, file your return anyway and write "Applied for" in the space for the EIN.



You can get an EIN immediately by calling the Tele-TIN number for the service center for your state. See the Form SS-4 instructions.

Special one-time filing. If you import a vehicle, you may be eligible to make a one-time filing of Form 720 for the gas guzzler tax or the luxury tax if you meet the following three conditions.

- You do not use the vehicle in the course of your trade or business.
- You do not import gas guzzling cars or luxury vehicles in the course of your trade or business.
- You are not required to file Form 720 to report any other excise taxes.

File Form 720 for the quarter in which you incur the tax liability. Attach any required form. Pay the full tax with the return. No deposits are required. Check the one-time filing box on page 1, Form 720.

Final return. File a final return if any of the following apply to you.

- You go out of business.
- You stop collecting and paying air transportation and communications taxes.
- You will not owe excise taxes that are reportable in future quarters.

Return due dates. If any due date falls on a Saturday, Sunday, or legal holiday, you can file the return on the next business day.

Returns for all excise taxes other than ozone-depleting chemicals, communications, and air transportation taxes must be filed by the following due dates.

<u>Quarter Covered</u>	<u>Due Dates</u>
January, February, March	April 30
April, May, June	July 31
July, August, September	October 31
October, November, December	January 31

Returns for taxes on ozone-depleting chemicals, communications, and air transportation are due as follows.

<u>Quarter Covered</u>	<u>Due Dates</u>
January, February, March	May 31
April, May, June	August 31
July, August, September	November 30
October, November, December	February 28

You must report the floor stocks tax imposed on ODCs held on January 1, as discussed earlier, on the return for the second calendar quarter filed by August 31 of the year that the tax is imposed.

If you must file a Form 720 for a quarter in which you report two or more excise taxes that are due on different dates, use the later filing date. File only one Form 720 for each quarter. However, the time for making payments and deposits of excise taxes is **not** extended.

Paying the Taxes

Excise taxes are due and payable without assessment or notice. Unless you are required to make deposits of taxes (as discussed next), attach your full payment for the quarterly tax to your return when filed. Make your payment by check or money order payable to the United States Treasury. Write on your check or money order your employer identification number, Form 720, and the period covered by the payment.

Floor stocks tax on ODCs. You must deposit the floor stocks tax imposed on ODCs held on January 1, as discussed earlier, by June 30 of the year that the tax is imposed.

Deposit Requirements

If you have to file a quarterly excise tax return on Form 720, you may have to make deposits of your excise taxes before the return is due. You are not required to make deposits if your net tax liability for Part I taxes for the calendar quarter is not more than \$2,000. You pay the tax when you file Form 720. See *Exceptions*, later.

Deposit coupons. If you do not make your deposits electronically (discussed next), they must be accompanied by a Form 8109, *Federal Tax Deposit Coupon*. If you do not have a coupon book, contact your local IRS office or call 1-800-829-1040.

Electronic deposit requirement. The Electronic Federal Tax Payment System (EFTPS) must be used to make electronic deposits. You must make electronic deposits for all depository tax liabilities that occur after 1999 if the total of your federal tax deposits made in 1998 (such as deposits for employment tax, excise tax, and corporate income tax) exceeded \$200,000.

If you do not meet the \$200,000 threshold, electronic deposits are voluntary, even if you were required to deposit electronically under a previous threshold. You can choose to make deposits using EFTPS even though you are not required to use it. For information on EFTPS, see Revenue Procedure 97-33, in Cumulative Bulletin 1997-2.

If you are required to make deposits by electronic deposit and fail to do so, you may be subject to a 10% penalty.

When To Make Deposits

These rules apply to taxes reported on Form 720 for which deposits are required.

Generally, you make deposits for a semi-monthly period. A semi-monthly period is the first 15 days of a month or the 16th day through the end of a month.

Taxes that are required to be deposited are grouped into the following classes of tax.

- 9-day-rule taxes.
- 30-day-rule taxes.
- 14-day-rule taxes.
- Alternative method taxes.

All excise taxes that must be deposited are subject to the special September rules. Under these rules, an additional deposit is required in September and different dates apply if you are required to make electronic deposits (see *Electronic deposit requirement*, earlier). The taxes for that part of the period not covered by the special rules should be deposited by the normal due date.

The 9-day rule. Deposits of taxes for a semi-monthly period generally are due by the 9th day of the following semi-monthly period. Therefore, the tax for the first semi-monthly period is due by the 24th of that month. The tax for the second semi-monthly period is due by the 9th of the following month. Generally, this rule applies to taxes listed in Part I of Form 720, except as discussed under the following rules.

September rule. For 2000, deposit by September 28 the taxes for the period beginning September 16 and ending September 25. If making electronic deposits, deposit by September 29 the taxes for the period beginning September 16 and ending September 26.

The 30-day rule. Deposits of the taxes on *ozone-depleting chemicals (ODCs)* and imported products containing ODCs for a semi-monthly period are due by the end of the second following semi-monthly period. Therefore, the tax for the first semi-monthly period is due by the 15th of the following month. The tax for the second semi-monthly period is due by the end of the following month.

September rule. For 2000, deposit by September 28 the tax for the last 16 days of August and the period beginning September 1 and ending September 10. If making electronic deposits, deposit by September 29 the tax for the last 16 days of August and the period beginning September 1 and ending September 11.

The 14-day rule. Deposits of *gasoline, diesel fuel, and kerosene taxes* for a semi-monthly period by qualified persons made by electronic funds transfer are due by the 14th day following the semi-monthly period. Therefore, the tax for the first semi-monthly period is due by the 29th of that month. The tax for the second semi-monthly period is due by the 14th of the following month. If the 14th day is a Saturday, Sunday, or legal holiday in the District of Columbia, the due date is the **immediately preceding day** that is not a Saturday, Sunday, or legal holiday.

A qualified person is an independent refiner or a person whose average daily production of crude oil for the preceding calendar quarter was 1,000 barrels or less.

September rule. For 2000, deposit electronically by September 29 the taxes for the period beginning September 16 and ending September 26.

Alternative method. You may figure deposits of communications and air transportation taxes based on amounts actually collected and use the 9-day rule (discussed earlier) for making the deposits. You may choose to figure deposits of these taxes based on the amounts considered as collected (the "alternative method").

If you use the alternative method, the tax included in amounts billed or tickets sold during a semi-monthly period is considered as collected during the first 7 days of the second following semi-monthly period. You must deposit these taxes by the third banking day after that seventh day.

To use the alternative method, you must keep a separate account of the tax included in the amounts billed or tickets sold during the month. Report on Form 720 the tax included in amounts billed or tickets sold and not the amount of tax that is actually collected.

Example. Under the alternative method, the tax included in amounts billed or tickets sold between December 1 and December 15, 1999, is considered collected during the first 7 days of January 2000. The deposit of these taxes is due by January 12, 2000, 3 banking days after January 7. These amounts are reported on the Form 720 for the first quarter of 2000.

September rule. For 2000, if you use the alternative method, deposit by September 28 the communications and air transportation taxes included in the amounts billed or tickets sold during the period beginning September 1, and ending September 10. If making electronic deposits, deposit by September 29 the air transportation and communications taxes included in the amounts billed or tickets sold during the period beginning September 1 and ending September 11.

Amount of Deposits

Deposits for a semi-monthly period generally equal the amount of net tax liability incurred during that period unless a safe harbor rule (discussed later) applies. Generally, you do not have to make a deposit for a period in which you incurred no tax liability. For communications and air transportation taxes, however, the amount deposited generally equals the tax collected or considered as collected (alternative method) during the semi-monthly period.

Net tax liability. Your net tax liability is your tax liability for the period plus or minus any adjustments allowable on Form 720. You may figure your net tax liability for a semi-monthly period by dividing your net liability incurred during the calendar month by two. If you use this method, you must use it for all semi-monthly periods in the calendar quarter.

September rule. To figure your net tax liability under the September rule, see sections 40.6302(c)-1 through 40.6302(c)-4 of the regulations.

Safe Harbor Rules

You can use a safe harbor rule to figure if you have deposited a sufficient amount of tax. The rules apply to each class of tax separately.

Look-back quarter. This safe harbor rule applies to persons who filed a Form 720 for the second calendar quarter (the look-back quarter) preceding the current quarter. If you filed for the look-back quarter, you will meet the semimonthly deposit requirement for that class of tax for the current quarter if all the following conditions are met.

- The deposit of that tax for each semimonthly period in the current quarter is not less than 1/6 (16.67%) of the net tax liability reported for that tax for the look-back quarter.
- Each deposit is timely made.
- Any underpayment for the current quarter is paid by the due date of the return.
- For the semimonthly period for which the additional deposit is required (September rule), the additional deposit must be at least 12.23% (11.12% non-EFTPS) of the net tax liability reported for the look-back quarter.

In addition, if the due date of the return is extended because you report taxes with different due dates, you must make a special deposit by the earlier due date. The special deposit must be at least equal to the amount of the underpayment of the taxes due on that earlier date.

Example. In the third quarter, you report both fuel taxes (due date of October 31) and the tax on ozone-depleting chemicals (due date of November 30). You have an underpayment of the fuel taxes of \$100. You must make a special deposit of the \$100 by the October 31 deadline.

Tax rate increases. You must modify the safe harbor rule based on the look-back-quarter liability for a class of tax on which there has been an increase in the rate of tax. You must figure your tax liability in the look-back quarter as if the increased rate had been in effect. To qualify for the safe harbor rule, your deposits cannot be less than 1/6 of the refigured tax liability.

New or reinstated taxes. You must modify this safe harbor rule for any calendar quarter in which a class of tax includes any new or reinstated tax. A new or reinstated tax is any tax that was not in effect at all times during the look-back quarter. In this situation, this safe harbor rule applies if the semimonthly deposit for that class of tax for the current quarter is not less than the greater of the following amounts.

- 1) One-sixth of the net tax liability reported for that class of tax for the look-back quarter.
- 2) The sum of the following amounts.
 - a) 95% of the net tax liability incurred for new or reinstated taxes during the semimonthly period.
 - b) One-sixth of the net tax liability reported for all other taxes in that class for the look-back quarter.

New chemicals. You must modify this safe harbor rule for any calendar quarter in which a new chemical is included under the 30-day rule. A new chemical is any chemical that was not subject to tax at all times during the look-back quarter. The modification of the semimonthly deposit as discussed under *New*

or reinstated taxes applies if a new chemical is included in this class of tax.

Current liability. This safe harbor rule applies to all filers. You meet the semimonthly deposit requirement for a class of tax for the current quarter if all the following conditions are met.

- The deposit of that tax for each semimonthly period in the quarter is not less than 95% of the net tax liability incurred during the semimonthly period.
- Each deposit is timely made.
- Any underpayment for the quarter is paid by the due date of the return.
- For the semimonthly period for which the additional deposit is required (September rule), the additional deposit must be at least 69.67% (63.34% non-EFTPS) of the net tax liability for the semimonthly period.

In addition, if the due date of the return is extended because you report taxes with different due dates, you must make a special deposit by the earlier due date. The special deposit must be at least 5% of your net tax liability or the amount of the underpayment of the taxes due on that earlier date, whichever is less.

Exceptions

You do not have to make deposits of the following taxes. You pay these taxes when you file your Form 720 for the quarter.

- Sport fishing equipment.
- Electric outboard motors and sonar devices.
- Bows.
- Arrow components.
- Fuels used on inland waterways.
- Alcohol sold as fuel but not used as fuel.
- Taxes reportable on a one-time filing. (See the earlier discussion, *Special one-time filing*, under *Filing Form 720*.)

Credits and Refunds

A credit may be claimed on Schedule C of Form 720 or a refund may be claimed on Form 8849, *Claim for Refund of Excise Taxes*, for the credits and refunds described previously.

Generally, claims must be filed within 3 years of the filing of the return reporting the tax to which the claim relates, or 2 years from when the tax reported on the return was paid, whichever is later.

Conditions to allowance. No credit or refund may be allowed unless the person who paid the tax to the government establishes any of the following.

- The tax was neither included in the price of the article nor collected from the person who purchased the article.
- The person has repaid the tax to the ultimate purchaser (or ultimate vendor, if applicable) of the article.
- The person has the written consent of the ultimate purchaser (or ultimate vendor, if

applicable) to allowance of the credit or refund.

Tax on Wagering

There are two taxes imposed on wagering activities. You must pay the occupational tax if you accept taxable wagers for yourself or another person. See *Form 11-C*, later, for more information.

You must pay the tax on wagering if you are in the business of accepting wagers or running a wagering pool or lottery. You may also have to pay the tax on wagering if you are not properly registered on Form 11-C. See *Form 730*, later, for more information.

Exempt organizations. Organizations exempt from income tax under section 501 or 521 of the Internal Revenue Code are *not* exempt from the tax on wagering or the occupational tax. However, see *Lottery*, later, for an exception.

Confidentiality. No Treasury Department employee may disclose any information that you supply in relation to the wagering taxes, unless necessary to administer or enforce the Internal Revenue laws.

Definitions

The following definitions apply to Form 11-C and Form 730.

Principal. A principal is a person who is in the business of accepting wagers for his or her own account. This is the person who makes profit or risks loss depending on the outcome of the event or contest for which the wager is accepted.

Employee-agent. This is the paid employee of the principal who accepts wagers for the principal.

Wagers. Wagers include any wager:

- Made on sports events or contests with a person in the business of accepting wagers,
- Placed in a wagering pool on a sports event or contest, if the pool is conducted for profit, and
- Placed in a lottery conducted for profit.

Sports event. A sports event includes every type of amateur, scholastic, or professional sports competition, such as:

Auto racing	Baseball	Basketball
Billiards	Bowling	Boxing
Cards	Checkers	Cricket
Croquet	Dog racing	Football
Golf	Gymnastics	Hockey
Horse racing	Lacrosse	Rugby
Soccer	Squash	Tennis
Track	Tug of war	Wrestling

Contest. A contest is any competition involving speed, skill, endurance, popularity, politics, strength, or appearance, such as the following.

- Elections.
- The outcome of nominating conventions.
- Dance marathons.
- Log-rolling contests.

- Wood-chopping contests.
- Weightlifting contests.
- Beauty contests.
- Spelling bees.

Wagering pool. A wagering pool conducted for profit includes any method or scheme for giving prizes to one or more winning bettors based on the outcome of a sports event, a contest, or a combination or series of these events or contests if the wagering pool is managed and conducted for the purpose of making a profit. A wagering pool or lottery may be conducted for profit even if a direct profit does not occur. If you operate the wagering pool or lottery with the expectation of a profit in the form of increased sales, attendance, or other indirect benefits, you conduct it for profit.

Lottery. This includes the numbers game, policy, punch boards, and similar types of wagering. In general, a lottery conducted for profit includes any method or scheme for the distribution of prizes among persons who have paid or promised to pay for a chance to win the prizes. The winning prizes are usually determined by the drawing of numbers, symbols, or tickets from a wheel or other container or by the outcome of a given event.

It does not include either of the following kinds of events.

- 1) Games in which the wagers are placed, winners are determined, and the prizes are distributed in the presence of everyone who placed a wager.
- 2) Drawings conducted by a tax-exempt organization, if the net proceeds of the drawing do not benefit a private shareholder or individual.

Card games, roulette games, dice games, bingo, keno, and gambling wheels usually fall within exception (1) above.

Form 11-C

You use Form 11-C to **register** with the IRS any wagering activity and to **pay** the occupational tax on wagering. After you file this form and pay the tax, the IRS issues you a letter as proof of registration and payment.

Who must file. You must file Form 11-C if you are a principal or an employee-agent, defined earlier.

When to file. You must file your first Form 11-C before you begin accepting wagers. After that, file a renewal return by July 1 for each year that you accept wagers. You may also have to file supplemental returns when certain changes occur. These changes are discussed in the instructions to the form.

Information required. Follow the instructions on the back of the form. All filers must have an employer identification number (EIN). You cannot use your social security number. If you do not have an EIN, complete Form SS-4, *Application for Employer Identification Number*, and attach it to the Form 11-C when you file. If you have applied for a number but have not yet received it, write "applied for" in the block for the EIN on Form 11-C.

If you are a principal, you must show the number of employee-agents that work for you and their names, addresses, and EINs. If you hire a new employee-agent after filing Form 11-C, you must file a supplemental return showing this information within 10 days after you hire the employee-agent.

Employee-agents must show the name, address, and EIN of each of their principals. If you are hired by a new principal after having filed a Form 11-C, you must file a supplemental return within 10 days after being hired by the principal. If you do not provide the required information about the principal, you will be liable for the excise tax on wagers you accept as if you were the principal.

Example. Ken operates a numbers game and employs 10 people to receive wagers from the public on Ken's behalf. Ken also employs a secretary and a bookkeeper. Ken and each of the 10 persons are liable for the tax. They must each file Form 11-C. The secretary and the bookkeeper are not liable for the tax unless they also accept wagers for Ken.

On Ken's Form 11-C, he lists all required information (name, address, and EIN) for each of his ten agents as well as himself. He does not list his secretary or bookkeeper.

Each of the 10 agents lists on Form 11-C his or her name, address, and EIN, as well as Ken's.

Figuring the tax. The following rates of tax must be paid annually for every year in which taxable wagers are accepted.

- \$50 if all wagers accepted are authorized under the laws of the state in which accepted.
- \$500 for all other wagers.

The tax year begins on July 1. If you start accepting wagers after July 31, the tax rates are prorated. The prorated amounts are shown in the table in the Form 11-C instructions.

Form 730

Form 730 is used for figuring the tax on wagers. The wagering tax applies to the wagers (as defined earlier), regardless of the outcome of the individual wagers.

The tax applies only to a wager that meets either of the following conditions.

- It is accepted in the United States.
- It is placed by a person who is in the United States with a U.S. citizen or resident, or in a wagering pool conducted by a U.S. citizen or resident.

Wagers made within the United States are taxable regardless of the citizenship or place of residence of the parties to the wager.

Lay-off wagers. Persons accepting more wagers than they are willing to carry may lay off a portion of the wagers with another person to avoid the risk of loss. If you accept a wager taken initially by someone else (other than an agent or employee acting for you) include the wager in your gross receipts. If you accept a wager and lay off all or part of it with a person who is liable for the tax, you may be entitled to a credit or refund, discussed later.

Excluded wagers. Tax is not imposed on any of the following.

- Parimutuel wagering, including horse racing, dog racing, and jai alai when licensed under state law.
- Coin-operated devices such as pinball machines.
- Sweepstakes, wagering pools, or lotteries that are conducted by an agency of a state if the wager is placed with the state agency or its authorized agents or employees.

Figuring the tax. The amount of the wager is the amount risked by the bettor, including any fee or charge incident to placing the wager. It is not the amount that the bettor stands to win.

The tax is 2% of the wager if it is not authorized under state law. If the wager is authorized, the rate is 0.25% of the wager.

When to file. File Form 730 for each month by the last day of the following month. File a return whether or not you have taxable wagers to report. If you have none to report, write "0" in the last box of the dollar amount column. If you stop accepting wagers permanently, check the final return box on the form.



Keep your records on a daily basis to reflect each day's operations. Your records should show all the following information.

- The gross amount of all wagers accepted.
- The gross amount of each class or type of wager accepted on each event, contest, or other wagering medium.
- The gross amount of any wagers laid off with other persons and the name, address, and registration number of each person with whom you placed the layoffs.

If you have employees or agents who accept wagers for you, keep records of their names, home addresses, business addresses, periods of employment, and EINs. Also, you may be subject to income and employment tax withholding for your employees. See Publication 15, *Circular E, Employer's Tax Guide*.

Credit or refund. You may be able to claim a credit or refund for any overpayment of tax or for the amount of tax imposed on a wager that you laid off. Claim a credit on line 5 of Form 730 or file a claim for refund on Form 8849 using Schedule 6. For more information, see the instructions for Form 730 and Form 8849.

Conditions to allowance. No claim for a credit or refund of the tax on wagering will be allowed unless one of the following statements is attached to the form.

- The tax has not been collected from the person who placed the wager.
- The tax has been repaid to that person.
- The written consent of that person to make the claim has been obtained.

If the claim is for a laid-off wager accepted by the claimant, a statement must be attached for the person who placed the laid-off wager and the person who placed the original wager. See the Form 730 instructions for

other information you must attach to Form 730 or Form 8849.

Penalties and Interest

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

- Failing to collect and pay over tax as the collecting agent (see *Trust fund recovery penalty*).
- Failing to keep adequate records.
- Failing to file returns.
- Failing to pay taxes.
- Filing returns late.
- Filing false or fraudulent returns.
- Paying taxes late.
- Failing to make deposits.
- Depositing taxes late.

Trust fund recovery penalty. If you provide communications services or air transportation, you have to collect excise taxes (as discussed earlier) from those persons who pay you for those services. You must pay these taxes to the U.S. Government.

If you willfully fail to collect and pay over these taxes, or if you evade or defeat them in any way, the trust fund recovery penalty may apply. Willfully means voluntarily, consciously, and intentionally. The trust fund recovery penalty equals 100% of the taxes not collected or not paid over to the U.S. Government.

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

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

Examination and Appeal Procedures

If your excise tax return is examined and you disagree with the findings, you can get infor-

mation about audit and appeal procedures from Publication 556, *Examination of Returns, Appeal Rights, and Claims for Refund*. An unagreed case involving an excise tax covered in this publication differs from other tax cases in that you can only contest it after payment of the tax by filing suit for a refund in the United States District Court or the United States Court of Federal Claims.

Help With Unresolved Tax Problems

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

The Taxpayer Advocate 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's toll-free number: **1-877-777-4778**.
- Call the IRS toll-free number: **1-800-829-1040**.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call **1-800-829-4059** if you are a TTY/TDD user.

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

Rulings Program

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

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

There is a fee for most types of determination letters and rulings. For complete details of the rulings program, see Publication 1375, *Procedures for Issuing Rulings, Determination Letters, and Information Letters, etc.*

Appendix A

This appendix provides information about ATF forms you may have to use to report certain excise taxes not covered in this publication.

ATF Form 5630.5: Alcohol, Tobacco; ATF Form 5630.7: Firearms


A number of excise taxes apply to alcoholic beverages, tobacco products, and firearms. If you produce, sell, or import guns, tobacco, or alcoholic products, or if you manufacture equipment for their production, you may be liable for one or more excise taxes. Use Form 5630.5 (Alcohol, Tobacco) or Form 5630.7 (Firearms), *Special Tax Registration and Return*, to register your place of business and pay an annual tax. The businesses covered by Form 5630.5 include the following.

- Brewers and dealers of liquor, wine, or beer.
- Distillers, importers, wholesale and retail dealers of distilled spirits.
- Manufacturers who use alcohol to produce nonbeverage products.
- Importers and wholesalers of imported perfumes.

The businesses covered by Form 5630.7 include manufacturers, importers, and dealers in firearms (National Firearms Act).

ATF Form 5300.26: Firearms

Use ATF Form 5300.26, *Federal Firearms and Ammunition Excise Tax Return*, to determine your firearms excise tax liability. Mail all domestic firearms excise tax returns to the special purpose post office box (lockbox) as indicated on the return form. File returns for Puerto Rico and Virgin Islands with the Chief, Puerto Rico Operations, Alcohol, Tobacco, and Firearms.

 **Bureau of Alcohol, Tobacco, and Firearms (ATF).** If you need forms or more information about the ATF forms, write to or call:

National Revenue Center
Special Occupational Tax
550 Main Street
Cincinnati, OH 45202
(513) 684-2979 or 1-800-937-8864

National Revenue Center
Excise Tax
550 Main Street
Cincinnati, OH 45250-3263
(513) 684-3334 or 1-800-398-2282

Appendix B

This appendix provides the Imported Products Table. This is a listing of imported products containing or manufactured with ozone-depleting chemicals (ODCs). See *Imported Taxable Products* for more information on these tables.

Imported Products Table

Part I. Products that are mixtures containing ODCs

Mixtures containing ODCs, including but not limited to:	
—anti-static sprays	—electronic solvents
—automotive products such as “carburetor cleaner,” “stop leak,” “oil charge”	—Ethylene oxide/CFC-12
—cleaning solvents	—fire extinguisher preparations and charges
—contact cleaners	—flux removers for electronics
—degreasers	—insect and wasp sprays
—dusting sprays	—mixtures of ODCs
—electronic circuit board coolants	—propellants
	—refrigerants

Part II. Products in which ODCs are used for purposes of refrigeration or air conditioning, creating an aerosol or foam, or manufacturing electronic components

Product Name	Harmonized Tariff Schedule Heading	ODC	ODC Weight
Rigid foam insulation defined in §52.4682-1(d)(3)			
Foams made with ODCs, other than foams defined in §52.4682-1(d)(3)			
Scrap flexible foam made with ODCs			
Medical products containing ODCs— —surgical staplers —cryogenic medical instruments —drug delivery systems —inhalants			
Dehumidifiers, household	8415.82.00.50	CFC-12	0.344
Chillers: charged with CFC-12 charged with CFC-114 charged with R-500	8415.82.00.65	CFC-12 CFC-114 CFC-12	1600. 1250. 1920.
Refrigerator-freezers, household: not > 184 liters	8418.10.00.10	CFC-11 CFC-12	1.08 ¹ 0.13
> 184 liters but not > 269 liters	8418.10.00.20	CFC-11 CFC-12	1.32 ¹ 0.26
> 269 liters but not > 382 liters	8418.10.00.30	CFC-11 CFC-12	1.54 ¹ 0.35
> 382 liters	8418.10.00.40	CFC-11 CFC-12	1.87 ¹ 0.35
Refrigerators, household not > 184 liters	8418.21.00.10	CFC-11 CFC-12	1.08 ¹ 0.13
> 184 liters but not > 269 liters	8418.21.00.20	CFC-11 CFC-12	1.32 ¹ 0.26 ¹
> 269 liters but not > 382 liters	8418.21.00.30	CFC-11 CFC-12	1.54 ¹ 0.35
> 382 liters	8418.21.00.90	CFC-11 CFC-12	1.87 ¹ 0.35
Freezers, household	8418.30	CFC-11 CFC-12	2.0 ¹ 0.4
Freezers, household	8418.40	CFC-11 CFC-12	2.0 ¹ 0.4
Refrigerating display counters not > 227 kg	8418.50	CFC-11 CFC-12	50.0 ¹ 260.0

Part II. (continued)

Product Name	Harmonized Tariff Schedule Heading	ODC	ODC Weight
Icemaking machines: charged with CFC-12 charged with R-502	8418.69	CFC-12	1.4
		CFC-115	3.39
Drinking water coolers: charged with CFC-12 charged with R-500	8418.69	CFC-12	0.21
		CFC-12	0.22
Centrifugal chillers, hermetic: charged with CFC-12 charged with CFC-114 charged with R-500	8418.69	CFC-12	1600.
		CFC-114	1250.
		CFC-12	1920.
Reciprocating chillers: charged with CFC-12	8418.69	CFC-12	200.
Mobile refrigeration systems: containers trucks trailers	8418.99	CFC-12	15.
		CFC-12	11.
		CFC-12	20.
Refrigeration condensing units: not > 746W > 746W but not > 2.2KW > 2.2 KW but not > 7.5KW > 7.5KW but not > 22.3 KW >22.3KW	8418.99.00.05	CFC-12	0.3
	8418.99.00.10	CFC-12	1.0
	8418.99.00.15	CFC-12	3.0
	8418.99.00.20	CFC-12	8.5
	8418.99.00.25	CFC-12	17.0
Fire extinguishers, charged w/ODCs	8424		
Electronic typewriters and word processors	8469	CFC-113	0.2049
Electronic calculators	8470.10	CFC-113	0.0035
Electronic calculators w/printing device	8470.21	CFC-113	0.0057
Electronic calculators	8470.29	CFC-113	0.0035
Account machines	8470.40	CFC-113	0.1913
Cash registers	8470.50	CFC-113	0.1913
Digital automatic data processing machines w/cathode ray tube, not included in subheading 8471.20.00.90	8471.20	CFC-113	0.3663
Laptops, notebooks, and pocket computers	8471.20.00.90	CFC-113	0.03567
Digital processing unit w/entry value not > \$100K > \$100K	8471.91	CFC-113	0.4980
	8471.91	CFC-113	27.6667
Combined input/output units (terminal)	8471.92	CFC-113	0.3600
Keyboards	8471.92	CFC-113	0.0742
Display units	8471.92	CFC-113	0.0386
Printer units	8471.92	CFC-113	0.1558
Input or output units	8471.92	CFC-113	0.1370
Hard magnetic disk drive units not included in subheading 8471.93.10 for a disk of a diameter: not > 9 cm (3½ inches) > 9 cm (3½ inches) but not > 21 cm (8¼ inches)	8471.93	CFC-113	0.2829
	8471.93	CFC-113	1.1671
	8471.93	CFC-113	2.7758
Nonmagnetic storage unit w/entry value > \$1,000	8471.93	CFC-113	2.7758
Magnet disk drive unit for a disk of a diameter over 21 cm (8¼ inches)	8471.93.10	CFC-113	4.0067
Power supplies	8471.99.30	CFC-113	0.0655

Part II. (continued)

Product Name	Harmonized Tariff Schedule Heading	ODC	ODC Weight
Electronic office machines	8472	CFC-113	0.001
Populated cards for digital processing unit in subheading 8471.91 with value:			
not > \$100K	8473.30	CFC-113	0.1408
> \$100 K	8473.30	CFC-113	4.82
Automatic goods—vending machines with refrigerating device	8476.11	CFC-12	0.45
Microwave ovens with electronic controls, with capacity of:	8476.50		
0.99 cu. ft. or less		CFC-113	0.0300
1.0 through 1.3 cu. ft.		CFC-113	0.0441
1.31 cu. ft. or greater		CFC-113	0.0485
Microwave oven combination with electronic controls	8516.50.40.60	CFC-113	0.0595
Telephone sets w/entry value:			
not > \$11.00	8517.10	CFC-113	0.0225
> \$11.00	8517.10	CFC-113	0.1
Teleprinters & teletypewriters	8517.20	CFC-113	0.1
Switching equipment not included in subheading 8517.30.20	8517.30	CFC-113	0.1267
Private branch exchange switching equipment	8517.30.20	CFC-113	0.0753
Modems	8517.40	CFC-113	0.0225
Intercoms	8517.81	CFC-113	0.0225
Facsimile machines	8517.82	CFC-113	0.0225
Loudspeakers, microphones, headphones, & electric sound amplifier sets, not included in subheading 8518.30.10	8518	CFC-113	0.0022
Telephone handsets	8518.30.10	CFC-113	0.042
Turntables, record players, cassette players, and other sound reproducing apparatus	8519	CFC-113	0.0022
Magnetic tape recorders & other sound recording apparatus, not included in subheading 8520.20	8520	CFC-113	0.0022
Telephone answering machines	8520.20	CFC-113	0.1
Color video recording/reproducing apparatus	8521.10.00.20	CFC-113	0.0586
Videodisc players	8521.90	CFC-113	0.0106
Cordless handset telephones	8525.20.50	CFC-113	0.1
Cellular communication equipment	8525.20.60	CFC-113	0.4446
TV cameras	8525.30	CFC-113	1.423
Camcorders	8525.30	CFC-113	0.0586
Radio combinations	8527.11	CFC-113	0.0022
Radios	8527.19	CFC-113	0.0014
Motor vehicle radios with or w/o tape player	8527.21	CFC-113	0.0021
Radio combinations	8527.31	CFC-113	0.0022
Radios	8527.32	CFC-113	0.0014
Tuners w/o speaker	8527.39.00.20	CFC-113	0.0022
Television receivers	8528	CFC-113	0.0386
VCRs	8528.10.40	CFC-113	0.0586
Home satellite earth stations	8528.10.80.55	CFC-113	0.0106
Electronic assemblies for HTS headings 8525, 8527, & 8528	8529.90	CFC-113	0.0816

Part II. (continued)

Product Name	Harmonized Tariff Schedule Heading	ODC	ODC Weight
Indicator panels incorporating liquid crystal devices or light emitting diodes	8531.20	CFC-113	0.0146
Printed circuits	8534	CFC-113	0.001
Computerized numerical controls	8537.10.00.30	CFC-113	0.1306
Diodes, crystals, transistors and other similar discrete semiconductor devices	8541	CFC-113	0.0001
Electronic integrated circuits and microassemblies	8542	CFC-113	0.0002
Signal generators	8543.20	CFC-113	0.6518
Avionics	8543.90.40	CFC-113	0.915
Signal generators subassemblies	8543.90.80	CFC-113	0.1265
Insulated or refrigerated railway freight cars	8606	CFC-11	100. ¹
Passenger automobiles:	8703		
foams (interior)		CFC-11	0.8
foams (exterior)		CFC-11	0.7
with charged a/c		CFC-12	2.0
without charged a/c		CFC-12	0.2
electronics		CFC-113	0.5
Light trucks:	8704		
foams (interior)		CFC-11	0.6
foams (exterior)		CFC-11	0.1
with charged a/c		CFC-12	2.0
without charged a/c		CFC-12	0.2
electronics		CFC-113	0.4
Heavy trucks and tractors, with GVW 33,001 lbs or more:	8704		
foams (interior)		CFC-11	0.6
foams (exterior)		CFC-11	0.1
with charged a/c		CFC-12	3.0
without charged a/c		CFC-12	2.0
electronics		CFC-113	0.4
Motorcycles with seat foamed with ODCs	8711	CFC-11	0.04
Bicycles with seat foamed with ODCs	8712	CFC-11	0.04
Seats foamed with ODCs	8714.95	CFC-11	0.04
Aircraft	8802	CFC-12	0.25 lb./1000 lbs Operating Empty Weight (OEW)
		CFC-113	30.0 lbs./1000 lbs. OEW
Optical fibers	9001	CFC-12	0.005 lb./ thousand feet
Electronic cameras	9006	CFC-113	0.01
Photocopiers	9009	CFC-113	0.0426
Avionics	9014.20	CFC-113	0.915
Electronic drafting machines	9017	CFC-113	0.12
Complete patient monitoring systems	9018.19.80	CFC-12	0.94
		CFC-113	3.4163
Complete patient monitoring systems; subassemblies thereof	9018.19.80.60	CFC-113	1.9320
Physical or chemical analysis instruments	9027	CFC-12	0.0003
		CFC-113	0.0271
Oscilloscopes	9030	CFC-11	0.49
		CFC-12	0.5943
		CFC-113	0.2613
Foam chairs	9401	CFC-11	0.30
Foam sofas	9401	CFC-11	0.75
Foam mattresses	9404.21	CFC-11	1.60

Part II. (continued)

Product Name	Harmonized Tariff Schedule Heading	ODC	ODC Weight
Electronic games and electronic components thereof	9504	CFC-113	
Electronic items not otherwise listed in the Table included in HTS chapters 84, 85, 90		CFC-113	0.0004 pound/\$1.00 of entry value
not included in HTS chapters 84, 85, 90		CFC-113	0.0004 pound/\$1.00 of entry value

Part III. Products that are not Imported Taxable Products

Product Name	Harmonized Tariff Schedule Heading
Room air conditioners	8415.10.00.60
Dishwashers	8422.11
Clothes washers	8450.11
Clothes dryers	8451.21
Floppy disk drive units	8471.93
Transformers and inductors	8504
Toasters	8516.72
Unrecorded media	8523
Recorded media	8524
Capacitors	8532
Resistors	8533
Switching apparatus	8536
Cathode tubes	8540

¹ Denotes an ODC used in the manufacture of rigid foam insulation.

Appendix C

This appendix contains models of the certificates, reports, and statements discussed earlier under *Fuel Taxes*.

Model Certificate A

NOTIFICATION CERTIFICATE OF TAXABLE FUEL REGISTRANT

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

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

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

Signature and date signed

Printed or typed name of person signing

Title of person signing

Name of Registrant

Employer identification number

Address of Registrant

Model Certificate B

CERTIFICATE OF PERSON BUYING GASOLINE BLENDSTOCKS FOR USE OTHER THAN IN THE PRODUCTION OF FINISHED GASOLINE

(To support tax-free sales under section 4081 of the Internal Revenue Code.)

Name, address, and employer identification number of seller

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

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

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

If this is a single purchase certificate, check here _____ and enter:

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

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

1. Effective date _____
2. Expiration date _____

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

3. Type (or types) of gasoline blendstocks _____
4. Buyer account or order number _____

Buyer will not claim a credit or refund under section 6427(h) of the Internal Revenue Code for any gasoline blendstocks covered by this certificate.

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

If Buyer resells the gasoline blendstocks to which this certificate relates, Buyer will be liable for tax unless Buyer obtains a certificate from the purchaser stating that the gasoline blendstocks will not be used to produce finished gasoline and otherwise complies with the conditions of §48.4081-4(b)(3) of the Manufacturers and Retailers Excise Tax Regulations.

Buyer understands that if Buyer violates the terms of this certificate, the Internal Revenue Service may withdraw Buyer's right to provide a certificate.

Buyer has not been notified by the Internal Revenue Service that its right to provide a certificate has been withdrawn. In addition, the Internal Revenue Service has not notified Buyer that the right to provide a certificate has been withdrawn from a purchaser to which Buyer sells gasoline blendstocks tax free.

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

Signature and date signed

Printed or typed name of person signing

Title of person signing

Name of Buyer

Employer identification number

Address of Buyer

Model Certificate C

FIRST TAXPAYER'S REPORT

1. _____

First Taxpayer's name, address, and employer identification number

2. _____

Name, address, and employer identification number of the buyer of the taxable fuel subject to tax

3. _____

Date and location of removal, entry, or sale

4. _____

Volume and type of taxable fuel removed, entered, or sold

5. Check type of taxable event:

- _____ Removal from refinery
- _____ Entry into United States
- _____ Bulk transfer from terminal by unregistered position holder
- _____ Bulk transfer not received at an approved terminal
- _____ Sale within the bulk transfer/terminal system
- _____ Removal at the terminal rack
- _____ Removal or sale by the blender

6. _____

Amount of Federal excise tax paid on account of the removal, entry, or sale

7. _____

Location of IRS service center where this report is filed

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

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

Signature and date signed

Printed or typed name of person signing this report

Title

Model Certificate D

STATEMENT OF SUBSEQUENT SELLER

1. _____

Name, address, and employer identification number of seller in subsequent sale

2. _____

Name, address, and employer identification number of the buyer in subsequent sale

3. _____

Date and location of subsequent sale

4. _____

Volume and type of taxable fuel sold

The undersigned seller (the "Seller") has received the copy of the first taxpayer's report provided with this statement in connection with Seller's purchase of the taxable fuel described in this statement.

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

Signature and date signed

Printed or typed name of person signing this report

Title

Model Certificate E

CERTIFICATE OF REGISTERED GASOHOL BLENDER

(To support sales of gasoline at the gasohol production tax rate under section 4081(c) of the Internal Revenue Code)

Name, address, and employer identification number of seller

Name of buyer ("Buyer") certifies the following under penalties of perjury:

Buyer is registered as a gasohol blender with registration number _____. Buyer's registration has not been suspended or revoked by the Internal Revenue Service.

The gasoline bought under this certificate will be used by Buyer to produce gasohol (as defined in §48.4081-(6)(b) of the Manufacturers and Retailers Excise Tax Regulations) within 24 hours after buying the gasoline.

Type of gasohol Buyer will produce (check one only):

_____ 10% gasohol

_____ 7.7% gasohol

_____ 5.7% gasohol

If the gasohol the Buyer will produce will contain ethanol, check here: _____

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

If this is a single purchase certificate, check here ____ and enter:

1. Account number _____

2. Number of gallons _____

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

1. Effective date _____

2. Expiration date _____

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

3. Buyer account or order number _____

Buyer will not claim a credit or refund under section 6427(f) of the Internal Revenue Code for any gasoline covered by this certificate.

Buyer agrees to provide seller with a new certificate if any information in this certificate changes.

Buyer understands that Buyer's registration may be revoked if the gasoline covered by this certificate is resold or is used other than in Buyer's production of the type of gasohol identified above.

Buyer will reduce any alcohol mixture credit under section 40(b) by an amount equal to the benefit of the gasohol production tax rate under section 4081(c) for the gasohol to which this certificate relates.

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

Printed or typed name of person signing

Title of person signing

Employer identification number

Address of Buyer

Signature and date signed

Model Certificate F

CERTIFICATE OF PERSON BUYING COMPRESSED NATURAL GAS (CNG) FOR A NONTAXABLE USE

(To support tax-free sales of CNG under section 4041 of the Internal Revenue Code.)

Name, address, and employer identification number of seller

(Name of buyer) ("Buyer") certifies the following under penalties of perjury:

The CNG to which this certificate relates will be used in a nontaxable use.

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

If this is a single purchase certificate, check here and enter:

1. Invoice or delivery ticket number _____
2. _____ (number of MCFs)

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

1. Effective date _____
2. Expiration date _____
(period not to exceed 1 year after the effective date)
3. Buyer account or order number _____

Buyer will not claim a credit or refund under section 6427 of the Internal Revenue Code for any CNG to which this certificate relates.

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

Buyer understands that if Buyer violates the terms of this certificate, the Internal Revenue Service may withdraw Buyer's right to provide a certificate.

Buyer has not been notified by the Internal Revenue Service that its right to provide a certificate has been withdrawn. In addition, the Internal Revenue Service has not notified Buyer that the right to provide a certificate has been withdrawn from a purchaser to which Buyer sells CNG tax free.

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

Printed or typed name of person signing

Title of person signing

Employer identification number

Address of Buyer

Signature and date signed

Model Certificate G

CERTIFICATE OF PERSON BUYING AVIATION-GRADE KEROSENE FOR USE AS A FUEL IN AN AIRCRAFT

(To support tax-free removals and entries of aviation-grade kerosene under section 4081 of the Internal Revenue Code.)

Name, address, and employer identification number of seller

(Name of buyer) ("Buyer") certifies the following under penalties of perjury:

The aviation-grade kerosene to which this certificate relates will be used as fuel in an aircraft.

Buyer is (check one):

_____ Registered under section 4101 of the Internal Revenue Code with respect to the tax imposed by section 4091 with a registration number of _____

_____ Buying the kerosene for its use in a nontaxable use (as defined in section 4092(a)).

_____ Buying the kerosene for its use (other than a nontaxable use) in commercial aviation (as defined in section 4092(b)).

_____ Buying the kerosene for its use (other than a nontaxable use) in noncommercial aviation (as defined in section 4041(c)(2)).

_____ Buying the kerosene for resale.

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

If this is a single purchase certificate, check here _____ and enter:

1. Invoice or delivery ticket number _____

2. _____ (number of gallons)

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

1. Effective date _____

2. Expiration date _____
(period not to exceed 1 year after the effective date)

3. Buyer account or order number _____

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

Buyer understands that if Buyer violates the terms of this certificate, the Internal Revenue Service may withdraw Buyer's right to provide a certificate.

Buyer has not been notified by the Internal Revenue Service that its right to provide a certificate has been withdrawn.

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

Printed or typed name of person signing

Title of person signing

Employer identification number

Address of Buyer

Signature and date signed

Model Certificate H

FIRST PRODUCER'S REPORT	
<hr/>	
First Producer's name, address, and employer identification number	
<hr/>	
Buyer's name, address, and employer identification number	
<hr/>	
Date and location of taxable sale	
<hr/>	
Volume and type of aviation fuel sold	
<hr/>	
Amount of federal excise tax paid on account of the sale	
<p>Under penalties of perjury, First Producer declares that First Producer has examined this statement, including any accompanying schedules and statements, and, to the best of First Producer's knowledge and belief, it is true, correct and complete.</p>	
<hr/>	
Printed or typed name of person signing	
<hr/>	
Title of person signing	
<hr/>	
Signature and date signed	


Model Certificate I

STATEMENT OF SUBSEQUENT SELLER (AVIATION FUEL)	
<hr/>	
Name, address, and employer identification number of seller in subsequent sale	
<hr/>	
Name, address, and employer identification number of buyer in subsequent sale	
<hr/>	
Date and location of subsequent sale	
<hr/>	
Volume and type of aviation fuel sold	
<p>The undersigned seller (the Seller) has received the copy of the first producer's report provided with this statement in connection with Seller's purchase of the aviation fuel described in this statement.</p> <p>Under penalties of perjury, Seller declares that Seller has examined this statement, including any accompanying schedules and statements, and, to the best of Seller's knowledge and belief, it is true, correct and complete.</p>	
<hr/>	
Printed or typed name of person signing	
<hr/>	
Title of person signing	
<hr/>	
Signature and date signed	

How To Get More Information


You can 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.

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.

 **Personal computer.** With your personal computer and modem, you can access the IRS on the Internet at www.irs.gov. While visiting our web site, you can select:

- *Frequently Asked Tax Questions* (located under *Taxpayer Help & Ed*) to find answers to questions you may have.
- *Forms & Pubs* to download forms and publications or search for forms and publications by topic or keyword.
- *Fill-in Forms* (located under *Forms & Pubs*) to enter information while the form is displayed and then print the completed form.
- *Tax Info For You* to view Internal Revenue Bulletins published in the last few years.
- *Tax Regs in English* to search regulations and the Internal Revenue Code (under *United States Code (USC)*).
- *Digital Dispatch* and *IRS Local News Net* (both located under *Tax Info For Business*) to receive our electronic newsletters on hot tax issues and news.
- *Small Business Corner* (located under *Tax Info For Business*) to get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at ftp.irs.gov.

 **TaxFax Service.** Using the phone attached to your fax machine, you can receive forms and instructions by

calling **703-368-9694**. 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.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1-800-829-3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1-800-829-1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1-800-829-4059** to ask tax 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 evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistor and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistants objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



Walk-in. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Also, some libraries and IRS offices have:

- An extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.

- The Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.



Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response within 10 workdays after your request is received. Find the address that applies to your part of the country.

- **Western part of U.S.:**
Western Area Distribution Center
Rancho Cordova, CA 95743-0001
- **Central part of U.S.:**
Central Area Distribution Center
P.O. Box 8903
Bloomington, IL 61702-8903
- **Eastern part of U.S. and foreign addresses:**
Eastern Area Distribution Center
P.O. Box 85074
Richmond, VA 23261-5074



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

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

The CD-ROM can be purchased from National Technical Information Service (NTIS) by calling **1-877-233-6767** or on the Internet at www.irs.gov/cdorders. The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, *Small Business Resource Guide*, is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling **1-800-829-3676**.

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Tax Publications for Business Taxpayers

See *How To Get More Information* 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)
- 225 Farmer's Tax Guide
- 334 Tax Guide for Small Business
- 509 Tax Calendars for 2000
- 553 Highlights of 1999 Tax Changes
- 595 Tax Highlights for Commercial Fishermen
- 910 Guide to Free Tax Services

Employer's Guides

- 15 Circular E, Employer's Tax Guide
- 15-A Employer's Supplemental Tax Guide
- 51 Circular A, Agricultural Employer's Tax Guide
- 80 Federal Tax Guide For Employers in the U.S. Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands (Circular SS)
- 179 Circular PR Guía Contributiva Federal Para Patronos Puertorriqueños
- 926 Household Employer's Tax Guide

Specialized Publications

- 378 Fuel Tax Credits and Refunds

- 463 Travel, Entertainment, Gift, and Car Expenses
- 505 Tax Withholding and Estimated Tax
- 510 Excise Taxes for 2000
- 515 Withholding of Tax on Nonresident Aliens and Foreign Corporations
- 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
- 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 Keogh Plans)
- 561 Determining the Value of Donated Property
- 583 Starting a Business and Keeping Records
- 587 Business Use of Your Home (Including Use by Day-Care Providers)
- 594 Understanding the Collection Process

- 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 Empowerment Zones and Other Distressed Communities
- 1544 Reporting Cash Payments of Over \$10,000
- 1546 The Taxpayer Advocate Service of the IRS

Spanish Language Publications

- 1SP Derechos del Contribuyente
- 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 More Information* 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 numbers 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, Credits, Deductions, etc.	11520
940EZ 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 Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs*	13329
Sch J Farm Income Averaging*	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. Partnership Return of 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, Credits, Deductions, etc.	11394		
1120 U.S. Corporation Income Tax Return	11450		
1120-A U.S. Corporation Short-Form Income Tax Return	11456		