

2007 Form 4136, Credit for Federal Tax Paid on Fuels

Purpose: This is the first circulated draft of the 2007 Form 4136 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 2006 Form 4136 is available at:
<http://www.irs.gov/pub/irs-pdf/f4136.pdf>.

Instructions: The 2007 Instructions for Form 4136 will be circulated at a later date. The 2006 instructions are available at: <http://www.irs.gov/pub/irs-pdf/i4136.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 **July 13, 2007**, to me and email the form's reviewer, Ron Gamble, at Ronald.W.Gamble@irs.gov.

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Major Changes

- We deleted the reference to line 9 in the **Caution** above line 1.
- **Line 2.** After September 30, 2007, IRC 4081(d)(2), as modified by the Taxpayer Relief Act of 1997 (P.L. 105-34), reduces the tax rate on aviation gasoline from \$.194 to \$.044 per gallon (\$.043 under IRC 4081(a)(2)(A)(ii) plus \$.001 LUST tax). This change affects the credit rates.
 - 2a:** This credit is not available for aviation gasoline purchased at \$.044 (after September 30, 2007). We added a **Caution** and the second credit rate of \$.000. IRC 6421(f)(2)
 - 2b:** After September 30, 2007, the credit rate is \$.043 (\$.044 less \$.001 LUST). IRC 6421(f)(2)
 - 2c:** After September 30, 2007, the credit rate is \$.044 (LUST is refundable on exported fuel). IRC 6421 & 6430

- Line 3.** The credit rate for undyed diesel fuel used in trains (line 3b, CRN 353) is \$.243. This change was made under IRC 4041(a)(1)(C), as amended by P.L. 108-357.
- Line 4.** We added lines 4e and 4f to capture claims for kerosene purchased at \$.044 and \$.219 (aviation rates). The ultimate purchaser can make a claim on these lines for kerosene used outside the propulsion system of an aircraft. This is a general nontaxable use under IRC 6427(l)(1). This change is being made under Chief Counsel guidance.

 - Line 4e:** Nontaxable use taxed at \$.044; Rate: \$.043; CRN 377
 - Line 4f:** Nontaxable use taxed at \$.219; Rate: \$.218; CRN 369
- Line 5.** Lines 9a and 9b move to lines 5c and 5d with minor editorial changes. After September 30, 2007, IRC 4081(d)(2), as modified by the Taxpayer Relief Act of 1997 (P.L. 105-34), reduces the tax rate on kerosene used in noncommercial aviation from \$.219 to \$.044 per gallon (\$.043 under IRC 4081(a)(2)(C)(ii) plus \$.001 LUST tax). This change affects the credit rates.

 - 5b:** This credit is not available for kerosene purchased at \$.044 (after September 30, 2007). We added a **Caution** and the second credit rate of \$.000. IRC 6427(l)(4)(A)
 - 5d:** After September 30, 2007, the credit rate is \$.043 (\$.044 less \$.001 LUST). IRC 6427(l)(1)
- Line 8.** After September 30, 2007, IRC 4081(d)(2), as modified by the Taxpayer Relief Act of 1997 (P.L. 105-34), reduces the tax rate on kerosene used in noncommercial aviation from \$.219 to \$.044 per gallon (\$.043 under IRC 4081(a)(2)(C)(ii) plus \$.001 LUST tax). This change affects the credit rates.

 - 8a:** This credit is not available for kerosene purchased at \$.044 (after September 30, 2007). We added a **Caution** and the second credit rate of \$.000. IRC 6427(l)(4)(A)
 - 8c:** After September 30, 2007, the credit rate is \$.200 (\$.244 less \$.044). IRC 6427(l)(4)(B)
 - 8e:** After September 30, 2007, the credit rate is \$.043 (\$.044 less \$.001 LUST). IRC 6427(l)(1)
- We deleted lines 9, 10, and 11 because they are no longer required. Line 9 entries were moved to line 5. Line 10 was removed because it was a blank line on the prior form. Line 11 was only applicable to liquefied petroleum gas purchased before October 1, 2006. All subsequent lines are renumbered.

- **Line 13.** After September 30, 2007, IRC 4081(d)(2), as modified by the Taxpayer Relief Act of 1997 (P.L. 105-34), reduces the tax rate on kerosene used in noncommercial aviation from \$.219 to \$.044 per gallon (\$.043 under IRC 4081(a)(2)(C)(ii) plus \$.001 LUST tax). This change affects the credit rates.
13c: After September 30, 2007, the credit rate is \$.043 (\$.044 less \$.001 LUST). IRC 6427(l)(1)
- On line 17, **Total income tax credit claimed**, we deleted the reference to Form 1120-A because this form is obsolete for tax years beginning after 2006.