

## Fourth Quarter 2006 Form 720, Quarterly Federal Excise Tax Return

**Purpose:** This is the first circulated draft of the fourth quarter 2006 Form 720 for your review and comments. See below for a discussion of the major changes.

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

**Prior Version:** The third quarter Form 720 is available at:  
<http://www.irs.gov/pub/irs-pdf/f720.pdf>

**Instructions:** The fourth quarter 2006 Instructions for Form 720 will be circulated at a later date. The third quarter instructions are available at:  
<http://www.irs.gov/pub/irs-pdf/i720.pdf>

**Other Products:** Circulations of draft tax forms, instructions, notices, and publications are posted at: [http://taxforms.web.irs.gov/draft\\_products.html](http://taxforms.web.irs.gov/draft_products.html)

**Comments:** Please email, fax, call, or mail any comments by **September 29, 2006**.

Michael Ecker  
Tax Law Specialist  
SE:W:CAR:MP:T:T:SB  
NCFB C7-265 (Temporary Location)  
Phone: 202-283-0196  
VMS: 202-622-3144  
Fax: 202-283-7008  
Email: [Michael.D.Ecker@irs.gov](mailto:Michael.D.Ecker@irs.gov)

### **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."*

### **Form 720**

- Seven new lines and IRS abstract numbers have been added to page 1 of Form 720 to report the tax on alternative fuels. Change made per IRC 4041(a)(2).  
IRS No. 112: Liquefied petroleum gas (LPG) (Rate = .183)  
IRS No. 118: "P series" fuels (Rate = .184)  
IRS No. 120: Compressed natural gas (CNG) (tax/126.67 cu. ft.) (Rate = .183)  
**Note.** *The gasoline gallon equivalent of CNG for tax purposes is 126.57 cubic feet. This figure is based on the BTU values for CNG (900 BTUs per cubic foot) and gasoline (114,100 BTUs per gallon), as determined by the Department of Energy.*  
IRS No. 121: Liquefied hydrogen (Rate = .184)

IRS No. 122: Any liquid fuel derived from coal (including peat) through the Fischer-Tropsch process (Rate = .244)

IRS No. 123: Liquid hydrocarbons derived from biomass (Rate = .244)

IRS No. 124: Liquefied natural gas (LNG) (Rate = .243)

- The lines reporting LPG (IRS No. 61) and CNG (IRS No. 101) have been deleted because they are now reported as alternative fuel, IRS Nos. 112 and 120 respectively.

### **Schedule C, Form 720**

- Line 6 is now used for **Nontaxable Use of Alternative Fuels**. All subsequent lines were renumbered. Change made per IRC 6427(a).

Line 6a Liquefied petroleum gas (LPG) (Rate = .183 & CRN 419)

Line 6b "P series" fuels (Rate = .183 & CRN 420)

Line 6c Compressed natural gas (CNG) (credit/126.67 cu. ft.) (Rate = .183 & CRN 421)

**Note.** *The gasoline gallon equivalent of CNG for tax purposes (and nontaxable use) is 126.57 cubic feet. This figure is based on the BTU values for CNG (900 BTUs per cubic foot) and gasoline (114,100 BTUs per gallon), as determined by the Department of Energy.*

Line 6d Liquefied hydrogen (Rate = .183 & CRN 422)

Line 6e Any liquid fuel derived from coal (including peat) through the Fischer-Tropsch process (Rate = .243 & CRN 423)

Line 6f Liquid hydrocarbons derived from biomass (Rate = .243 & CRN 424)

Line 6g Liquefied natural gas (LNG) (Rate = .243 & CRN 425)

- We deleted line 11, **Nontaxable Use of Liquefied Petroleum Gas (LPG)**, because these claims are now made on line 6a.
  - We added new line 14, **Alternative Fuel Credit and Alternative Fuel Mixture Credit**. Change made per IRC 6426(d) & 6426(e).
- Line 14a Liquefied petroleum gas (LPG) (Rate = .50 & CRN 426)
- Line 14b "P series" fuels (Rate = .50 & CRN 427)
- Line 14c Compressed natural gas (CNG) (credit/139 cu. ft.) (Rate = .50 & CRN 428)
- Note.** *The gasoline gallon equivalent of CNG for credit purposes is 139 cubic feet. This figure is based on the BTU values for CNG (900 BTUs per cubic foot), as determined by the Department of Energy, and gasoline (124,800 BTUs per gallon), as prescribed by IRC 6426(d)(3).*
- Line 14d Liquefied hydrogen (Rate = .50 & CRN 429)
- Line 14e Any liquid fuel derived from coal (including peat) through the Fischer-Tropsch process (Rate = .50 & CRN 430)
- Line 14f Liquefied hydrocarbons derived from biomass (Rate = .50 & CRN 431)
- Line 14g Liquefied natural gas (LNG) (Rate = .50 & CRN 432)