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Fuel Tax Credits and Refunds



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Important Changes

Simplified refund rules. Previously, certain fuels had a \$1,000 quarterly filing requirement and refunds for different fuels could not be combined to meet that requirement. Generally, you had to claim a credit on your income tax return for any quarterly amount not meeting that requirement and any amount for the fourth quarter of your tax year.

Beginning October 1, 1998, the rules for claiming refunds have been simplified. See *How To Claim a Credit or Refund*.

Kerosene for household use. You may claim a credit or refund for the excise tax you paid on undyed kerosene you bought after June 30, 1998, and used in your home for heating, lighting, or cooking. See the form instructions for how to make the claim.

Introduction

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

This publication discusses the following subjects.

- The uses of fuels that qualify for a refund or credit.
- The kinds of fuels that qualify for a refund or credit.

- How to claim a refund or credit for fuel taxes.
- The alcohol fuels credit.

It also contains an example near the end of the publication with a filled-in Form 4136, *Credit for Federal Tax Paid on Fuels*.

Useful Items

You may want to see:

Publication

- 510** Excise Taxes for 1999

Form (and Instructions)

- 4136** Credit for Federal Tax Paid on Fuels
- 8849** Claim for Refund of Excise Taxes
- 6478** Credit for Alcohol Used as Fuel

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

Fuels Used in Farming

You may be eligible to claim a credit or refund of excise taxes paid on fuel used on a farm for farming purposes. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the discussion on that fuel.



Only a registered ultimate vendor can claim a credit or refund for undyed diesel fuel or undyed kerosene used on a farm for farming purposes. See the discussion under Diesel Fuel or Kerosene.

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

Farming purposes. As the owner, tenant, or operator, you use fuel on a farm for farming purposes if you use it in any of the following ways.

- 1) To cultivate the soil or to raise or harvest any agricultural or horticultural commodity.
- 2) To raise, shear, feed, care for, train, or manage livestock, bees, poultry, fur-bearing animals, or wildlife.
- 3) To operate, manage, conserve, improve, or maintain your farm, tools, or equipment.
- 4) To handle, dry, pack, grade, or store any raw agricultural or horticultural commodity. For this use to qualify, you must have produced more than half the commodity that was so treated during the tax year. Commodity means a single raw product. For example, apples and peaches are two separate commodities.

- 5) To plant, cultivate, care for, or cut trees or to prepare (other than sawing into lumber, chipping or other milling) trees for market, but only if the planting, etc., is incidental to your farming operations. Your tree operations will be incidental only if they are minor in nature when compared to the total farming operations.

If any other person, such as a neighbor or custom operator, performs a service for any of the purposes listed in (1) or (2) for you on your farm, you are considered to be the person that used the fuel on a farm for farming purposes. However, see *Custom application of fertilizer and pesticide*, later.

If doubt exists whether the owner, the tenant, or the operator of the farm bought the fuel, determine who bore the cost of the fuel. For example, if the owner of a farm and the tenant share the cost of gasoline 50–50, each can claim a credit for the tax on one-half of the fuel used. If you sell gasoline to a neighbor who used it on a farm for farming purposes, your neighbor may be able to claim the credit on the fuel.

Custom application of fertilizer and pesticide. The use of fuel in the aerial or other application of fertilizer, pesticides, or other substances is a use of fuel on a farm for farming purposes. You, as the owner, tenant, or operator, may claim the credit or refund (other than on diesel fuel or kerosene). You may waive your right to the claim and allow the applicator to make the claim. If you waive your right, the applicator is treated as having used the fuel on a farm for farming purposes.

Waiver. To waive your right to the credit or refund, you must take all the following actions.

- 1) Execute in writing an irrevocable statement that you knowingly give up your right to the credit or refund.
- 2) Identify clearly the period that the waiver covers. The effective period of your waiver cannot extend beyond the last day of your tax year.
- 3) Sign the waiver before the applicator files his or her claim. Once you sign the waiver, you cannot revoke it. You may authorize an agent, such as a cooperative, to sign the waiver for you.
- 4) Keep a copy of the waiver for your records and give a copy of the signed waiver to the applicator. Do **not** send this waiver to the Internal Revenue Service unless requested to do so.

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

Sign a separate waiver for each tax year or part of a tax year in which the fuel was used. When the period covered by the waiver extends beyond the applicator's tax year, the applicator must wait until the next tax year to claim the portion for that period.

Fuel not used for farming. You do not use fuel on a farm for farming purposes when you use it in any of the following ways.

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

Fuels Used in Boats

You may be eligible to claim a credit or refund of excise tax paid on fuel used in certain boats. To determine whether fuel is used for a qualifying purpose, see the discussion on that fuel.

Commercial fishing. Boats used in commercial fishing include only watercraft used in taking, catching, processing, or transporting fish, shellfish, or other aquatic life for commercial purposes, such as selling or processing the catch, on a specific trip basis. They include boats used in both fresh and salt water fishing. They do not include boats used for both sport fishing and commercial fishing on the same trip. Fuel used in aircraft to locate fish is not fuel used in commercial fishing.

Supplies for vessels. Supplies for vessels include fuel supplies, ships' stores, and sea stores of vessels of war of the United States or any foreign nation and vessels engaged in foreign trade or trade between the Atlantic and Pacific ports of the United States or between the United States and any of its possessions.

Fuels Used in Off-Highway Business Use

You may be eligible to claim a credit or refund of excise tax paid on fuel if you used the fuel in an off-highway business use. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the discussion on that fuel.

Off-highway business use. Off-highway business use is any use of fuel in a trade or business or in an income-producing activity. It does not include use in a highway vehicle registered or required to be registered for use on public highways. Off-highway use includes use of a vehicle owned by the United States, whether or not registered for highway use, that is not used on public highways during the period covered by the claim. Do not consider any use in a boat as an off-highway business use.



If undyed diesel fuel or undyed kerosene is used on a farm for farming purposes (discussed earlier) or for the exclusive use of a state or local govern-

ment, the fuel is not used in an off-highway business use.

Highway vehicle. A highway vehicle is any self-propelled vehicle designed to carry a load over public highways, whether or not also designed to perform other functions. Examples of vehicles designed to carry a load over public highways are passenger automobiles, motorcycles, buses, highway-type trucks, and truck tractors. A vehicle is a highway vehicle even though the vehicle's design allows it to perform a highway transportation function for only one of the following.

- A particular type of load, such as passengers, furnishings, and personal effects (as in a house, office, or utility trailer).
- A special kind of cargo, goods, supplies, or materials.
- Some off-highway task unrelated to highway transportation, except as discussed next.

Vehicles not considered highway vehicles. Generally, the following kinds of vehicles are not considered highway vehicles.

- 1) Specially designed mobile machinery for nontransportation functions. A self-propelled vehicle is not a highway vehicle if it consists of a chassis that—
 - a) Has permanently mounted to it machinery or equipment used to perform certain operations (construction, manufacturing, drilling, mining, timbering, processing, farming, or similar operations) if the operation of the machinery or equipment is unrelated to transportation on or off the public highways,
 - b) Has been specially designed to serve only as a mobile carriage and mount for the machinery or equipment, whether or not the machinery or equipment is in operation, and
 - c) Because of its special design, could not, without substantial structural modification, be used as part of a vehicle designed to carry any other load.
- 2) Vehicles designed for off-highway transportation. A self-propelled vehicle is not a highway vehicle if—
 - a) The vehicle is designed primarily to carry a specific kind of load other than over the public highway for certain operations (construction, manufacturing, mining, processing, farming, drilling, timbering, or similar operations), and
 - b) The vehicle's use in carrying this load over public highways is substantially limited or impaired because of its design. To determine if the use is substantially limited or impaired, you may take into account whether the vehicle may travel at regular highway speeds, requires a special permit for highway use, or is overweight, overheight, or overwidth for regular highway use.

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

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

Fuel used for power take-offs. You cannot take a credit or refund for fuel used in the propulsion motor of a registered highway vehicle even though that motor also operates special equipment by a power take-off or power transfer. It does not matter if the special equipment is mounted on your vehicle.

Example 1. Frank owns a registered concrete-mixer truck. The truck's motor operates both the engine and the mixing unit by a power take-off. Frank cannot take a credit or refund for the fuel used in the motor to run the mixer.

Example 2. Velma owns and operates a registered fuel-oil delivery truck. The truck's motor powers the pump that discharges the fuel into her customer's storage tanks. She cannot take a credit or refund for the fuel used in the motor to operate the pump.

Separate motor. The fuel you use in a separate motor to operate special equipment, such as a refrigeration unit, pump, generator, or mixing unit, may qualify for a credit or a refund. If you draw fuel from the same tank to operate both motors, you must figure the quantity used in the separate motor operating the special equipment. You may make a reasonable estimate based on your operating experience and supported by your records.

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

Example. Sara owns a refrigerated truck. It has a separate motor for the refrigeration unit. The same gasoline tank supplies both motors. Using the truck's hubometer, Sara figures that 90% of the gasoline was used to propel the truck. Therefore, she qualifies for a credit or refund on 10% of the gasoline determined to be used in an off-highway business use.

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

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

- In stationary machines such as generators, compressors, power saws, and similar equipment.
- For cleaning purposes.
- In forklift trucks and bulldozers.
- In vehicles engaged in construction, mining, or timbering activities if the vehicles are neither registered nor required to be registered.

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

Example. Joanna owns a landscaping business. She uses power lawn mowers and chain saws in her business. The gasoline used in the power lawn mowers and chain saws qualifies as fuel used in an off-highway business use. She can claim a credit or refund of the excise tax included in the price of the gasoline that she used in her business. The gasoline used in her personal lawn mower at home does not qualify for the credit or refund.

Fuels Used in Buses

You may be eligible to claim a credit or refund of excise tax paid on fuel if you use the fuel in buses engaged in providing the type of transportation discussed here. To determine whether a fuel used for this purpose qualifies for a credit or refund, see the discussion on that fuel.

Intercity or local buses. Fuel is used in an intercity or local bus when the bus is used to furnish (for compensation) passenger land transportation that is available to the general public. The bus must be engaged in one of the following activities.

- Scheduled transportation along regular routes regardless of the size of the bus.
- Nonscheduled (charter) operations if the seating capacity of the bus is at least 20 adults, not including the driver. Vans and similar vehicles used for van-pooling or taxi service do not qualify.

Available to the general public means that you offer service to more than a limited number of persons or organizations. If a bus operator normally provides charter operations through travel agencies but has buses available for chartering by the general public, this service is available to the general public. A bus does not qualify when its operator uses it to provide exclusive services to only one person, group, or organization.

For the amount of the credit or refund allowable, see the form that applies.

School buses. Fuel is used in a school bus when the bus is transporting students or school employees. A school is an educational organization with a regular faculty and curriculum. It has a regularly enrolled body of students who attend the place where the educational activities occur.

A credit or refund is allowable for the full amount of excise tax paid on fuels used in these buses.

Qualified local bus. Fuel (other than gasoline) is used in a qualified local bus when the bus meets all the following requirements.

- Furnishes (for compensation) intracity passenger land transportation 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 the transportation.

A credit or refund is allowable for the full amount of excise tax paid on fuels (other than gasoline) used in these buses.

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

Under contract. A bus is under contract with a state or local government only if the contract imposes a bona fide obligation on the bus operator to furnish the transportation. 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 routes may consider its buses qualified local buses only when the buses are used on the subsidized intracity routes.

Gasohol Blending

Blenders of gasohol who buy gasoline, pay the full amount of the excise tax, and use the gasoline to produce gasohol may be eligible for a credit or refund of part of the tax. This gasohol must be sold or used in your trade or business. The amount you may claim is based on each gallon of gasoline used to make gasohol. You cannot take a refund or credit if you purchased the gasoline at a reduced rate.

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

Alcohol requirement. To qualify as gasohol the mixture must contain a specific amount of alcohol by volume (without rounding). The amount of credit or refund depends on the type of gasohol you blend. 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.

Figure alcohol content on a batch-by-batch basis. 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, you must include the amount of alcohol and non-alcohol fuel contained in that liquid in determining 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. Because batch 2 contains only 9.75% alcohol ($780 \div 8,000$), 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 result is the number of gallons on which a credit or refund may be claimed if the gasoline in the mixture was taxed at the full rate. The remaining gallons in the mixture are excess liquid on which no credit or refund is allowed.

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 purchased the gasoline at a price that included the full amount of the excise tax. The batch contains 9.9375% alcohol ($795 \div 8,000$). John determines that 7,950 gallons (10×795) of the mixture qualifies as 10% gasohol. The other 50 gallons is excess liquid. John reduces the amount of gasoline (7,205 gallons) by the excess liquid (50 gallons) to determine the amount of gasoline used to produce the 10% gasohol. He can claim a refund or credit for part of the excise tax paid on 7,155 gallons of gasoline. He cannot claim a refund or credit on the 50 gallons of excess liquid.

Batches containing at least 7.55% alcohol. If a mixture contains at least 7.55% alcohol 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 result is the number of gallons on which a credit or refund may be claimed if the gasoline in the mixture was taxed at the full rate. The remaining gallons in the mixture are excess liquid on which no credit or refund is allowed.

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 result is the number of gallons on which a credit or refund may be claimed if the gasoline in the mixture was taxed at the full rate. The remaining gallons in the mixture are excess liquid on which no credit or refund is allowed.

Expedited refund procedure. A special procedure applies for claiming a refund of part of the excise tax included in the price of the gasoline used for blending into gasohol. Gasohol blenders may file Form 8849 to claim a refund of the excise tax on gasoline so used for any period for which the claim is \$200 or more and the period is not less than one week. No claim under this procedure will be allowed unless filed by the end of the first quarter following the earliest quarter included in the claim.

If you qualify and file for the special refund procedure, write "Gasohol Claim" at the top of Form 8849 and on the envelope you send to the IRS. You must mail the Form 8849 to the special address shown in the instructions for the form.

If the IRS does not pay a proper claim for refund filed under these procedures within 20 days, the IRS will pay interest on the refund.



You must keep records for each batch of gasohol. Your records must include the following information.

- The name and address of the person that sold you the gasoline.
- The date and location of the purchase of the gasoline.
- The number of gallons of gasoline.
- The name and address of the person that sold you the alcohol.
- The date and location of the purchase of the alcohol.
- The number of gallons and type of alcohol.

Gasoline

The following are uses of gasoline for which a credit or refund may be allowable.

- Use on a farm for farming purposes (credit only).
- Off-highway business use.
- Use in intercity, local, or school buses.
- Exclusive use of state and local governments.
- Exclusive use of nonprofit educational organizations.
- Export, including shipment to a possession of the U.S.
- Supplies for vessels.
- Blendstocks not used to produce gasoline.
- Boats used in commercial fishing.
- Aircraft museums.

The term **gasoline** includes all products commonly or commercially known or sold as gasoline (including gasohol) that are suitable for use as a motor fuel with an octane rating of 75 or more. It also includes gasoline blendstocks that are discussed in Publication 510.

State or local government. This means any state, any political subdivision thereof, or the District of Columbia. Treat an **Indian tribal government** as a state only if a transaction involves the exercise of an essential tribal government function. For gasoline, diesel

fuel, and kerosene tax purposes, the term state includes the American Red Cross.

Nonprofit educational organization. This is an organization exempt from income tax under section 501(a) of the Internal Revenue Code that meets the following tests.

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

A nonprofit educational organization also includes a school operated by a church or other organization described in section 501(c)(3) that meets the above tests.

Aircraft museums. An aircraft museum is an organization that meets all the following requirements.

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

The credit or refund applies to fuel used in an aircraft or vehicle (such as a ground servicing vehicle for aircraft) owned by the museum and used exclusively for the purposes in item (3).

Aviation Gasoline

The following are uses of aviation gasoline for which a credit or refund may be allowable.

- On a farm for farming purposes (credit only).
- Commercial aviation.
- Supplies for aircraft.
- Exclusive use by state and local governments.
- Exclusive use by nonprofit educational organizations.
- Aircraft museums.
- Certain helicopter uses.
- Fixed-wing air ambulance.

The term **aviation gasoline** 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.

Commercial aviation. This 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.

- 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 in an aircraft owned or leased by a member of an affiliated group and

unavailable for hire by nonmembers of the group.

The determination of whether an aircraft is available for hire by nonmembers is made on a flight-by-flight basis.

The credit or refund available for gasoline used in commercial aviation is limited. See the claim form for allowable amounts.

Supplies for aircraft. Supplies for aircraft include gasoline used in civil aircraft employed in foreign trade or trade between the United States and any of its possessions. Supplies for aircraft also include gasoline used in aircraft owned by the United States or by any foreign nation and constituting a part of their armed forces.

Certain helicopter uses. Fuels used in a helicopter for the following activities may qualify for a refund or credit.

- 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.

For items (1) and (2), you are eligible for a credit or refund only 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 that use. For item (1), treat each flight segment as a separate flight.

Fixed-wing air ambulance. Fuels used in providing emergency medical services by a fixed-wing aircraft equipped for and exclusively dedicated on that flight to acute care emergency medical services are exempt from the excise tax.

Gasohol used in noncommercial aviation. You may claim a credit or refund for part of the tax paid on gasohol used as a fuel in noncommercial aviation. Noncommercial aviation is any use of an aircraft other than for commercial aviation (defined earlier).

Special Motor Fuels

The following are uses of special motor fuels for which a credit or refund may be allowable.

- On a farm for farming purposes (credit only).
- Any use other than as a fuel in the propulsion engine of a motor vehicle or motorboat.
- Off-highway business use.
- Use in intercity, local, or school buses.
- Export, including shipment to a possession of the U.S.
- Supplies for vessels.
- Exclusive use by state and local governments.

- Exclusive use by nonprofit educational organizations.
- Aircraft museums.
- Boats used in commercial fishing.

The term **special motor fuels** generally includes any liquid other than gasoline, diesel fuel, kerosene, gas oil, or fuel oil.

Motor vehicle. A motor vehicle includes all types of vehicles (whether or not you register or are required to register the vehicle for highway use) that are:

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

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

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

Compressed Natural Gas

The following are uses of compressed natural gas (CNG) for which a credit or refund may be allowable.

- On a farm for farming purposes (credit only).
- Any use other than as a fuel in the propulsion engine of a motor vehicle or motorboat.
- Off-highway business use.
- Use in intercity, local, or school buses.
- Export, including shipment to a possession of the U.S.
- Supplies for vessels.
- Exclusive use of state and local governments.
- Exclusive use of nonprofit educational organizations.
- Aircraft museums.
- Boats used in commercial fishing.

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

Diesel Fuel

No credit or refund is allowable for any use of **dyed** diesel fuel. You buy dyed diesel fuel tax free.

A credit or refund is allowed for tax paid on **undyed** diesel fuel used for a nontaxable purpose. The following are uses for which a credit or refund may be allowable.

- On a farm for farming purposes. (Ultimate vendors only. See *Claims by vendors*, later.)
- Off-highway business use.

- Use as heating oil.
- Use other than as a fuel in the propulsion engine of a diesel-powered highway vehicle, or train, such as use in stationary motors.
- Use in intercity, local, or school buses. (See *Qualified local bus* under *Fuels Used in Buses*, earlier.)
- Exclusive use of state and local governments. (Ultimate vendors only. See *Claims by vendors*, later.)
- Exclusive use of nonprofit educational organizations.
- Export, including shipment to a possession of the U.S.
- Use in a diesel-powered train.
- Vehicle use by aircraft museums.



You cannot consider fuel used on a farm for farming purposes or by a state or local government as being used for any other qualifying purpose. See *Claims by vendors*, later.

The term **diesel fuel** means any liquid (other than gasoline) that is suitable for use as a fuel in a diesel-powered highway vehicle or train.

Claims by vendors. A registered ultimate vendor that sells **undyed** diesel fuel for use on a farm for farming purposes, or for use by a state or local government, is the only person allowed to claim a refund or credit of the excise tax included in the price paid by the vendor for that fuel.

An ultimate vendor means the seller of the undyed diesel fuel to the user of the fuel (the ultimate purchaser) for use on a farm for farming purposes or by state or local governments. A registered ultimate vendor is an ultimate vendor registered by the Internal Revenue Service.

Generally, the vendor must not have included the tax in the price of the fuel sold for these uses. See *Special rule for vendors*, later.

The buyers of fuel used for these purposes cannot claim a credit or refund of the tax on this fuel.

Use on a farm. The credit or refund is allowed to the registered ultimate vendor whether the undyed diesel fuel is sold to the owner, tenant, or operator of the farm or some other person (such as a custom harvester) for use on a farm for farming purposes, discussed earlier.

Content of claim. For undyed diesel fuel, each claim (other than by a vendor) for credit or refund must contain all the following information about the diesel fuel covered by the claim. Some of this information is on the form that you use to make the claim (discussed later). See the form instructions for information you have to attach.

- The total number of gallons.
- A statement that tax has been imposed on the fuel.
- The purpose (by specific category) for which the fuel was used.
- A declaration that you have proof of exportation for fuel that was exported.

- A declaration that you have the name and address of the person(s) who sold you the fuel and the dates of the purchases.

Special rule for vendors. The claim by a registered ultimate vendor must contain all the following information. Some of this information is on the form that you use to make the claim (discussed later). See the form instructions for information you have to attach.

- 1) The total number of gallons.
- 2) A statement that tax has been imposed on the fuel.
- 3) The vendor's registration number.
- 4) The name and taxpayer identification number of each person (farmer, custom harvester, or governmental unit) who bought the diesel fuel from the vendor.
- 5) The number of gallons sold to each person.
- 6) A statement that the vendor has:
 - a) Not included the tax in the price of the diesel fuel and has not collected the tax from the buyer,
 - b) Repaid the tax to the ultimate purchaser, or
 - c) Gotten the written consent of the buyer to the allowance of the credit.
- 7) A statement that the vendor has an unexpired certificate from the buyer and no reason to believe any information in the certificate is false.

A registered ultimate vendor can claim a refund of the tax for such fuel sold for any period of at least a week for which the claim is \$200 or more. No claim for refund is allowed unless filed by the end of the first quarter following the earliest quarter included in the claim. The IRS will pay interest on properly filed claims that are not paid within 20 days. See the Form 8849 instructions for the procedures for claiming the refund and the special address to use when filing the claim.

Kerosene

A credit or refund is allowable for tax paid on **undyed** kerosene used for a nontaxable purpose. The following are uses for which a credit or refund may be allowable.

- On a farm for farming purposes. (Ultimate vendors only. See *Claims by vendors*, later.)
- Off-highway business use.
- Use other than as a fuel in the propulsion engine of a diesel-powered highway vehicle or train, such as use in stationary motors.
- Use as heating oil.
- Use in intercity, local, or school buses. (See *Qualified local bus* under *Fuels Used in Buses*, earlier.)
- Exclusive use by state and local governments (Ultimate vendors only. See *Claims by vendors*, later.)
- Exclusive use by nonprofit educational organizations.

- Export, including shipment to a possession of the U.S.
- Use in a diesel-powered train.
- Vehicle use by aircraft museums.



Only the ultimate vendor can claim a refund or credit for kerosene sold for any use if the sale is from a blocked pump. See *Claims by vendors*, later.

You cannot consider fuel used on a farm for farming purposes or by a state or local government as being used for any other qualifying purpose.

The term **kerosene** means the following fuels.

- The two grades of fuel (No. 1–K and No. 2–K) described in ASTM Specification D 3699.
- Kerosene-type jet fuel (aviation-grade kerosene) described in ASTM Specification D 1655 and military specification MIL-T-5624R and MIL-T-83133D (Grades JP-5 and JP-8).



Aviation-grade kerosene that is to be used as fuel in an aircraft is subject to the rules for aviation fuel, discussed later.

Claims by vendors. A registered ultimate vendor that sells **undyed** kerosene is the only person allowed to claim a refund or credit of the excise tax included in the price paid by the vendor for that fuel if any of the following apply to the fuel.

- It is used on a farm for farming purposes.
- It is used by a state or local government.
- It is sold from a blocked pump.

An ultimate vendor means the seller of the undyed kerosene to the user of the fuel (the ultimate purchaser). A registered ultimate vendor is an ultimate vendor registered by the Internal Revenue Service.

Generally, the vendor must not have included the tax in the sales price of the fuel. The buyers of the fuel cannot claim a credit or refund of the tax on this fuel.

A **blocked pump** is a fuel pump that meets all the following conditions.

- It is used for retail sales of undyed kerosene for a nontaxable use.
- It must have a fixed location and cannot be used to deliver fuel into the fuel supply tank of a diesel-powered highway vehicle or train.
- It has on it a legible and conspicuous notice stating “UNDYED UNTAXED KEROSENE, NONTAXABLE USE ONLY.”

A registered ultimate vendor can claim a refund of the tax for such fuel sold for any period of at least a week for which the claim is \$100 or more. No claim for refund is allowed unless filed by the end of the first quarter following the earliest quarter included in the claim. The IRS will pay interest on properly filed claims that are not paid within 20 days. See the Form 8849 instructions for the procedures for claiming the refund and the special address to use when filing the claim.

For more information, see *Special rule for vendors* under *Diesel Fuel*.

Aviation Fuel

The following are uses of aviation fuel for which a credit or refund may be allowable.

- Use other than as a fuel in a propulsion engine of an aircraft.
- Commercial aviation.
- On a farm for farming purposes.
- Aircraft museums.
- Certain helicopter uses.
- Fixed-wing air ambulance.
- Exclusive use by state and local governments.
- Exclusive use by nonprofit educational organizations.
- Export, including shipment to a possession of the U.S.
- Supplies for aircraft.

The term **aviation fuel** means kerosene and any other liquid, other than gasoline or diesel fuel, that is suitable for use as fuel in an aircraft.

How To Claim a Credit or Refund

This part tells you when and how to make a claim for credit or refund of excise taxes paid on fuels you use for nontaxable purposes.

Taxpayer identification number. To file a claim for credit or refund, you **MUST** have a taxpayer identification number — an employer identification number (EIN), a social security number (SSN), or, if you are an alien individual and do not have and are not eligible to get an SSN, an individual taxpayer identification number (ITIN). If you normally file only a U.S. individual income tax return (such as Form 1040 or 1040NR), use your SSN or ITIN. You get an SSN by filing Form SS-5, *Application for a Social Security Card* with the Social Security Administration. To get an ITIN, file Form W-7, *Application for IRS Individual Taxpayer Identification Number*, with the IRS.

If you operate a business, use your EIN. You get an EIN by filing Form SS-4, *Application for Employer Identification Number*.



Keep at your principal place of business all records needed to enable the IRS to verify the amount you claimed. No special form is required, but the records should establish all the following information.

- The number of gallons purchased and used during the period covered by your claim.
- The dates of the purchases.
- The names and addresses of suppliers and amounts purchased from each in the period covered by your claim.
- The purpose for which you purchased and used the fuel.
- The number of gallons used for each purpose.

It is important that your records show separately the number of gallons used for each purpose that qualifies as a claim.

Claiming a Credit

You make a claim for credit on **Form 4136** and attach it to your income tax return. Do not claim a credit for any tax for which you have filed a refund claim.

You can only claim a credit for excise tax you paid on any of the following.

- Gasoline, special motor fuels, and compressed natural gas you use on your farm for farming purposes.
- Fuels used for nontaxable purposes if the total for the tax year is less than \$750.
- Fuel that was not included in any claim for refund filed for the tax year.

When. You can claim a fuel tax credit on your income tax return for the year you used the fuels (or sold in the case of registered ultimate vendor or gasohol blending claims).

Fuel tax claim on amended return. You may be able to make a fuel tax claim on an amended return for that year. Generally, you must file an amended return by the **later** of 3 years from the date you filed your original income tax return or within 2 years from the time you paid the income tax. A return filed early is considered to have been filed on the due date. You can file an amended return to claim or change your fuel tax credit if any of the following apply.

- You did not claim any credit for fuel taxes on Form 4136 for the tax year.
- Your credit is for gasohol blending discussed earlier.
- Your credit is for a claim group, explained next, for which you did not previously file a claim on Form 4136 for the tax year.

Claims on Form 4136 (other than for gasohol blending, line 8) are separated into seven **claim groups** based on the type of fuel and the use of that fuel. Once you file Form 4136 with a claim for a group, you cannot file an amended return with another claim for that group. However, you can file an amended return with a claim for another group.

The following table shows what claims are in each group. The numbers in the second column refer to the line numbers on Form 4136. The numbers in the third column are from the Type of Use Table in the Form 4136 instructions.

Group	Line No.	Type of Use
I	1b, 1d-f, 2b	1
II	1a, 1d-f, 2a	2
III	1c-f	5, 7
IV	1c-f, 2b	3, 4, 9
V	3c, 7	5, 7
VI	3a-b, 4, 5, 6	See line instructions
VII	2b	10

For each tax year, you can make only one claim for each group.

Example. You file your income tax return and claim a fuel tax credit. Your Form 4136 shows an amount on line 1b for use of gasoline on a farm for farming purposes. This is a Group I claim. You cannot amend your return to claim a credit for an amount on line

2b for use of aviation gasoline on a farm for farming purposes (Type of Use 1) since that is also a Group I claim. However, if you used aviation fuel on a farm for farming purposes reported on line 4b (Type of Use 1), you can amend your return to claim the credit for that fuel tax because that would be a Group VII claim.

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

Individuals. You claim the credit on line 63 of Form 1040. Check box b on line 63. If you would not otherwise have to file an income tax return, you must do so to get a fuel tax credit. See the instructions for Form 1040.

Partnerships. A partnership cannot claim the credit on Form 1065, *U.S. Partnership Return of Income*. The partnership must attach a statement to Form 1065 showing the number of gallons allocated to each partner and the rate that applies. Each partner claims the credit on his or her income tax return for his or her share of the fuel used by the partnership.

An electing large partnership can claim the credit on line 27 of Form 1065-B, *U.S. Return of Income for Electing Large Partnerships*.

Corporations. To claim the credit, corporations use either line 32g of Form 1120, *U.S. Corporation Income Tax Return*, or line 28g of Form 1120-A, *U.S. Corporation Short-Form Income Tax Return*.

S corporations. To claim the credit, S corporations use line 23c of Form 1120S, *U.S. Income Tax Return for an S Corporation*.

Farmers' cooperative associations. If the cooperative must file Form 990-C, *Farmers' Cooperative Association Income Tax Return*, it uses line 32g to claim the credit.

Trusts. Trusts required to file Form 1041, *U.S. Income Tax Return for Estates and Trusts*, use line 25g to claim the credit.

Claiming a Refund

You can file a claim for refund for any quarter of your tax year for which you can claim \$750 or more. This amount includes the excise tax paid on all fuels used for any qualifying purpose during that quarter or any prior quarter (for which no other claim has been filed) during the tax year. The qualifying purposes are listed earlier under the various types of fuels.

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

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

For the second quarter, the excise tax on fuel you use for an off-highway business use is \$92 for gasoline and \$244 for diesel fuel. You add the amount from the first quarter (\$428) to the total amount from the second quarter (\$336) and determine that you can file a claim for refund for that quarter since the total (\$764) is more than \$750.



Special rules apply to refund claims filed by gasohol blenders and registered ultimate vendors of undyed diesel fuel or undyed kerosene, as discussed earlier.

Form 8849. You can use Form 8849 to file a claim for refund. Fill out the appropriate schedule and follow the instructions for additional information you need to include with your claim for refund.

Form 720. If you file Form 720, you can use the Schedule C portion of Form 720 for your claims, rather than Form 8849.

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

Users not subject to income tax. The following can file a yearly claim for refund regardless of the amount.

- A department, agency, or instrumentality of the United States.
- A state (including an Indian tribal government), county, city, or other subdivision of a state.
- An agency or instrumentality of one or more states, counties, cities, etc.
- An organization granted an exemption from the income tax and not required to file an income tax return.

If at the close of your tax year, you are eligible for an amount for which you have not filed a refund claim, you can file an annual refund claim for these amounts within the time allowed for filing a claim for refund of overpayment of income tax.

For these users, a tax year is the 12-month period normally used to keep financial records. If the user has no regularly established tax year, the tax year is the calendar year.

Interest

IRS pays no interest on refunds described in this publication other than expedited refunds not paid within 20 days to gasohol blenders and registered ultimate vendors (discussed earlier). Refunds resulting from credits claimed on income tax returns may qualify for interest.

Penalties

There are criminal penalties for false or fraudulent claims. In addition, any person who claims an excessive amount (without reasonable cause) may have to pay a penalty. The penalty is the greater of two times the excessive amount or \$10.

Including the Credit or Refund in Income

Include any credit or refund of excise taxes on fuels in your gross income if you claimed the taxes as an expense deduction that reduced your income tax liability.

The year you include a credit or refund in gross income depends on whether you use the cash or accrual method of accounting.

Cash method. If you use the cash method and file a claim for refund, include the refund in your gross income for the tax year in which you receive the refund. If you claim a credit on your income tax return, include the credit in gross income for the tax year in which you file Form 4136. If you file an amended return and claim a credit, include the credit in gross income for the tax year in which you receive it.

Example 1. Ed Brown, a cash basis farmer, filed his 1998 Form 1040 on March 1, 1999. On his Schedule F, Ed deducted the total cost of gasoline (including \$110 of excise taxes) used on the farm. Then, on Form 4136, Ed claimed the \$110 of excise tax paid on the gasoline as a credit. Ed reports the \$110 as additional income on his 1999 Schedule F.

Example 2. March Corporation uses the calendar year as its tax year. For 1998, the corporation claimed the following amounts for gasoline excise tax included in the price of the gasoline it used each quarter:

January 1 through March 31	\$1,300
April 1 through June 30	1,100
July 1 through September 30	400
October 1 through December 31	300

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

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

March Corporation files Form 8849 for two of the four quarters. Since it uses the cash method of accounting, the corporation includes \$2,400 (\$1,300 + \$1,100) in its gross income for the tax year in which it receives the refunds (1998).

Form 4136. The corporation claims the remaining amounts as a credit (\$400 + \$300) on its 1998 income tax return by attaching Form 4136. It includes this credit (\$700) in its 1999 gross income.

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

Example 3. Todd Green uses an accrual method. He files his 1998 return on April 15, 1999. On Form 4136, Todd claims the \$155 excise tax as a credit. He reports the \$155 as additional income on his 1998 Schedule C. On Schedule C he deducts the total cost of gasoline (including \$155 of excise taxes) used in an off-highway business vehicle during 1998.

Example 4. Use the same facts as in Example 2 above. However, March Corporation uses an accrual method of accounting.

Since the qualifying use occurred in 1998, the corporation reports \$3,100 as income on its 1998 income tax return. This consists of the \$2,400 it filed on Form 8849 and the \$700 it filed on Form 4136.

Alcohol Fuels Credit

If you sell or use alcohol as a fuel, you may be eligible for an income tax credit. The credit applies both to straight alcohol and to certain alcohol mixtures.

Alcohol covered by the credit includes methanol and ethanol. But it does not include alcohol produced from petroleum, natural gas, or coal (including peat). It also does not include alcohol with a proof of less than 150 or ethanol produced as a by-product from manufacturing ethylcellulose derived from ethane. Methanol produced from methane gas formed in waste disposal sites is not "alcohol produced from natural gas."

Straight alcohol. You can claim the credit for any alcohol not mixed with any other fuel. You do not produce a mixture by adding denaturants to alcohol.

You are eligible for the credit for straight alcohol only if you took one of the following actions during the tax year.

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

The buyer cannot claim the credit for the alcohol bought at retail, even if the buyer uses it as a fuel in a trade or business.

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

Alcohol mixture. You can take the credit for alcohol you use to produce a qualified mixture. A qualified mixture is a mixture of alcohol with gasoline or with a special fuel. You do not treat adding denaturants to alcohol as the production of a mixture.

You can take the credit only for a mixture you produce. You must sell the mixture for use as a fuel, not merely as an octane enhancer, or use it as a fuel in your trade or business. You can claim the credit whether you sell the fuels directly to the user or to a buyer for resale to the user. Take into account alcohol you use to produce a qualified mixture only if the sale or use is in your trade or business and only for the tax year in which the sale or use occurs.

A special fuel is any liquid fuel, other than gasoline, that is suitable for use in an internal combustion engine.

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

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

Separation or failure to use as fuel. If the credit applied to alcohol used in the production of a qualified mixture, and you later separate the alcohol from the mixture or do

not use the mixture as fuel, you must pay a tax equal to the credit. Report this tax on Form 720.

Amount of credit. The proof content of the alcohol determines the amount of the credit. You figure the proof without considering denaturants added to the alcohol.

The credit is 60 cents a gallon for alcohol (other than ethanol) that is at least 190 proof. The credit is 45 cents a gallon for alcohol (other than ethanol) that is at least 150 proof but less than 190 proof.

For ethanol the rates are 54 cents a gallon if at least 190 proof, and 40 cents a gallon if at least 150 proof but less than 190 proof.

You may have been entitled to a reduced rate or an exemption for the federal excise tax on motor fuels used in certain alcohol mixtures. You must reduce the amount of credit allowable on these mixtures (such as gasoline) by any benefit provided by the reduced rate or exemption available for the alcohol mixtures.

When figuring the number of gallons of alcohol sold or used, include the volume of any denaturant (including gasoline) added under formulas approved by the Secretary of the Treasury. Also include the denaturant when you figure the percentage of any mixture that is alcohol. However, denaturants can be counted only up to 5% of the total volume of alcohol.

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

You are an eligible producer if, at all times during the tax year, you have an annual productive capacity for alcohol of not more than 30 million gallons.

For a partnership, trust, or S corporation, the gallon limits apply at both the entity level

and the partner, beneficiary, or shareholder level.

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

- Use in the production of a qualified mixture in that person's trade or business (except casual off-farm production).
- Use as a fuel in that person's trade or business.
- Sale at retail to another person if the ethanol is put in the fuel tank of the buyer's vehicle.

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

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

How to claim the alcohol fuels credit. You take the alcohol fuels credit by completing Form 6478, *Credit for Alcohol Used as Fuel*, and attaching it to your income tax return. All individuals and corporations taking the credit use Form 6478. Partnerships (including electing large partnerships), S corporations, estates, and trusts figure the credit on Form 6478 but divide the credit among their partners, shareholders, or beneficiaries.

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

You may choose not to take the alcohol fuels credit even though you qualify to take it. You can make (or change) this choice at any time within 3 years after the last day (without regard to extensions) for filing your return for the tax year in which the credit arises.

General business credit. You combine the alcohol fuels credit with other credits to figure your general business credit for the

year. See the Form 6478 instructions for a list of these credits and when you must file Form 3800, *General Business Credit*.

Example

Steven S. Sands used undyed diesel fuel in vehicles used off the highway in his construction business. The vehicles were not registered (or required to be registered) for highway use. In the fourth quarter of his 1998 tax year, he used 3,000 gallons. The excise tax on the 3,000 gallons of fuel he used was \$732 (24.4 cents per gallon).

Because the tax is less than \$750, Steven must claim credit for the tax on his 1998 income tax return. He fills out Form 4136 (shown later) and attaches it to his 1998 income tax return. He enters the \$732 on line 63 of his Form 1040.

Steven uses the cash method of accounting. On his 1998 Schedule C, he deducts the total cost of the fuel, including the tax. When Steven files his 1999 Form 1040, he will include the \$732 credit shown on his 1998 Form 4136 as additional income on his 1999 Schedule C.

For the first two quarters of 1999, Steven's records show the following.

Quarter	Gallons Used	Tax Rate	Claim Amount
First	3,000	24.4	\$732.00
Second	2,500	24.4	610.00

Steven could not file a claim for a refund for the first quarter because the amount of the claim was less than \$750. He adds the first quarter amount (\$732) to the second quarter amount (\$610) and files a claim of \$1,342 for both quarters on Form 8849 on July 15. He will have to include the \$1,342 excise tax refund in income on his Schedule C (Form 1040) for 1999.

Department of the Treasury
Internal Revenue Service

▶ See the Instructions for Form 4136.
▶ Attach this form to your income tax return.

Name (as shown on your income tax return)
Steven S. Sands

Taxpayer identification number
514-00-3894

Caution: You cannot claim any amounts on Form 4136 that you claimed on Form 8849, Form 843, or Schedule C (Form 720).

1 Nontaxable Use of Gasoline and Gasohol

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit		(e) CRN
a	Off-highway business use of gasoline	\$.184	}	\$		301
b	Use of gasoline on a farm for farming purposes	.184				
c	Other nontaxable use of gasoline	.184				
		.184				
d	Gasohol containing at least 10% alcohol	.13	}	\$		312
e	Gasohol containing at least 7.7% alcohol but less than 10% alcohol	.14242				
f	Gasohol containing at least 5.7% alcohol but less than 7.7% alcohol	.15322				

2 Nontaxable Use of Aviation Gasoline

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit		(e) CRN
a	Use in commercial aviation (other than foreign trade)	\$.15	}	\$		307
b	Other nontaxable use	.194				
		.194				

3 Nontaxable Use of Undyed Diesel Fuel and Undyed Kerosene*

*Applies to kerosene taxed beginning July 1, 1998.

Claimant certifies that the fuel did not contain visible evidence of dye.

Exception. If any of the fuel included in this claim **did** contain visible evidence of dye, attach a detailed explanation and check here

Claimant has the name and address of the person(s) who sold the fuel to the claimant and the date(s) of the purchase(s) and if exported, the required proof of export.

Caution: Claims cannot be made on line 3 for fuel used on a farm for farming purposes or for kerosene sold from a blocked pump. Only registered ultimate vendors may make those claims.

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit		(e) CRN
a	Nontaxable use	\$.244	3,000	\$	732 00	303
		.244				
b	Train use *This rate applies after October 31, 1998.	.1875/ .20*				305
c	Certain intercity and local bus use	.17				303

4 Nontaxable Use of Aviation Fuel (other than gasoline)

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit		(e) CRN
a	Use in commercial aviation (other than foreign trade)	\$.175	}	\$		310
b	Other nontaxable use	.219				
		.219				

For Privacy Act and Paperwork Reduction Act Notice, see the instructions.

Cat. No. 12625R

Form **4136** (1998)

5 Sales by Registered Ultimate Vendors of Undyed Diesel Fuel **UV Registration No. ▶**

Claimant certifies that the diesel fuel did not contain visible evidence of dye.

Exception. If any of the diesel fuel included in this claim **did** contain visible evidence of dye, attach a detailed explanation and check here ▶

Claimant sold the fuel at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained written consent of the buyer to take the claim; and obtained any required certificate from the buyer and has no reason to believe any information in the certificate is false.

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit		(e) CRN
a Use on a farm for farming purposes		\$.244	}	\$		303
b Use by a state or local government		.244				

6 Sales by Registered Ultimate Vendors of Undyed Kerosene* **UV Registration No. ▶**

UP Registration No. ▶

*Applies to kerosene taxed beginning July 1, 1998.

Claimant certifies that the kerosene did not contain visible evidence of dye.

Exception. If any of the kerosene included in this claim **did** contain visible evidence of dye, attach a detailed explanation and check here ▶

Claimant sold the kerosene at a tax-excluded price, repaid the amount of tax to the buyer, or has obtained written consent of the buyer to take the claim; and obtained the required certificate (for lines 6a and 6b) from the buyer and has no reason to believe any information in the certificate is false.

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit		(e) CRN
a Use on a farm for farming purposes		\$.244	}	\$		303
b Use by a state or local government		.244				
c Sales from a blocked pump		.244				

7 Nontaxable Use of Liquefied Petroleum Gas (LPG) in Certain Buses

	(a) Type of use	(b) Rate	(c) Gallons	(d) Amount of credit		(e) CRN
a Intercity and local buses		\$.062	}	\$		304
b Qualified local and school buses		.136				

8 Gasohol Blending

Claimant bought gasoline taxed at the full rate and blended it with alcohol to make gasohol. The gasohol was used or sold for use in a trade or business. For **each batch** of gasohol, claimant has the required information relating to the purchase of the gasoline and alcohol used to make the gasohol and to support the amount claimed.

Percentage of alcohol in the gasohol	(a) Rate	Gallons of		(d) Amount of credit (col. (a) × col. (b))	(e) CRN
		(b) Gasoline	(c) Alcohol		
a At least 10% alcohol	\$.03956	}		\$	302
b At least 7.7% alcohol but less than 10% alcohol	.0297				
c At least 5.7% alcohol but less than 7.7% alcohol	.02152				

9 Total income tax credit claimed. Add lines 1 through 8. Enter here and on Form 1040, line 63 (also check box b on line 63); Form 1120, line 32g; Form 1120-A, line 28g; Form 1120S, line 23c; Form 1041, line 24g; or the proper line of other returns ▶	9	\$	732	00	
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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.ustreas.gov. While visiting our Web Site, you can select:

- *Frequently Asked Tax Questions* to find answers to questions you may have.
- *Fill-in Forms* to complete tax forms online.
- *Forms and Publications* to download forms and publications or search publications by topic or keyword.
- *Comments & Help* to e-mail us with comments about the site or with tax questions.
- *Digital Dispatch* and *IRS Local News Net* to receive our electronic newsletters on hot tax issues and news.

You can also reach us with your computer using any of the following.

- Telnet at iris.irs.ustreas.gov
- File Transfer Protocol at ftp.irs.ustreas.gov
- Direct dial (by modem) **703-321-8020**

 **TaxFax Service.** Using the phone attached to your fax machine, you can receive forms, instructions, and tax

information 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 assistors 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 pick up certain forms, instructions, and publications at many post offices, libraries, and

IRS offices. Some libraries and IRS offices have an extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs.



Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response 7 to 15 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) for \$25.00 by calling 1-877-233-6767 or for \$18.00 on the Internet at www.irs.ustreas.gov/cdorders. The first release is available in mid-December and the final release is available in late January.

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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 1999
- 553 Highlights of 1998 Tax Changes
- 595 Tax Highlights for Commercial Fishermen
- 910 Guide to Free Tax Services

Employer's Guides

- 15 Employer's Tax Guide (Circular E)
- 15-A Employer's Supplemental Tax Guide
- 51 Agricultural Employer's Tax Guide (Circular A)
- 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 Guía Contributiva Federal Para Patronos Puertorriqueños (Circular PR)
- 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 1999
- 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
- 953 International Tax Information for Businesses
- 1544 Reporting Cash Payments of Over \$10,000
- 1546 The Problem Resolution Program of the Internal Revenue Service

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 E Supplemental Income and Loss*	11344	4562 Depreciation and Amortization*	12906
Sch F Profit or Loss From Farming*	11346	4797 Sales of Business Property*	13086
Sch H Household Employment Taxes*	12187	4868 Application for Automatic Extension of Time To File U.S. Individual Income Tax Return*	13141
Sch J Farm Income Averaging*	25513	5329 Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs*	13329
Sch R Credit for the Elderly or the Disabled*	11359	6252 Installment Sale Income*	13601
Sch SE Self-Employment Tax*	11358	8283 Noncash Charitable Contributions*	62299
1040-ES Estimated Tax for Individuals*	11340	8300 Report of Cash Payments Over \$10,000 Received in a Trade or Business*	62133
1040X Amended U.S. Individual Income Tax Return*	11360	8582 Passive Activity Loss Limitations*	63704
1065 U.S. Partnership Return of Income	11390	8606 Nondeductible IRAs*	63966
Sch D Capital Gains and Losses	11393	8822 Change of Address*	12081
Sch K-1 Partner's Share of Income, Credits, Deductions, etc.	11394	8829 Expenses for Business Use of Your Home*	13232
1120 U.S. Corporation Income Tax Return	11450		
1120-A U.S. Corporation Short-Form Income Tax Return	11456		

Tax Publications for Individual 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 1999
- 553 Highlights of 1998 Tax Changes
- 595 Tax Highlights for Commercial Fishermen
- 910 Guide to Free Tax Services

Specialized Publications

- 3 Armed Forces' Tax Guide
- 378 Fuel Tax Credits and Refunds
- 463 Travel, Entertainment, Gift, and Car Expenses
- 501 Exemptions, Standard Deduction, and Filing Information
- 502 Medical and Dental Expenses
- 503 Child and Dependent Care Expenses
- 504 Divorced or Separated Individuals
- 505 Tax Withholding and Estimated Tax
- 508 Educational Expenses
- 514 Foreign Tax Credit for Individuals
- 516 U.S. Government Civilian Employees Stationed Abroad
- 517 Social Security and Other Information for Members of the Clergy and Religious Workers
- 519 U.S. Tax Guide for Aliens
- 520 Scholarships and Fellowships
- 521 Moving Expenses
- 523 Selling Your Home
- 524 Credit for the Elderly or the Disabled
- 525 Taxable and Nontaxable Income
- 526 Charitable Contributions
- 527 Residential Rental Property
- 529 Miscellaneous Deductions

- 530 Tax Information for First-Time Homeowners
- 531 Reporting Tip Income
- 533 Self-Employment Tax
- 534 Depreciating Property Placed in Service Before 1987
- 537 Installment Sales
- 541 Partnerships
- 544 Sales and Other Dispositions of Assets
- 547 Casualties, Disasters, and Thefts (Business and Nonbusiness)
- 550 Investment Income and Expenses
- 551 Basis of Assets
- 552 Recordkeeping for Individuals
- 554 Older Americans' Tax Guide
- 555 Community Property
- 556 Examination of Returns, Appeal Rights, and Claims for Refund
- 559 Survivors, Executors, and Administrators
- 561 Determining the Value of Donated Property
- 564 Mutual Fund Distributions
- 570 Tax Guide for Individuals With Income From U.S. Possessions
- 575 Pension and Annuity Income
- 584 Nonbusiness Disaster, Casualty, and Theft Loss Workbook
- 587 Business Use of Your Home (Including Use by Day-Care Providers)
- 590 Individual Retirement Arrangements (IRAs) (Including Roth IRAs and Education IRAs)
- 593 Tax Highlights for U.S. Citizens and Residents Going Abroad
- 594 Understanding the Collection Process
- 596 Earned Income Credit
- 721 Tax Guide to U.S. Civil Service Retirement Benefits

- 901 U.S. Tax Treaties
- 907 Tax Highlights for Persons with Disabilities
- 908 Bankruptcy Tax Guide
- 911 Direct Sellers
- 915 Social Security and Equivalent Railroad Retirement Benefits
- 919 Is My Withholding Correct for 1999?
- 925 Passive Activity and At-Risk Rules
- 926 Household Employer's Tax Guide
- 929 Tax Rules for Children and Dependents
- 936 Home Mortgage Interest Deduction
- 946 How To Depreciate Property
- 947 Practice Before the IRS and Power of Attorney
- 950 Introduction to Estate and Gift Taxes
- 967 IRS Will Figure Your Tax
- 968 Tax Benefits for Adoption
- 970 Tax Benefits for Higher Education
- 971 Innocent Spouse Relief
- 1542 Per Diem Rates
- 1544 Reporting Cash Payments of Over \$10,000
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Sch A & B Itemized Deductions & Interest and Ordinary Dividends	11330	2106-EZ Unreimbursed Employee Business Expenses	20604
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Sch C-EZ Net Profit From Business	14374	2441 Child and Dependent Care Expenses	11862
Sch D Capital Gains and Losses	11338	2848 Power of Attorney and Declaration of Representative	11980
Sch E Supplemental Income and Loss	11344	3903 Moving Expenses	12490
Sch EIC Earned Income Credit	11339	4562 Depreciation and Amortization	12906
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	4952 Investment Interest Expense Deduction	13177
Sch J Farm Income Averaging	25513	5329 Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	13329
Sch R Credit for the Elderly or the Disabled	11359	6251 Alternative Minimum Tax-Individuals	13600
Sch SE Self-Employment Tax	11358	8283 Noncash Charitable Contributions	62294
1040A U.S. Individual Income Tax Return	11327	8582 Passive Activity Loss Limitations	63704
Sch 1 Interest and Ordinary Dividends for Form 1040A Filers	12075	8606 Nondeductible IRAs	63966
Sch 2 Child and Dependent Care Expenses for Form 1040A Filers	10749	8812 Additional Child Tax Credit	10644
Sch 3 Credit for the Elderly or the Disabled for Form 1040A Filers	12064	8822 Change of Address	12081
1040EZ Income Tax Return for Single and Joint Filers With No Dependents	11329	8829 Expenses for Business Use of Your Home	13232
1040-ES Estimated Tax for Individuals	11340	8863 Education Credits	25379
1040X Amended U.S. Individual Income Tax Return	11360		