

2006 Form 6478, Credit for Alcohol Used as Fuel

Circulation: This is the first circulated draft of the 2006 Form 6478 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 2005 Form 6478 is available at: <http://www.irs.gov/pub/irs-pdf/f6478.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 **May 28, 2006**.

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Major Changes

On the Form-

[1] Under the **Caution** before Part I, the first bulleted item is removed because the **What's New** section it referred to is removed from the Instructions.

Part I

[2] There are a total of 3 new lines added to the form.

- Line **4** is added to indicate the IRC section 87 inclusion in income of the credit.
- Lines **12** and **13** are added to indicate an allocation of the credit to patrons of cooperatives and beneficiaries of estates or trusts.

All subsequent lines are renumbered accordingly.

[3] Line **6** (old line **5**) is rewritten to direct cooperatives, estates, and trusts, to new line **12** for the allocation. Partnerships and S corporations are directed to Schedules K. Other entities are now directed to line 7.

[4] Line **11** (old line **10**) is rewritten to eliminate the text "**Current year credit.**"

Part II

[5] Lines **17c, d, and e** (old lines **14c, d, and e**) are rewritten because the possessions tax credit is expired and the nonconventional source fuel credit is part of the general business credit and so relegated to the Form 3800 with respect to Part II. In their place now (and previously listed in the instructions) are the qualified electric vehicle credit, the alternative motor vehicle credit, and the alternative fuel vehicle refueling property credit on new lines **17c, d, and e**, respectively.

[6] Line **24** (old line **21**) is rewritten with one set of instructions for **Cooperatives, estates, and trusts**, and a separate set of instructions for **All others**.

In the Instructions-

[1] The **What's New** section is removed.

[2] The second paragraph under the **Note** on page 3, telling filers to skip lines 1 through 3, is eliminated as it is unnecessary.

[3] The **Cooperative election** information under line 1 is moved from the first column of page 3 to the second column (under the new line 12 instructions).

[4] Instructions for new line **4** are given a "**Line 4**" heading and taken from the last paragraph of page 2 and moved to page 3.

[5] A portion of the instructions for lines **6** and **12** (old lines **5** and **10**) regarding allocating the credit, are removed from page 3 because similar instructions on the form at lines **6** and **12** suffice.

[6] The instructions for line **14** are eliminated from page 4 because the information is now shown on the form at new lines **17c, d, and e**.

[7] The text "(line 20 is smaller than line 10)" is removed from the new line **24** (old line 21) instructions on page 4 because it is unnecessary.

Credit for Alcohol Used as Fuel

▶ Attach to your tax return.

Name(s) shown on return

Identifying number

Caution: You cannot claim any amounts on Form 6478 that you claimed (or will claim) on Schedule C (Form 720), Form 8849, or Form 4136.

Part I Current Year Credit

Type of Alcohol Fuel	(a) Number of Gallons of Alcohol Sold or Used	(b) Rate *	(c) Column (a) x Column (b)
1 Qualified ethanol fuel production (in gallons) (see instructions for election)	1	\$.10	
2 Alcohol 190 proof or greater and alcohol 190 proof or greater in fuel mixtures	2	\$.51	
3 Alcohol less than 190 proof but at least 150 proof and alcohol less than 190 proof but at least 150 proof in fuel mixtures	3	\$.3778	
4 Add the amounts in column (c) on lines 1, 2, and 3. Include this amount in your income for 2006 (see instructions)			4
5 Alcohol fuel credit from a partnership, S corporation, cooperative, estate, or trust (see instructions)			5
6 Add lines 4 and 5, column (c). Cooperatives, estates, and trusts, go to line 12. Partnerships and S corporations, report on Schedule K the credit allocated to each partner or shareholder. All others continue on to line 6			6
7 Alcohol fuel credit included on line 6 from passive activities (see instructions)			7
8 Subtract line 7 from line 6			8
9 Alcohol fuel credit allowed for 2006 from a passive activity (see instructions)			9
10 Carryback of alcohol fuel credit from 2007 (see instructions)			10
11 Add lines 8 through 10			11
12 Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)			12
13 Cooperatives, estates, and trusts. Subtract line 12 from line 11. Use this amount to complete Part II			13

Last sentence on line 6 should say: All others continue on to line 7.

*Only the rate for ethanol is shown. See instructions for lines 2 and 3 for rates for alcohol other than ethanol.

Part II Allowable Credit **Caution:** If you have both an alcohol fuel credit and a credit from Section B of Form 8835, do not complete Part II below. Instead, go to Form 8835 (see instructions).

14 Regular tax before credits (see instructions)		14
15 Alternative minimum tax (see instructions)		15
16 Add lines 14 and 15		16
17a Foreign tax credit	17a	17f
b Credits from Form 1040, lines 47 through 51 and 52 through 54	17b	
c Qualified electric vehicle (Form 8834, line 20)	17c	
d Alternative motor vehicle credit (Form 8910, line 18)	17d	
e Alternative fuel vehicle refueling property credit (Form 8911, line 19)	17e	
f Add lines 17a through 17e.		
18 Net income tax. Subtract line 17f from line 16. If zero, skip lines 19 through 22 and enter -0- on line 23		18
19 Net regular tax. Subtract line 17f from line 14. If zero or less, enter -0-	19	
20 Enter 25% (.25) of the excess, if any, of line 19 over \$25,000 (see instructions)		20
21 Subtract line 20 from line 18. If zero or less, enter -0-		21
22 General business credit (see instructions)		22
23 Subtract line 22 from line 21. If zero or less, enter -0-		23
24 Credit allowed for the current year. Cooperatives, estates, and trusts. Enter the smaller of line 13 or 23. Report this amount on Form 1120C, line 5c, or Form 1041, Schedule G, line 2c. If line 23 is smaller than line 13, see instructions. All others. Enter the smaller of line 11 or 23. Report this amount on Form 1040, line 55; Form 1120, Schedule J, line 5c; Form 1120-A, Part I, line 2; or the applicable line of your return. If line 23 is smaller than line 11, see instructions		24

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

Use Form 6478 to figure your credit for alcohol used as fuel. You claim the credit for the tax year in which the sale or use occurs. This credit consists of the:

- Alcohol mixture credit,
- Alcohol credit, and
- Small ethanol producer credit.

You may claim or elect not to claim the alcohol fuel credit at any time within 3 years from the due date of your return (determined without regard to extensions) on either an original or an amended return for the tax year of the sale or use.

Caution: Before claiming a credit on Form 6478, the alcohol fuel mixture credit must be taken against any section 4081 liability on Form 720. Any credit in excess of the section 4081 liability can be taken as a claim for payment on Form 8849 or an income tax credit on Form 4136.

Definitions and Special Rules

Qualified Ethanol Fuel Production

This is ethanol produced by an eligible small ethanol producer (defined below) which during the tax year:

1. Does not exceed 15 million gallons;
2. Is sold by the producer to another person—
 - For use by the buyer in the buyer's trade or business to produce a qualified mixture (other than casual off-farm production),
 - For use by the buyer as a fuel in a trade or business, or
 - Who sells the ethanol at retail to another person and puts the ethanol in the retail buyer's fuel tank; or
3. Is used or sold by the producer for any purpose described in 2 above.

Eligible Small Ethanol Producer

This is a person who, at all times during the tax year, has a productive capacity for alcohol of 30 million gallons or less (60 million gallons or less for tax years ending after August 8, 2005). This capacity includes alcohol made from petroleum, natural gas, coal, peat, and alcohol of less than 150 proof.

Alcohol

Alcohol, for credit purposes, includes ethanol and methanol but does not include the following.

- Alcohol produced from petroleum, natural gas, or coal (including peat). Methanol produced from methane gas formed in waste disposal sites is not alcohol produced from natural gas, and is included for credit purposes.
- Alcohol of less than 150 proof. In figuring the proof of any alcohol, disregard any denaturants (additives that make the alcohol unfit for human consumption). The volume of alcohol includes any denaturant up to 5% of the volume of the alcohol and denaturant combined.

The alcohol must not be a mixture with gasoline or special fuel (other than as a denaturant). The credit is for alcohol which during the tax year you:

- Used as a fuel in a trade or business, or
- Sold at retail to another person and put in the fuel tank of that person's vehicle.

However, no credit is allowed for alcohol you used as a fuel in a trade or business if that alcohol was sold in a retail sale described above.

Alcohol Fuel Mixture

The alcohol must be used to make a qualified mixture. A qualified mixture combines alcohol with gasoline or special fuel. The producer of the mixture either:

- Used it as fuel, or
- Sold it as fuel to another person.

The credit is available only to the producer who blends the mixture. The producer must use or sell the mixture in a trade or business and the credit is available only for the year the mixture is sold or used. The credit is not allowed for casual off-farm production of a qualified mixture.

Registration

All producers and importers of alcohol with a proof of at least 190 must be registered with the IRS. See Form 637, Application for Registration (For Certain Excise Tax Activities).

Coordination With Excise Tax Credit

Only one credit may be taken with respect to any gallon of alcohol in a mixture reported on line 2. If any amount is claimed (or will be claimed) with respect to any gallon of alcohol on Form 720, Quarterly Federal Excise Tax Return, Form 8849, Claim for Refund of Excise Taxes, or Form 4136, Credit for Federal Tax Paid on Fuels, then a claim cannot be made on Form 6478 for that gallon of alcohol.

Recapture of Credit

You must pay a tax on each gallon of alcohol (or the alcohol in the mixture) at the rate you used to figure the credit if you:

- Separate the alcohol from the mixture,
- Use the mixture other than as a fuel,
- Mix alcohol on which the credit was allowed for the retail sale,
- Use the alcohol other than as a fuel, or
- Do not use the fuel for the purposes described under *Qualified Ethanol Fuel Production*.

Report the tax on Form 720.

Specific Instructions

Part I. Current Year Credit

Use lines 1 through 3 to figure any alcohol fuel credit from your own trade or business.

Note. We have shown in column (b) the rate for ethanol only. If you have a credit for alcohol other than ethanol, enter in column (b) the applicable rate shown in the instructions for lines 2 and 3.

Line 1

Enter the number of gallons of ethanol, up to 15 million gallons, that meet the conditions listed under *Qualified Ethanol Fuel Production* on page 2. Cooperatives enter any amount of the small ethanol producer credit not allocated to patrons. Multiply by the rate of 10 cents per gallon.

Once made, the election cannot be revoked.

Important: The amount of the credit determined for lines 2 and 3 below with respect to alcohol in qualified mixtures must be reduced by the excise tax benefit for qualified methanol or ethanol fuel reflected on Form 720. See sections 40(c) and 4041(b)(2).

Line 2

Enter the number of gallons of alcohol that is 190 proof or greater **and** alcohol that is 190 proof or greater in qualified mixtures (mixtures of alcohol and gasoline or alcohol and special fuels). For alcohol other than ethanol, the rate is 60 cents per gallon.

Line 3

Enter the number of gallons of alcohol that is less than 190 proof but at least 150 proof **and** alcohol that is less than 190 proof but at least 150 proof in qualified mixtures (mixtures of alcohol and gasoline or alcohol and special fuels). For alcohol other than ethanol, the rate is 45 cents per gallon.

Line 4

The total credit shown in column (c) on lines 1, 2, and 3, must be included in income under "other income" on the applicable line of your income tax return, even if you cannot use all of the credit because of the tax liability limit. However, if you are subject to the alternative minimum tax (AMT), this amount is not income in computing AMT and must be subtracted when figuring your alternative minimum taxable income. Do this by including this amount on line 26 of Form 6251, line 23 of Schedule I, Form 1041, or line 2o of Form 4626.

Line 5

Enter the amount of credit that was allocated to you as a shareholder, partner, beneficiary, or patron.

If your credit from a pass-through entity includes the small ethanol producer credit, you, as a shareholder, partner, beneficiary, or patron, are subject to the 15-million-gallon limitation for line 1 and the 30-million-gallon (60-million-gallon for tax years ending after August 8, 2005) productive capacity limitation for an eligible small ethanol producer. If you receive a small ethanol producer credit from more than one entity, your credit may be limited.

Line 6

If the credit includes the small ethanol producer credit, the S corporation or partnership (other than an electing large partnership) must provide the following additional information:

- The amount of the small ethanol producer credit included as part of the pass-through credit;
- The number of gallons claimed at the entity level for the small ethanol producer credit; and
- The productive capacity of the entity.

Line 7

Enter the amount included on line 6 that is from a passive activity. Generally, a passive activity is a trade or business in which you did not materially participate. Rental activities are generally considered passive activities, whether or not you materially participate. For details, see Form 8582-CR, Passive Activity Credit Limitations (for individuals, trusts, and estates), or Form 8810, Corporate Passive Activity Loss and Credit Limitations (for corporations).

Line 9

Enter the passive activity credit allowed for the 2006 credit for alcohol used as fuel from Form 8582-CR or Form 8810.

Line 10

Use only if you amend your 2006 return to carry back an unused credit from 2007.

Line 12

Estate or trust. The credit on line 11 is allocated between the estate or trust and the beneficiaries in proportion to the income allocable to each.

Cooperative election to allocate the small ethanol producer credit to patrons. A cooperative described in section 1381(a) can elect to allocate any part of the small ethanol producer credit to patrons of the cooperative. The credit is allocated among the patrons eligible to share in patronage dividends on the basis of the quantity or value of business done with or for the patrons for the tax year.

To make an election, attach a statement to your timely filed return (including extensions) indicating the amounts you would report in columns (a) and (c) on line 1 of Form 6478 without an election, the amounts you are electing to allocate to patrons, and the amounts that will not be allocated.

If you timely filed your return without making an election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding elections). Write "Filed pursuant to section 301.9100-2" on the amended return.

If the credit includes the small ethanol producer credit, the estate or trust must provide the following additional information:

- The amount of the small ethanol producer credit included as part of the pass-through credit;
- The number of gallons claimed by the estate or trust for the small ethanol producer credit; and
- The productive capacity of the estate or trust.

Part II. Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit. However, if you have a current year credit and a credit from Section B of Form 8835, Renewable Electricity and Refined Coal Production Credit, do not complete Part II. Instead, go to Form 8835 to compute the allowable combined credit.

Line 14

Enter the regular tax before credits from the following line of the appropriate form or schedule.

- Individuals: Form 1040, line 44.
- Corporations: Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return.
- Estates and trusts: The sum of the amounts from Form 1041, Schedule G, lines 1a and 1b; or the amount from the applicable line of your return.

Line 15

Enter the alternative minimum tax (AMT) from the following line of the appropriate form or schedule.

- Individuals: Form 6251, line 35.
- Corporations: Form 4626, line 14.
- Estates and trusts: Form 1041, Schedule I, line 56.

Line 20

See section 38(c)(5) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 22

Enter the amount of all other allowed credits for the current year included in the general business credit. If you are filing Form 3800, enter the amount from line 22 of that form plus the following.

- Form 8844, line 24.
- The amount from the last line of any single separate general business credit form.

Line 24

If you cannot use all of the credit because of the tax liability limit, you cannot carry the unused credit back. You can carry the unused credit forward up to 20 years.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	X hr., XX min.
Learning about the law or the form	XX min.
Preparing and sending the form to the IRS	XX min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Credit for Alcohol Used as Fuel

Department of the Treasury
Internal Revenue Service

▶ **Attach to your tax return.**

Name(s) shown on return

Identifying number

Caution: You cannot claim any amounts on Form 6478 that you claimed (or will claim) on Schedule C (Form 720), Form 8849, or Form 4136.

Part I Current Year Credit

Type of Alcohol Fuel	(a) Number of Gallons of Alcohol Sold or Used	(b) Rate *	(c) Column (a) x Column (b)
1 Qualified ethanol fuel production (in gallons) (see instructions for election)	1	\$.10	
2 Alcohol 190 proof or greater and alcohol 190 proof or greater in fuel mixtures	2	\$.51	
3 Alcohol less than 190 proof but at least 150 proof and alcohol less than 190 proof but at least 150 proof in fuel mixtures	3	\$.3778	
4 Add the amounts in column (c) on lines 1, 2, and 3. Include this amount in your income for 2006 (see instructions)			4
5 Alcohol fuel credit from a partnership, S corporation, cooperative, estate, or trust (see instructions)			5
6 Add lines 4 and 5, column (c). Cooperatives, estates, and trusts, go to line 12. Partnerships and S corporations, report on Schedule K the credit allocated to each partner or shareholder. All others continue on to line 6			6
7 Alcohol fuel credit included on line 6 from passive activities (see instructions)			7
8 Subtract line 7 from line 6			8
9 Alcohol fuel credit allowed for 2006 from a passive activity (see instructions)			9
10 Carryback of alcohol fuel credit from 2007 (see instructions)			10
11 Add lines 8 through 10			11
12 Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)			12
13 Cooperatives, estates, and trusts. Subtract line 12 from line 11. Use this amount to complete Part II			13

Last sentence on line 6 should say: All others continue on to line 7.

*Only the rate for ethanol is shown. See instructions for lines 2 and 3 for rates for alcohol other than ethanol.

Part II Allowable Credit **Caution:** If you have both an alcohol fuel credit and a credit from Section B of Form 8835, do not complete Part II below. Instead, go to Form 8835 (see instructions).

14 Regular tax before credits (see instructions)		14
15 Alternative minimum tax (see instructions)		15
16 Add lines 14 and 15		16
17a Foreign tax credit	17a	17f
b Credits from Form 1040, lines 47 through 51 and 52 through 54	17b	
c Qualified electric vehicle (Form 8834, line 20)	17c	
d Alternative motor vehicle credit (Form 8910, line 18)	17d	
e Alternative fuel vehicle refueling property credit (Form 8911, line 19)	17e	
f Add lines 17a through 17e.		
18 Net income tax. Subtract line 17f from line 16. If zero, skip lines 19 through 22 and enter -0- on line 23		18
19 Net regular tax. Subtract line 17f from line 14. If zero or less, enter -0-	19	
20 Enter 25% (.25) of the excess, if any, of line 19 over \$25,000 (see instructions)		20
21 Subtract line 20 from line 18. If zero or less, enter -0-		21
22 General business credit (see instructions)		22
23 Subtract line 22 from line 21. If zero or less, enter -0-		23
24 Credit allowed for the current year. Cooperatives, estates, and trusts. Enter the smaller of line 13 or 23. Report this amount on Form 1120C, line 5c, or Form 1041, Schedule G, line 2c. If line 23 is smaller than line 13, see instructions. All others. Enter the smaller of line 11 or 23. Report this amount on Form 1040, line 55; Form 1120, Schedule J, line 5c; Form 1120-A, Part I, line 2; or the applicable line of your return. If line 23 is smaller than line 11, see instructions		24

General Instructions

Section references are to the Internal Revenue Code.

Purpose of Form

Use Form 6478 to figure your credit for alcohol used as fuel. You claim the credit for the tax year in which the sale or use occurs. This credit consists of the:

- Alcohol mixture credit,
- Alcohol credit, and
- Small ethanol producer credit.

You may claim or elect not to claim the alcohol fuel credit at any time within 3 years from the due date of your return (determined without regard to extensions) on either an original or an amended return for the tax year of the sale or use.

Caution: Before claiming a credit on Form 6478, the alcohol fuel mixture credit must be taken against any section 4081 liability on Form 720. Any credit in excess of the section 4081 liability can be taken as a claim for payment on Form 8849 or an income tax credit on Form 4136.

Definitions and Special Rules

Qualified Ethanol Fuel Production

This is ethanol produced by an eligible small ethanol producer (defined below) which during the tax year:

1. Does not exceed 15 million gallons;
2. Is sold by the producer to another person—
 - For use by the buyer in the buyer's trade or business to produce a qualified mixture (other than casual off-farm production),
 - For use by the buyer as a fuel in a trade or business, or
 - Who sells the ethanol at retail to another person and puts the ethanol in the retail buyer's fuel tank; or
3. Is used or sold by the producer for any purpose described in 2 above.

Eligible Small Ethanol Producer

This is a person who, at all times during the tax year, has a productive capacity for alcohol of 30 million gallons or less (60 million gallons or less for tax years ending after August 8, 2005). This capacity includes alcohol made from petroleum, natural gas, coal, peat, and alcohol of less than 150 proof.

Alcohol

Alcohol, for credit purposes, includes ethanol and methanol but does not include the following.

- Alcohol produced from petroleum, natural gas, or coal (including peat). Methanol produced from methane gas formed in waste disposal sites is not alcohol produced from natural gas, and is included for credit purposes.
- Alcohol of less than 150 proof. In figuring the proof of any alcohol, disregard any denaturants (additives that make the alcohol unfit for human consumption). The volume of alcohol includes any denaturant up to 5% of the volume of the alcohol and denaturant combined.

The alcohol must not be a mixture with gasoline or special fuel (other than as a denaturant). The credit is for alcohol which during the tax year you:

- Used as a fuel in a trade or business, or
- Sold at retail to another person and put in the fuel tank of that person's vehicle.

However, no credit is allowed for alcohol you used as a fuel in a trade or business if that alcohol was sold in a retail sale described above.

Alcohol Fuel Mixture

The alcohol must be used to make a qualified mixture. A qualified mixture combines alcohol with gasoline or special fuel. The producer of the mixture either:

- Used it as fuel, or
- Sold it as fuel to another person.

The credit is available only to the producer who blends the mixture. The producer must use or sell the mixture in a trade or business and the credit is available only for the year the mixture is sold or used. The credit is not allowed for casual off-farm production of a qualified mixture.

Registration

All producers and importers of alcohol with a proof of at least 190 must be registered with the IRS. See Form 637, Application for Registration (For Certain Excise Tax Activities).

Coordination With Excise Tax Credit

Only one credit may be taken with respect to any gallon of alcohol in a mixture reported on line 2. If any amount is claimed (or will be claimed) with respect to any gallon of alcohol on Form 720, Quarterly Federal Excise Tax Return, Form 8849, Claim for Refund of Excise Taxes, or Form 4136, Credit for Federal Tax Paid on Fuels, then a claim cannot be made on Form 6478 for that gallon of alcohol.

Recapture of Credit

You must pay a tax on each gallon of alcohol (or the alcohol in the mixture) at the rate you used to figure the credit if you:

- Separate the alcohol from the mixture,
- Use the mixture other than as a fuel,
- Mix alcohol on which the credit was allowed for the retail sale,
- Use the alcohol other than as a fuel, or
- Do not use the fuel for the purposes described under *Qualified Ethanol Fuel Production*.

Report the tax on Form 720.

Specific Instructions

Part I. Current Year Credit

Use lines 1 through 3 to figure any alcohol fuel credit from your own trade or business.

Note. We have shown in column (b) the rate for ethanol only. If you have a credit for alcohol other than ethanol, enter in column (b) the applicable rate shown in the instructions for lines 2 and 3.

Line 1

Enter the number of gallons of ethanol, up to 15 million gallons, that meet the conditions listed under *Qualified Ethanol Fuel Production* on page 2. Cooperatives enter any amount of the small ethanol producer credit not allocated to patrons. Multiply by the rate of 10 cents per gallon.

Once made, the election cannot be revoked.

Important: The amount of the credit determined for lines 2 and 3 below with respect to alcohol in qualified mixtures must be reduced by the excise tax benefit for qualified methanol or ethanol fuel reflected on Form 720. See sections 40(c) and 4041(b)(2).

Line 2

Enter the number of gallons of alcohol that is 190 proof or greater **and** alcohol that is 190 proof or greater in qualified mixtures (mixtures of alcohol and gasoline or alcohol and special fuels). For alcohol other than ethanol, the rate is 60 cents per gallon.

Line 3

Enter the number of gallons of alcohol that is less than 190 proof but at least 150 proof **and** alcohol that is less than 190 proof but at least 150 proof in qualified mixtures (mixtures of alcohol and gasoline or alcohol and special fuels). For alcohol other than ethanol, the rate is 45 cents per gallon.

Line 4

The total credit shown in column (c) on lines 1, 2, and 3, must be included in income under "other income" on the applicable line of your income tax return, even if you cannot use all of the credit because of the tax liability limit. However, if you are subject to the alternative minimum tax (AMT), this amount is not income in computing AMT and must be subtracted when figuring your alternative minimum taxable income. Do this by including this amount on line 26 of Form 6251, line 23 of Schedule I, Form 1041, or line 2o of Form 4626.

Line 5

Enter the amount of credit that was allocated to you as a shareholder, partner, beneficiary, or patron.

If your credit from a pass-through entity includes the small ethanol producer credit, you, as a shareholder, partner, beneficiary, or patron, are subject to the 15-million-gallon limitation for line 1 and the 30-million-gallon (60-million-gallon for tax years ending after August 8, 2005) productive capacity limitation for an eligible small ethanol producer. If you receive a small ethanol producer credit from more than one entity, your credit may be limited.

Line 6

If the credit includes the small ethanol producer credit, the S corporation or partnership (other than an electing large partnership) must provide the following additional information:

- The amount of the small ethanol producer credit included as part of the pass-through credit;
- The number of gallons claimed at the entity level for the small ethanol producer credit; and
- The productive capacity of the entity.

Line 7

Enter the amount included on line 6 that is from a passive activity. Generally, a passive activity is a trade or business in which you did not materially participate. Rental activities are generally considered passive activities, whether or not you materially participate. For details, see Form 8582-CR, Passive Activity Credit Limitations (for individuals, trusts, and estates), or Form 8810, Corporate Passive Activity Loss and Credit Limitations (for corporations).

Line 9

Enter the passive activity credit allowed for the 2006 credit for alcohol used as fuel from Form 8582-CR or Form 8810.

Line 10

Use only if you amend your 2006 return to carry back an unused credit from 2007.

Line 12

Estate or trust. The credit on line 11 is allocated between the estate or trust and the beneficiaries in proportion to the income allocable to each.

Cooperative election to allocate the small ethanol producer credit to patrons. A cooperative described in section 1381(a) can elect to allocate any part of the small ethanol producer credit to patrons of the cooperative. The credit is allocated among the patrons eligible to share in patronage dividends on the basis of the quantity or value of business done with or for the patrons for the tax year.

To make an election, attach a statement to your timely filed return (including extensions) indicating the amounts you would report in columns (a) and (c) on line 1 of Form 6478 without an election, the amounts you are electing to allocate to patrons, and the amounts that will not be allocated.

If you timely filed your return without making an election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding elections). Write "Filed pursuant to section 301.9100-2" on the amended return.

If the credit includes the small ethanol producer credit, the estate or trust must provide the following additional information:

- The amount of the small ethanol producer credit included as part of the pass-through credit;
- The number of gallons claimed by the estate or trust for the small ethanol producer credit; and
- The productive capacity of the estate or trust.

Part II. Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit. However, if you have a current year credit and a credit from Section B of Form 8835, Renewable Electricity and Refined Coal Production Credit, do not complete Part II. Instead, go to Form 8835 to compute the allowable combined credit.

Line 14

Enter the regular tax before credits from the following line of the appropriate form or schedule.

- Individuals: Form 1040, line 44.
- Corporations: Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return.
- Estates and trusts: The sum of the amounts from Form 1041, Schedule G, lines 1a and 1b; or the amount from the applicable line of your return.

Line 15

Enter the alternative minimum tax (AMT) from the following line of the appropriate form or schedule.

- Individuals: Form 6251, line 35.
- Corporations: Form 4626, line 14.
- Estates and trusts: Form 1041, Schedule I, line 56.

Line 20

See section 38(c)(5) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 22

Enter the amount of all other allowed credits for the current year included in the general business credit. If you are filing Form 3800, enter the amount from line 22 of that form plus the following.

- Form 8844, line 24.
- The amount from the last line of any single separate general business credit form.

Line 24

If you cannot use all of the credit because of the tax liability limit, you cannot carry the unused credit back. You can carry the unused credit forward up to 20 years.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	X hr., XX min.
Learning about the law or the form	XX min.
Preparing and sending the form to the IRS	XX min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.