

Propane Transportation Tax Incentives Webinar

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Engine Fuel Tax Incentives

Three major tax credits passed in 2005:

- Alternative fuel vehicles (*Energy Bill*)
 - Alternative fuel refueling infrastructure (*Energy Bill*)
 - Retail sale of alternative fuels (*Highway Bill*)
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- Benefit of credits: deducted from tax owed rather than taxable income

(Note: Consult your tax advisors for specific advice on tax credits before submitting information to IRS)

Alternative Fuel Vehicles

- Tax credit for purchase of qualified alternative fuel motor vehicle
 - Applies to consumer purchasing vehicle
 - Must operate on an alternative fuel, e.g. propane
 - Applies to both new AND conversion vehicles
- Credit effective thru December 31, 2010

Alternative Fuel Vehicles (cont.)

- Purchaser receives tax credit equal to 50% of incremental cost of vehicle (over cost of conventional fuel vehicle)
 - Additional 30% if vehicle meets more rigorous emission standards
- Maximum incremental costs and credit amount capped and based on vehicle weight

Alternative Fuel Vehicles (cont.)

Vehicle Wt. class (lbs)	Maximum Allowable Incremental Cost	Maximum Base Credit	Maximum Additional Credit	Maximum Allowable Credit
< 8500	\$5,000	\$2,500	\$1,500	\$4,000
8500 ≤ 14,000	\$10,000	\$5,000	\$3,000	\$8,000
14,001 ≤ 26,000	\$25,000	\$12,500	\$7,500	\$20,000
> 26,000	\$40,000	\$20,000	\$12,000	\$32,000

Alternative Fuel Vehicles (cont.)

- Manufacturer/Converter must provide certification that vehicle qualifies for credit
 - IRS Notice 2006-54 specifies what is to be provided to purchaser
- Credit applies to mixed fuel vehicles
 - 75% alt. fuel; vehicle eligible for 70% of credit
 - 90% alt. fuel, vehicle eligible for 90% of credit
- Tax exempt entities (e.g. municipality)
 - Credit transfers from purchaser to seller
 - Seller must clearly disclose and document amount of credit to be taken
- See IRS Form 8910 (Alternative Motor Vehicle Credit)

Refueling Infrastructure

- Applies to property used for storage and dispensing of propane at point where fuel is delivered into the tank of a motor vehicle.
- 50% credit for the cost of installing alternative fuel refueling infrastructure*
 - used in a taxpayer's trade or business or at principal residence of taxpayer.

*Up from 30% as part of Economic Stimulus Package

Refueling Infrastructure (cont.)

- Credit Limits:
 - \$50,000 for retail property*
 - \$1000 for residential property
- Credit taken “per location”
 - Cannot take credit for more than one piece of equipment at same location
- See IRS Form 8911 (Alternative Fuel Vehicle Refueling Property Credit) and IRS Notice 2007-43
- Effective thru 12/31/10

*Up from \$30,000 as part of Economic Stimulus Package

Retail Sale of Alternative Fuels

- 50 cent per gallon (cpg) credit for each gallon of alternative fuel sold for vehicle use
- Applies to alternative fuel retailers
 - Must deliver the fuel into the supply tank of motor vehicle
- Effective thru December 31, 2009

Retail Sale of Alternative Fuels (cont.)

- To qualify for credit, must meet two requirements:
 - Tax test
 - Must be liable for excise tax on propane sold for use or used as fuel in a motor vehicle
 - For bulk, must obtain written statement from buyer that fuel will be used for taxable purpose (seller able to claim credit)
 - Registration test
 - Must register with IRS and be classified as an “Alternative Fueler”
 - IRS Form 637

Retail Sale of Alternative Fuels (cont.)

How to claim credit?

- Complete Form 637 to register with IRS
- Complete Form 720 (Quarterly excise tax return)
 - For propane, excise tax is 18.3 cents/gallon
 - Schedule C (Claims) lowers excise tax liability
- Excess alternative fuel credit may then be taken on Form 4136
 - If liability is less than credit, IRS will refund the difference
- Form 8849 may also be used to expedite process

Retail Sale of Alternative Fuels (cont.)

- What if Form 720 not required?
 - Sales still eligible to receive the 50 cpg credit
- So who receives the credit?
 - Retailer only if fuel delivered directly into tank
 - Otherwise, tax exempt entity receives credit
- Forklifts?
 - Forklift operator eligible for credit, not retailer
 - Operator needs to register with IRS as Alternative Fueler

Retail Sale of Alternative Fuels (cont.)

Relevant IRS Forms:

- Form 637 (Application for Registration)
- Form 720 (Quarterly Federal Excise Tax Return)
- Form 4136 (Credit for Federal Tax Paid on Fuels)
- Form 8849 (Claim for Refund of Excise Taxes)

Thank you!

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