50¢ PER GALLON FEDERAL TAX CREDIT FOR **PROPANE USED IN MOTOR VEHICLES**

Beginning October 1, 2006, propane used in motor vehicles is eligible for a 50-cent-per-gallon federal motor fuel tax credit. The credit runs through December 31, 2009, and could be extended. The Alternative Fuels Research & Education Division (AFRED) has prepared the following Q&A for marketers and onroad propane vehicle operators.

1. Who is eligible for the tax credit?

Private individuals, propane suppliers, private companies, non-profit agencies and state and local government entities.

2. Does propane used in a bi-fuel vehicle qualify?

Yes. Propane used in a motor vehicle is eligible for the credit.

3. Who files for the tax credit?

The Alternative Fueler claims the credit.

Example A. A propane retailer refuels a privately owned or government vehicle at his/her retail outlet. The retailer is the Alternative Fueler.

Example B. A propane retailer sells bulk fuel to a motor fuel customer. The customer gives the retailer a written statement saying that all the fuel purchased will be used for a taxable use.

The propane retailer is the Alternative Fueler. With no written statement, the customer is the Alternative Fueler.

Example C. A propane retailer sells bulk fuel to a state or local government motor-fuel customer. The customer refuels its own vehicles. The customer is the Alternative Fueler.

4. What IRS forms are needed to claim the credit?

Each entity wishing to claim the credit must register by filing IRS Form 637. A sample Form 637 is available at www.propane.tx.gov. Once approved, the IRS will issue a 637 number with "AL" at the end, indicating IRS authorization to file as an alternative fueler.

Private entities claim the tax refund on their income tax return at the end of the year using IRS Form 4136, "Credit for Federal Tax Paid on Fuels."

State and local government entities submit Form 8849, "Claim for Refund of Excise Taxes," on the gallons they use in a forklift or motor vehicle. They can file quarterly, as long as they claim a credit of $750 or more on each filing.

Retail propane companies claim the credit on Form 720 against the amount of motor fuel excise tax paid for propane sales, and then claim the remainder of the credit on their income tax, using Form 4136.

5. Where do I obtain the forms?

You can download the forms at www.irs.gov and type the form number in the search box. You can view a sample completed Form 637 on AFRED's web site, www.propane.tx.gov.

6. What happens if my tax credit is higher than my income tax owed?

If your business doesn't have enough tax liability, the remainder of the credit is issued as a refund.

7. How long do I have to file for the credit?

The credit must be claimed within three years following the close of the year the claim occurred.

8. Is there a limit to the amount I can claim?

No. You must have on file proper documentation of the propane purchased and used in the vehicle during the period of the claim.

9. What records do I need?

If you are an ultimate purchaser, you must keep the following records:

- The number of gallons purchased and used during the period covered by your claim.
- The dates of the purchases.
- The names and addresses of suppliers and amounts purchased from each in the period covered by your claim.
- Maintain records at least 4 years after you filed claim.

For more information about the propane motor fuel excise tax credit, contact Heather Ball, Railroad Commission of Texas, at (512) 463-7359 or e-mail heather.ball@rrc.state.

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Web site: www.propane.tx.gov • Phone: (800) 64–CLEAR