

Schedule 3 (Form 8849), Certain Fuel Mixtures and the Alternative Fuel Credit (Rev. October 2006)

Purpose: This is the first circulated draft of Schedule 3 (Form 8849) for your review and comments. See below for a discussion of the major changes.

TPCC Meeting: None, but one may be arranged if requested.

Prior Version: The February 2005 Schedule 3 (Form 8849) is available at:

<http://www.irs.gov/pub/irs-pdf/f8849s3.pdf>

Other Products: Circulations of draft tax forms, instructions, notices, and publications are posted at: http://taxforms.web.irs.gov/draft_products.html

Comments: Please email, fax, call, or mail any comments by **August 11, 2006**.

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Major Changes

These changes are based on the Energy Tax Incentives Act of 2005 and the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users or "SAFETEA-LU."

- Schedule 3 is re-titled **Certain Fuel Mixtures and the Alternative Fuel Credit** to reflect the addition of the alternative fuel mixture credit and alternative fuel credit as provided by IRC 6426(d) & 6426(e).
- We changed the title of line 2 to **Biodiesel or Renewable Diesel Mixture Credit**. Change made per IRC 40A(f).
Add line 2c for renewable diesel mixtures (Rate = \$1.00 & CRN 307).
- Under **line 2**, we added that the biodiesel used to produce the biodiesel mixture must meet ASTM D6751 and be registered with the EPA as a fuel and fuel additive under section 211 of the Clean Air Act. This change was requested by CC:PSI:8.

- We added new line 3, **Alternative Fuel Credit and Alternative Fuel Mixture Credit (after Sept. 30, 2006)**. Change made per IRC 6426(d) & 6426(e).
 - Line 3a Liquefied petroleum gas (LPG) (Rate = .50 & CRN 426)
 - Line 3b “P series” fuels (Rate = .50 & CRN 427)
 - Line 3c Compressed natural gas (CNG) (Rate = .50 & CRN 428)
 - Line 3d Liquefied hydrogen (Rate = .50 & CRN 429)
 - Line 3e Any liquid fuel derived from coal (including peat) through the Fischer-Tropsch process (Rate = .50 & CRN 430)
 - Line 3f Liquefied hydrocarbons derived from biomass (Rate = .50 & CRN 431)
 - Line 3g Liquefied natural gas (LNG) (Rate = .50 & CRN 432)

Note. Chief Counsel has not released guidance for the alternative fuel credit and alternative fuel mixture credit. Additional requirements maybe necessary in order to make these claims.
- Under **What’s New**, we added information about the changes discussed above.
- We added **Excise Tax liability** to discuss the tax implications of blending a nontax liquid with a taxable fuel.

**Schedule 3
(Form 8849)**

(Rev. October 2006)
Department of the Treasury
Internal Revenue Service

**Certain Fuel Mixtures and
the Alternative Fuel Credit**

OMB No. 1545-1420

▶ Attach to Form 8849. Do not file with any other schedule.

Name as shown on Form 8849	EIN or SSN	Total refund (see instructions) \$
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Caution. Before claiming a credit on Form 8849, the alcohol fuel mixture credit, biodiesel or renewable diesel mixture credit, alternative fuel mixture credit, and alternative fuel credit must be taken against any taxable fuel liability on Form 720. Any credit in excess of the sections 4041 and 4081 liability can be taken as a claim for payment on Form 8849 or an income tax credit on Form 4136. You cannot claim any amounts on Form 8849 that you claimed (or will claim) on Schedule C (Form 720) or Form 4136.

Claimant's registration no. ▶ _____

Enter your registration number, including the prefix, on the entry line above. Line 3 claimants must enter their registration number.

Period of claim: Enter month, day, and year in MMDDYYYY format.

From ▶ _____ To ▶ _____

1 Alcohol Fuel Mixture Credit

Claimant produced an alcohol fuel mixture by mixing taxable fuel with alcohol. The alcohol fuel mixture was sold by the claimant to any person for use as a fuel or was used as a fuel by the claimant.

	(a) Rate	(b) Gallons of alcohol	(c) Amount of claim <i>Multiply col. (a) by col. (b).</i>	(d) CRN
a Alcohol fuel mixtures containing ethanol	\$.51		\$	393
b Alcohol fuel mixtures containing alcohol (other than ethanol)	.60			394

2 Biodiesel or Renewable Diesel Mixture Credit

Claimant produced a mixture by mixing diesel fuel with biodiesel or renewable diesel. The biodiesel used to produce the biodiesel mixture must meet ASTM D6751 and be registered with the EPA as a fuel and fuel additive under section 211 of the Clean Air Act. The mixture was sold by the claimant to any person for use as a fuel or was used as a fuel by the claimant. For biodiesel, claimant has attached the Certificate for Biodiesel and, if applicable, the Statement of Biodiesel Reseller. For renewable diesel, claimant has a certificate from the producer or importer of the renewable diesel that identifies the product produced and the percentage of renewable diesel in the product.

	(a) Rate	(b) Gallons of biodiesel or renewable diesel	(c) Amount of claim <i>Multiply col. (a) by col. (b).</i>	(d) CRN
a Biodiesel (other than agri-biodiesel) mixtures	\$.50		\$	388
b Agri-biodiesel mixtures	1.00			390
c Renewable diesel mixtures	1.00			307

3 Alternative Fuel Credit and Alternative Fuel Mixture Credit (after September 30, 2006) Registration No. ▶ _____

	(a) Rate	(b) Gallons or gasoline gallon equivalents	(c) Amount of claim <i>Multiply col. (a) by col. (b).</i>	(d) CRN
a Liquefied petroleum gas (LPG)	\$.50		\$	426
b "P Series" fuels	.50			427
c Compressed natural gas (CNG)	.50			428
d Liquefied hydrogen	.50			429
e Any liquid fuel derived from coal (including peat)	.50			430
f Liquid hydrocarbons derived from biomass	.50			431
g Liquefied natural gas (LNG)	.50			432

Instructions

through the Fischer-Tropsch process

What's New

- Renewable diesel will generally be treated the same as biodiesel for refund purposes. Line 2c has been added for renewable diesel mixtures. Effective for renewable diesel sold or used after December 31, 2005.
- Line 3 has been added for the alternative fuel credit and alternative fuel mixture credit. These credits are effective after September 30, 2006.

Coordination With Excise Tax Credit

Only one credit may be taken with respect to any gallon of alcohol reported on line 1 or biodiesel reported on line 2. If any amount is claimed (or will be claimed), with respect to any gallon of alcohol or biodiesel on Form 720 or Form 4136, then a claim cannot be made on Form 8849 for that gallon of alcohol or biodiesel.

~~**Caution.** Before claiming a refund on Form 8849, the mixture credit must first be applied against any taxable fuel liability on Form 720. Any credit in excess of the section 4081 liability can be claimed on Form 8849.~~

Excise Tax Liability

Persons who blend a nontax liquid with taxable fuel to produce a mixture outside the bulk transfer terminal system must pay the excise tax on the volume of liquid in the mixture.

See Form 720 to report these taxes. You also must be registered with the IRS as a blender. See Form 637, Application for Registration (For Certain Excise Tax Activities).

See Claim requirements for each type of claim.

Total Refund

Add all amounts in column (c) and enter the result in the total refund box at the top of the schedule. ~~This amount must be at least \$200 to file a claim.~~

Amount of Refund

Multiply the number of gallons or gasoline gallon equivalents by the rate and enter the result in the boxes for column (c).

How To File

Attach Schedule 3 to Form 8849. On the envelope write "Fuel Mixture and Alternative Fuel Claim" and mail to the IRS at the address under *Where To File* in the Form 8849 instructions.

Line 1. Alcohol Fuel Mixture Credit

Claimant. The person that produced and sold or used the mixture is the only person eligible to make this claim. The credit is based on the gallons of alcohol in the mixture.

Claim requirements. The following requirements must be met.

1. The claim must be for an alcohol fuel mixture sold or used during a period that is at least 1 week.
2. The amount of the claim must be at least \$200. To meet the minimum, amounts from lines 1, 2, and 3 may be combined.
3. The claim must be filed by the last day of the first quarter following the earliest quarter of the claimant's income tax year included in the claim. For example, a calendar-year claimant's claim for an alcohol fuel mixture sold or used during June and July must be filed by September 30.

Note. If requirements 1-3 above are not met, see *Annual Claims* in the Form 8849 instructions.

How to claim the credit. Any alcohol fuel mixture credit must first be taken on Schedule C to reduce your taxable fuel liability reported on Form 720. Any excess credit may be taken on Schedule C (Form 720), Form 8849, Form 4136, or Form 6478. See Notice 2005-4 and Notice 2005-62 for more information.

Line 2. Biodiesel or Renewable Diesel Mixture Credit

Claimant. The person that produced and sold or used the mixture is the only person eligible to make this claim. The credit is based on the gallons of biodiesel or renewable diesel in the mixture.

Claim requirements. The following requirements must be met.

1. The claim must be for a biodiesel or renewable diesel mixture sold or used during a period that is at least 1 week.

2. For the biodiesel mixture credit, the claimant has a certificate from the producer. See *Certificate* below for details.

3. The amount of the claim must be at least \$200. To meet the minimum, amounts from lines 1, 2, and 3 may be combined.

4. The claim must be filed by the last day of the first quarter following the earliest quarter of the claimant's income tax year included in the claim. For example, a calendar-year claimant's claim for a biodiesel mixture sold or used during June and July must be filed by September 30.

Note. If requirements 1-4 above are not met, see *Annual Claims* in the Form 8849 instructions.

Certificate. The Certificate for Biodiesel and, if applicable, Statement of Biodiesel Reseller, must be attached to the first claim filed that is supported by the certificate or statement. See Model Certificate O and Model Certificate S in Pub. 510. If the certificate and statement are not attached to Form 4136 because they are attached to a previously-filed claim on Schedule C (Form 720) or ~~Schedule 3 (Form 8849)~~ for the biodiesel, attach a separate sheet with the following information.

1. Certificate identification number.
2. Total gallons of biodiesel on certificate.
3. Total gallons claimed on Schedule 3 (Form 8849).
4. Total gallons claimed on Schedule C (Form 720), line 13.

How to claim the credit. Any biodiesel or renewable diesel mixture credit must first be taken on Schedule C to reduce your taxable fuel liability reported on Form 720. Any excess credit may be taken on Schedule C (Form 720), Form 8849, Form 4136, or Form 8864. See Notice 2005-4 and Notice 2005-62 for more information.

Line 3. Alternative Fuel Credit and Alternative Fuel Mixture Credit ~~(after September 30, 2006)~~

Claimant. For the alternative fuel credit, the person who sold an alternative fuel for use in a motor vehicle or a motorboat or used an alternative fuel in a motor vehicle or a motorboat is the only person eligible to make this claim. For the alternative fuel mixture credit, the person that produced and sold or used the mixture in their trade or business is the only person eligible to make this claim. The credit is based on the gallons of alternative fuel in the mixture.

Claim requirements. The following requirements must be met.

1. You must be registered by the IRS.
2. The claim must be for an alternative fuel or alternative fuel mixture sold or used (as described above under Claimant) during a period that is at least 1 week.
3. The amount of the claim must be at least \$200. To meet the minimum, amounts from lines 1, 2, and 3 may be combined.
4. The claim must be filed by the last day of the first quarter following the earliest quarter of the claimant's income tax year included in the claim. For example, a calendar-year claimant's claim for an alternative fuel mixture sold or used during June and July must be filed by September 30.

Note. If requirements 1-3 above are not met, see *Annual Claims* in the Form 8849 instructions.