2007 Form 8907 Major Changes

On the Form

- 1] The years are updated in the usual places and at the heading of columns (a), (b), and (c).
- 2] Column (d) is removed because there is no provision for claiming the credit with respect to fuel other than qualified coke and coke gas sold beyond 12/31/2007 at this time (IRC 45K(f)(1)(B) and (e)(2)). All references to column (d) are removed from the form.
- 3] The Form 3800 line reference on lines 14 and 16 is changed from "1s" to "1p" because the lines on the 2007 Form 3800 are renamed.

In the Instructions

- 1] **What's New** is deleted as it was outdated. The first two paragraphs are removed and the third one, regarding who can report the credit directly on Form 3800, is re-positioned under **Purpose of Form**. The Form 3800 line reference in the repositioned paragraph is changed from "1s" to "1p" because the lines on the 2007 Form 3800 are renamed.
- 2] The area, **Changes to the Nonconventional Source Fuel Credit**, is deleted as it was outdated.
- 3] In the second column on page 2, a new bullet is added under **Coke and coke gas** to reflect IRC section 45K(f)(2), which says the original use of a production facility must begin with the taxpayer. In the second bullet, "January 1, 1998," is corrected to read "June 30, 1998."
- 4] Several changes are made to the Line 4 instructions to make it pertain to coke and coke gas alone because there is no provision for claiming the credit with respect to any other fuel sold beyond 12/31/2007 at this time.
- 3] The years are updated in the usual places.

Nonconventional Source Fuel Credit

► Attach to your tax return.

► See instructions.

OMB No. 1545-2008 Attachment

Department of the Treasury Internal Revenue Service Name(s) shown on return Sequence No. 146

Identifying number

Α	Type of qualified fuel (enter code)	(a) Qualified coke and coke gas sold after 12/31/2006	(b) All other qualified fuels sold after 12/31/2005 and	(c) Qualified coke and coke gas	
В	Date the facility was placed in service	and before 1/1/2008	before 1/1/200 <mark>B</mark>	sold after 12/31/2007	
1	Barrel-of-oil equivalents				
2	Enter the product of \$3 multiplied by the inflation adjustment factor. See instructions	13,	120		
3	Multiply line 2 by line 1				
4	Phaseout adjustment. See instructions				
5	Subtract line 4 from line 3 in col. (b). In col. (a) and (c), enter the amount from line 3. If zero or less, enter zero	001.		6	
6	Add columns (a) through (c) on line 5			. 0	
7a	Reduction due to government monies a the total of government grants, procee obligations, and subsidized energy finan all prior tax years	ds of tax-exempt governmen cing for the project for this and	t		
b c d	Enter the total of additions to the capital and all prior tax years		7b 7c 7c	. 7d	
8	Subtract line 7d from line 6			. 8	
9a	Reduction due to energy credit. Enter the section 38 for this and all prior tax yet percentage with respect to the property	ears by reason of the energy			
	Enter the total amount recaptured with on line 9a under section 49(b) or 50(a) and under section 38 for any prior tax y	for this and any prior tax year ear	7, 9b		
	Subtract line 9b from line 9a. If zero or less, enter amount from line 8 on line 10 and go to line 11a			9c 10	
10	Subtract line 9c from line 8			. 10	
11a	Reduction due to enhanced oil recovery total amount allowed for this and all pr enhanced oil recovery credit with respe	ior tax years by reason of any			
b	Enter the total amount of enhanced oil respect to the amount on line 11a for an	recovery credit recapture witl ny prior tax year	h		
С		or less, enter the amount from	•	. 11c	
12					
13	Nonconventional source fuel credit from				
14	Add lines 12 and 13. Estates and trusts, amount on Schedule K; all others, report	rt this amount on Form 3800,	line 1p	. 14	
15	Amount allocated to beneficiaries of the			. 15	
16	Estates and trusts: subtract line 15 from	i line 14. Report this amount	on Form 3800, line 1p	. 16	

Form 8907 (2007)

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.



Purpose of Form

Use Form 8907 to figure the nonconventional source fuel credit. The credit is part of the general business credit. This credit is allowed for a qualified fuel that you produced and that was sold by you to an unrelated person during the tax year. Qualified fuels for this credit are:

- Gas produced from biomass,
- Liquid, gaseous, or solid synthetic fuels produced from
- Coke or coke gas. The coke or coke gas must not be produced in a facility that produces coke or coke gas from petroleum-based products.

See Qualified Fuels below for more information.

Taxpayers that are not partnerships, S corporations, estates, or trusts, and whose only source of this credit is from those pass-through entities, are not required to complete or file this form. Instead, they can report this credit directly on line 1p of Form 3800.



Qualified Fuels

Gas produced from biomass. This fuel qualifies for the

- It is produced by the taxpayer in a facility located in the United States or a U.S. possession that was originally placed in service after December 31, 1992, and before July 1, 1998, (pursuant to a binding written contract in effect before January 1, 1997), and
- The fuel is sold before January 1, 2008.

Biomass means any organic material other than oil, natural gas, and coal (including lignite), or any product thereof.



Liquid, gaseous, or solid fuels produced from coal. This includes lignite and any of these fuels when used as feedstocks. The fuel qualifies for the credit if:

- It is produced by the taxpayer in a facility located in the United States or a U.S. possession that was placed in service after December 31, 1992, and before July 1, 1998, (pursuant to a binding written contract in effect before January 1, 1997),
- The fuel is sold before January 1, 2008.

Coke and coke gas. The fuel qualifies for the credit if:



- It is not produced in a facility that produces coke or coke gas from petroleum-based products,
- It is produced by the taxpayer in a facility located in the United States or a U.S. possession that was placed in service before January 1, 1993, or after June 30, 1998, and before January 1, 2010,
- The original use of the facility began with the taxpayer, and

• The fuel is sold during the period beginning on the later of January 1, 2006, or the date the facility is placed in service and ending 4 years after the date the period began.



You cannot claim the credit for coke or coke gas if the facility used to produce coke or coke gas was used to produce other qualified fuels and a credit **CAUTION** for those fuels was allowed for this tax year or any preceding tax year by section 45K(f) or 29(g), as applicable.

Specific Instructions

Enter a code identifying the type of qualified fuel sold as follows:

- For gas produced from biomass, enter "A".
- For liquid, gaseous, or solid synthetic fuels produced from coal, enter "B".
- For coke or coke gas, enter "C".

Line B

Enter the date the facility was placed in service. If there is more than one facility, attach a statement showing separately for each facility the type of fuel it produced and the date it was placed in service.

Enter the barrel-of-oil equivalent of the qualified fuel in the appropriate column. If you sold more than one type of fuel for any column, compute the barrel-of-oil equivalent separately for each type of fuel and enter the total in the appropriate column. Compute the barrel-of-oil equivalent separately for each type of qualified fuel by:

- 1. Determining the British Thermal Unit (BTU) value of the amount of qualified fuel sold during the year using prevailing industry standards, then
- 2. Dividing the BTU value of the fuel by 5.8 million.

Note. For liquid, gaseous, or solid synthetic fuels produced from coal, do not include the BTU value of any additives used to produce the fuel.



The average barrel-of-oil equivalent for coke and coke gas cannot exceed 4,000 barrels a day. When determining the average, do not take into account days before the date the facility was placed in service.

Line 2

The \$3 amount used to compute the credit must be adjusted by multiplying it by the inflation adjustment factor for the type of qualified fuel and the calendar year in which the sale occurs. The inflation adjustment factor for coke and coke gas will be different from the inflation adjustment factor for all other qualified fuels.

Inflation adjustment factor. The inflation adjustment factor for each calendar year and type of qualified fuel is provided in the Internal Revenue Bulletin in April of the following year. The Internal Revenue Bulletin is available at www.irs.gov/irb.

Form 8907 (2007)

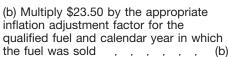
Line 4 Column (b) D

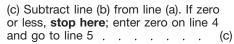


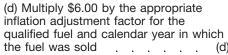
The Tax Relief and Health Care Act of 2006 provides that sales of qualified coke and coke gas are not subject to a phaseout adjustment. Do not **CAUTION** complete the worksheet below for entries made in column (a) or column (c).

The amount of the credit is reduced for other than coke and coke gas if the reference price for domestic crude oil reaches a certain amount. Compute the phaseout adjustment for column (b) line 4 as follows:

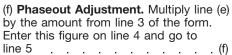
(a) Determine the reference price for the calendar year in which the fuel was sold. The reference price for each calendar year is provided in the Internal Revenue Bulletin in April of the following year







(e) Divide line (c) by line (d)



Line 7a

Enter the sum, for this and all prior tax years, of:

- Grants provided by the United States, a state, or a political subdivision of the state for the project;
- Proceeds of a tax-exempt issue of state or local government obligations used to provide financing for the project; and

 The total amount of subsidized energy financing provided directly or indirectly under a federal, state, or local program provided for the project.

Line 15

Estates and trusts. Allocate the amount on line 14 between the estate and trust and the beneficiaries in proportion to the income allocable to each. On line 15, enter the beneficiaries' allocated amount.

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 Learning about the law or the form Preparing and sending the form to the IRS

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.