

V.E.E.T.C.
Alcohol (Ethanol)
Fuel Tax Credit

MIXTURE and USE

**Claiming Credits and Receiving
Payment for Excess Credits**

- A. The excise tax credit and income tax credit for alcohol are in effect as of January 1, 2005.**
- B. The definition of a “mixture” as it applies to the “mixture credit” is that any quantity of alcohol that is blended into taxable fuel would qualify the mixture for credit (i.e. 1%, 20%, 99%, etc.).**
- C. Eligible entities are currently able to file claims with the Service for credits and/or payments. Claimants must follow the procedures outlined in Notice 2005-04 which includes the following mandatory steps:**

Claiming Credits and Receiving Payment for Excess Credits

- **Blenders must use Form 720, Quarterly Federal Excise Tax Form to claim their credit(s) against their IRC 4081 excise tax liability and any excess credit refund. They may also use Form 8849 for the excess credit refund or if they have no IRC 4081 liability.**
- **Blenders may use Form 4136, Credit for Federal Tax Paid on Fuels for any excess credit refund when claiming an income tax credit. If not required to use Form 8864 or 3800 (AMT).**
- **Straight alcohol users/retail sellers must use Form 4136, Credit for Federal Tax Paid on Fuels and claim an income tax credit. If not required to use Form 8864 or 3800.**

Ethanol Producer and Blender Registration

- A. Producers and importers of alcohol must receive an “AF” designation by applying for it on Form 637.**
- B. Blenders must receive a 637 “M” designation by applying for it on Form 637.**
- C. Current 637 “T” registrants will be treated as blenders until July 1, 2005.**
- D. Blenders must pay the full .184 cents on each blended gallon of gasoline, then file for a refund of the credit.**
- E. Credit provision terminates December 31, 2010 Code Sec. 6426(b)(5).**

Credit Forms Instructions

- A. When a blender reports a tax liability, they would utilize Form 720 reporting the gallons of alcohol blended, calculate the total tax and report it on Part I, Line 62. Then claim the entire value of their Alcohol Mixture Credit in Schedule C, sections 14 and 16. Then carry the total to Form 720, Part III, Line 4. If the value of the credit exceeds the total tax, they would show a negative balance and request a refund on their Form 720, Part III, line 11.

- B. When a blender has no tax liability to report, they would utilize Form 8849, Schedule 3, section I to make a claim for their alcohol mixture credits.

- C. Straight alcohol user/sellers must use Form 4136, Credit for Federal Tax Paid on Fuels and claim an income tax credit. If not required to use Form 8864 or 3800 (AMT).

ALCOHOL CREDITS

Claims Filed by:	Reason	Type Fuel	Form	Minimum \$	Frequency	Interest
Alcohol Blender	Blending	Gasoline	(1) 720	\$200	Quarterly	No
(M) Registration (T) Before 07/01/2005		Diesel	(2) 8849	Paper - \$200	Weekly	Yes
		Kerosene		Electronic - Any	Weekly	Yes
Straight Alcohol (4)	Use/Sale		(3) 4136	Any	Annual	No
			3800	Any	Annual	No
			8864	Any	Annual	No

ALCOHOL MIXTURES CREDIT OR REFUND

(1) Quarterly F720 claims cannot be filed unless an IRC 4081 excise tax liability is shown.

(a) The claim on Form 720 (Schedule "C") can exceed the IRC 4081 liability reported.

(b) Filing date: Claimed on Form 720 filed by the last day of the month following the latest month included in the claim.

ALCOHOL MIXTURES CREDIT OR REFUND

(2) Form 8849 (Schedule 3) for remainder or Blender with no IRC 4081 liability.

(a) Filing date: By last day of the first quarter following the earliest quarter of the claimant's income tax year, included in the claim.

(b) Interest is paid if claim is not paid within:

(1) 45 days for paper submissions

(2) 20 days for electronic claims

ALCOHOL MIXTURES CREDIT OR REFUND

- (3) Claims on F4136 on income tax return for remainder.**
 - (a) Filing date: by normal statute date for filing a claim for credit or refund for income tax (3 years from due date or return filed) or**

- (4) Claims on F4136 on income tax return for :**
 - (a) Straight alcohol user/retail seller into road vehicle tank is allowed a General Business Credit only. (IRC 38)**
 - (1) Filing date: by normal statute date for filing a claim for credit or refund for income tax (3 years from due date or return filed).**

- (5) Terminates December 31, 2010 (Code Sec. 6426(b)(5)).**

Agri-Biodiesel/Biodiesel Tax Credit

MIXTURE and USE

Agri/Bio-diesel Producer and Blender Registration

- A. Everyone producing bio-diesel, or importing bio-diesel, must be registered by the Internal Revenue Service by July 1, 2005.
- B. Producers and importers of agribio-diesel must receive an "AB" designation by applying for it on Form 637.
- C. Producers and importers of bio-diesel (other than agribio-diesel) must receive an "NB" designation by applying for it on Form 637.
- D. Blenders must receive a 637 "M" designation by applying for it on Form 637.
- E. Current 637 "T" registrants will be treated as blenders until July 1, 2005.
- F. Application for registration is to be done via IRS Form 637.
- G. Credit provision terminates December 31, 2006 Code Sec. 6426(c)(6).

Certificate For Bio-diesel

- A. The JOBS Act states that a bio-diesel mixture credit is not allowed unless the producer of the mixture (i.e. blender) obtains a certificate from the bio-diesel producer that identifies the product as "bio-diesel" or "agribio-diesel", that it is properly registered as a fuel with the EPA and that it meets the requirements of ASTM D 6751.
- B. The Notice provides a Certificate for Bio-diesel to be utilized. A blender must get a Certificate directly from the producer of the B100. The Notice does not say a Certificate is transferable.
- C. In making a claim to the Service for credits and/or refund, the claiming entity must have the necessary certificates in hand prior to making a claim.
- D. The claim must contain a statement that the claimant has in his possession an unexpired certificate from the producer. The claimant should retain the certificate as a part of their business records in support of the claim.

Claiming Credits and Receiving Payment for Excess Credits

- A. The excise tax credit and income tax credit for biodiesel/agri-biodiesel are in effect as of January 1, 2005.**
- B. The definition of a “mixture” as it applies to the “mixture credit” is that any quantity of biodiesel or agri-biodiesel that is blended into diesel fuel or heating oil would qualify the mixture for credit (i.e. 1%, 20%, 99%, etc.).**
- C. Eligible entities are currently able to file claims with the Service for credits and/or payments. Claimants must follow the procedures outlined in Notice 2005-04 which includes the following mandatory steps:**

Claiming Credits and Receiving Payment for Excess Credits

- Blenders must use Form 720, Quarterly Federal Excise Tax Form and Form 8849 to claim their credit(s) in excess of the IRC 4081 excise tax liability on their Form 720 or**
- Blenders must use Form 4136, Credit for Federal Tax Paid on Fuels when claiming an income tax credit. If not required to use Form 8864 or 3800.**
- B100 (Bio-diesel/agribio-diesel) users must use Form 4136, Credit for Federal Tax Paid on Fuels and claim an income tax credit. If not required to use Form 8864 or 3800.**

Claiming Credits and Receiving Payment for Excess Credits

- D. Claimants will make claims in accordance with the process as prescribed in Notice 2005-04. Timing for payments is consistent to those outlined in the JOBS Act:**
- i. Within 45 days (paper claims) w/out interest accruing.**
 - ii. Within 20 days (electronic claims) w/out interest accruing.**

Application of These Rules to a Practical Scenario

- A. When a blender reports a tax liability (ie. blending into undyed diesel), they would utilize Form 720 reporting the gallons of Agri/bio-diesel blended, calculate the total tax and report it on Part I, Line 60(c). Then claim the entire value of their Bio-diesel Mixture Credit in Schedule C, sections 13 and 16. Then carry the total to Form 720, Part III, Line 4. If the value of the credit exceeds the total tax, they would show a negative balance and request a refund on their Form 720, Part III, line 11.**
- B. When a blender has no tax liability to report (ie. blending only into dyed diesel), they would utilize Form 8849 to make a claim for their biodiesel mixture credits.**
- C. Agri/bio-diesel users must use Form 4136, Credit for Federal Tax Paid on Fuels and claim an income tax credit. If not required to use Form 8864 or 3800.**

IMPORTANT

Blending undyed Agri/biodiesel into dyed diesel fuel

- **Blenders must take necessary action to ensure the finished blend meets required federal dye concentration specifications of 11 PPM . If not, the blended fuel would be subject to taxation.**
- **TR §48.4082-1. Diesel fuel and kerosene; exemption for dyed fuel:**
 - (1) 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 diesel fuel or kerosene; or**
 - (2) Any dye of a type and in a concentration that has been approved by the Commissioner.**

IMPORTANT

Blending undyed Agri/biodiesel into dyed diesel fuel

- **New fuel fraud provisions passed in the (JOBS Act) PL 108-357, Section 854(c) require that all dye added to diesel fuel must be blended via “mechanical injection”. This provision becomes effective 180 days after the enactment of the ACT.**
- **EFFECTIVE 10/24/2005**
TR §48.4082-1T Diesel fuel and kerosene; exemption for dyed fuel (temporary).
- **(d) Time method for adding dye--(1) In general. Except as provided by paragraph (d)(6) of this section, diesel fuel or kerosene satisfies the dyeing requirements of this paragraph (d) only if the dye required by §48.4082-1(b) is combined with the diesel fuel or kerosene by means of a mechanical injection system that is approved by the Commissioner for use at the facility where the dyeing occurs. Application for approval must be made in the form and manner required by the Commissioner. Rules similar to the rules of §48.4101-1(g) apply to the Commissioner’s action on the applications.**

BIO-DIESEL CREDIT

Claims Filed by:	Reason	Type Fuel	Form	Minimum \$	Frequency	Interest
Bio-diesel Blender	Blending or Use	Clear or Dyed (5)	(1) 720	\$200	Quarterly	No
(M) Registration			(2) 8849	Paper - \$200	Weekly	Yes
(T) Before 07/01/2005			(3) 4136	Electronic - Any	Weekly	Yes
Agribio-diesel (B100) User	Use	B100	(4) 3800	Any	Annual	No
Bio-diesel User			8864	Any	Annual	No
** Bio-diesel Certificate	Required					

BIODIESEL MIXTURES CREDIT OR REFUND

- (1) Quarterly F720 claims cannot be filed unless an IRC 4081 excise tax liability is shown.
 - (a) The claim on Form 720 (Schedule "C") can exceed the IRC 4081 liability reported.
 - (b) Filing date: Claimed on Form 720 filed by the last day of the month following the latest month included in the claim.
- (2) Form 8849 (Schedule 3) for remainder or Blender with no IRC 4081 liability.
 - (a) Filing date: By last day of the first quarter following the earliest quarter of the claimant's income tax year, included in the claim.
 - (b) Interest is paid if claim is not paid within:
 - (1) 45 days for paper submissions
 - (2) 20 days for electronic claims

BIODIESEL MIXTURES CREDIT OR REFUND

- (3) Claims on F4136 on income tax return for remainder.**
 - (a) Filing date: by normal statute date for filing a claim for credit or refund for income tax (3 years from due date or return filed) or**

- (4) Agri/bio-diesel user is allowed a General Business Credit only. (IRC 38)**
 - Bio-diesel user is allowed a General Business Credit only. (IRC 38)**
 - (a) Filing date: by normal statute date for filing a claim for credit or refund for income tax (3 years from due date or return filed).**

- (5) (6) Terminates December 31, 2006 (Code Sec. 6426(c)(6).**