


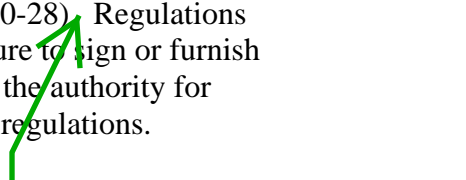
## Description of Major Changes for First Quarter 2008 Form 720, Quarterly Federal Excise Tax Return (Rev. 1-2008)

The Airport and Airway Extension Act of 2008 (P.L. 110-190) extended the termination date under IRC 4081(d)(2) to June 30, 2008. The dual tax and credit rates, which were included on the 4<sup>th</sup> quarter 2007 Form 720, have been deleted.

### Layout Changes

- IRS Nos. 29 (Ship Passenger tax) and 31 (Other Excise Tax) were moved to the bottom of page 1 so we could accommodate the paid preparer's signature box on page 2.

### Form 720

- We deleted IRS No. 71, Dyed diesel fuel used in trains. Section 6(d)(1)(A) of the Tax Technical Corrections Act of 2007 (P.L.110-172) eliminates the double taxation of the leaking underground storage tank (LUST) tax on dyed diesel fuel used in trains. 
- The title of IRS No 111 was changed to "Kerosene for use in aviation, LUST tax on nontaxable uses." This line is no longer applicable to use in foreign trade. This change was made under section 6(d)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172).
- The title of IRS No. 123 was changed to "Liquid fuel derived from biomass." This change was made under section 5(a)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172).
- The new tax rate for IRS No. 106, Arrow Shafts, is \$.043 per shaft. Rev. Proc. 2007-66.
- The new tax rate for IRS No. 64, Inland waterways fuel use tax, is \$.20. Section 6(d)(1)(B) of the Tax Technical Corrections Act of 2007 (P.L.110-172) eliminates the LUST tax on all fuels charged LUST tax under sections 4041(d) and 4081.
- We added new IRS No. 125, LUST tax on inland waterways fuel use, to capture the LUST tax due on fuels not taxed under sections 4041(d) and 4081 (for example, Bunker C residual fuel oil).
- We added the paid preparer signature block under section 8246 of the Small Business and Work Opportunity Tax Act of 2007 (Public Law 110-28). Regulations providing authority for assertion of the preparer penalties for failure to sign or furnish a TIN are anticipated by the end of 2008. IRC section 6061(a) is the authority for adding the preparer's block to 2008 forms before adoption of the regulations. 

We also added the sentence " Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge." to the jurat in the taxpayer signature block because this jurat will also apply to the preparer.

### **Schedule C (Form 720)**

- We added line 2d to capture the LUST claim for aviation gasoline used in foreign trade (type of use 9). This change was made under section 6(d)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172).
- 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 guidance from Chief Counsel, PSI:7.
- We added line 5e to capture the LUST claim for kerosene used in foreign trade (type of use 9). This change was made under section 6(d)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172).
- The title of line 6f was changed to “Liquid fuel derived from biomass.” This change was made under section 5(a)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172).
- We added line 9f to capture the LUST claim for kerosene sold for use in foreign trade (type of use 9). This change was made under section 6(d)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172).
- Under line 14, **Alternative Fuel Credit and Alternative Fuel Mixture Credit**, we deleted the **Caution** because the alternative fuel credit is no longer limited to the section 4041 liability reported on Schedule C. Any credit in excess of the section 4041 liability can be no be claimed on Schedule C, Schedule 3 (Form 8849), or Form 4136. A payment is allowed for the alternative fuel credit under section 6427(i). This change was made under section 5(a)(1) of the Tax Technical Corrections Act of 2007 (P.L.110-172).
- The title of line 14f was changed to “Liquid fuel derived from biomass.” This change was made under section 5(a)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172).

## **Description of Major Changes for First Quarter 2008 Instructions for Form 720, Quarterly Federal Excise Tax Return (Rev. 1-2008)**

The Airport and Airway Extension Act of 2008 (P.L. 110-190) extended the termination dates under IRC 4081(d)(2), 4261(j)(1)(A)(ii), and 4271(d)(1)(A)(ii) to June 30, 2008. All references to the expiration date and dual tax /credit rates, which were included in the 4<sup>th</sup> quarter 2007 Instructions for Form 720, have been deleted.

### **Page 1**

- We deleted the **Caution** because P.L. 110-190, Airport and Airway Extension Act of 2008, extends the expiration dates under sections 4081(d)(2), 4261(j)(1)(A)(ii), and 4271(d)(1)(A)(ii) to June 30, 2008.
  
- **What's New, Changes Effective for the First Calendar Quarter of 2008,** highlights the following changes.
  1. We updated the inflationary dollar figures under **Arrow shafts, Domestic segment tax, and Use of international air travel facilities.** These changes were made per Rev. Proc. 2007-66 and IR-2007-208.
  2. **Dyed diesel fuel used in trains.** We deleted IRS No. 71, Dyed diesel fuel used in trains. Section 6(d)(1)(A) of the Tax Technical Corrections Act of 2007 (P.L.110-172) eliminates the double taxation of the leaking underground storage tank (LUST) tax on dyed diesel fuel used in trains. Therefore, the train operator is not liable for LUST tax because the position holder of the dyed diesel fuel is liable for the LUST tax under IRS No. 105.
  3. **Inland waterways fuel use tax (IRS No. 64).** The inland waterways fuel use tax is \$.20. This change is made per IRC 4042(b)(a)(A)-(C). Section 6(d)(1)(B) of the Tax Technical Corrections Act of 2007 (P.L.110-172) eliminates the LUST tax on all fuels charged LUST tax under sections 4041(d) and 4081.
  4. **LUST tax on inland waterways fuel use (IRS No. 125).** We added new IRS No. 125, LUST tax on inland waterways fuel use, to capture the LUST tax due on fuels not taxed under sections 4041(d) and 4081 (for example, Bunker C residual fuel oil).
  5. **Disregarded entities and qualified subchapter S subsidiaries.** After December 31, 2007, single-member limited liability companies (LLCs) and qualified subchapter S subsidiaries are not disregarded for certain excise taxes. This change was made under T.D. 9356.
  
- Under **Reminders**, we added **Electronic filing.** This topic was discussed under **What's New** in the fourth quarter 2007.
  
- Under **Reminders**, we deleted **Qualified blood collector organizations** because this information has been discussed for 1 year.

### Page 3

- We deleted the **Caution** under **Air Transportation Taxes**, because the expiration date for air transportation taxes was extended to June 30, 2008. This change was made under IRC 4261(j)(1)(A)(ii) and 4271(d)(1)(A)(ii) as modified by P.L. 110-190, Airport and Airway Extension Act of 2008.
- Under **Air Transportation Taxes**, we updated the inflationary dollar figures for Domestic segment tax and Use of international Air Travel Facilities. These changes were made per IR-2007-208.

### Page 4

- We deleted **Dyed diesel fuel used in trains (IRS No. 71)**. Section 6(d)(1)(A) of the Tax Technical Corrections Act of 2007 (P.L.110-172) eliminates the double taxation of the leaking underground storage tank (LUST) tax on dyed diesel fuel used in trains. Therefore, the train operator is not liable for LUST tax because the position holder of the dyed diesel fuel is liable for the LUST tax under IRS No. 105.
- Under **Kerosene for use in aviation (IRS Nos. 69, 77, and 111)**, we deleted information about the tax rate change for IRS No. 69. This change was made under IRC 4081(d)(2) as modified by P.L. 110-190, Airport and Airway Extension Act of 2008.
- Under **Aviation gasoline (IRS No. 14)**, we deleted information about the tax rate change for IRS No. 14. This change was made under IRC 4081(d)(2) as modified

### Page 5

- The title of IRS No. 123 was changed to “Liquid fuel derived from biomass.” This change was made under section 5(a)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172).

### Page 6

- Under **Arrow shafts (IRS No. 106)**, we updated the tax rate per Rev. Proc. 2007-66.

### Page 8

- Under **Additional deposit of taxes in September 2008**, we updated the due date, if paid by EFPTS, for regular method taxes beginning on September 16<sup>th</sup> and alternative method taxes beginning on September 1<sup>st</sup>. Per Regulations sections 40.6302(c)-2 and 40.6302(c)-3, the due date will be September 29, 2008.

## Schedule C—Claims

### Page 9

- We updated the discussion on period of claim to indicate that it should be a date range (MM/DD/YYYY – MM/DD/YYYY).

### Page 10

- **Line 2. Nontaxable Uses of Aviation Gasoline**
  1. Under **Allowable uses**, we added instructions for new line 2d to capture the LUST claim for aviation gasoline used in foreign trade (type of use 9). This change was made under section 6(d)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172)..
  2. We deleted **Claim rate**. This change was made under IRC 4081(d)(2) as modified by P.L. 110-190, Airport and Airway Extension Act of 2008.
- **Line 4. Nontaxable Use of Undyed Kerosene (Other Than Kerosene Used in Aviation)**
  1. Under **Allowable uses**, we added instructions for new 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 guidance from Chief Counsel, PSI:7.
- **Line 5. Kerosene Used in Aviation**
  1. Under **Claimant**, we added new line 5e to the rules applicable to line 5c and 5d.
  2. Under **Allowable uses**, we added instructions for new line 5e to capture the LUST claim for kerosene used in foreign trade (type of use 9). This change was made under section 6(d)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172)..
  3. We deleted **Claim rate**. This change was made under IRC 4081(d)(2) as modified by P.L. 110-190, Airport and Airway Extension Act of 2008.

### Page 12

- **Lines 9a, and 9b. Sales By Registered Ultimate Vendors of Kerosene For Use in Commercial Aviation (Other Than Foreign Trade)**
  1. We deleted **Claim rate**. This change was made under IRC 4081(d)(2) as modified by P.L. 110-190, Airport and Airway Extension Act of 2008.
- **Lines 9c, 9d, 9e, and 9f. Sales By Registered Ultimate Vendors of Kerosene Sold For Use in Noncommercial Aviation**
  1. Under **Claimant**, we added new line 9f to the rules applicable to lines 9d and 9e.
  2. Under **Allowable Sales**, we added instructions for new line 9f to capture the LUST claim for kerosene sold for use in foreign trade (type of use 9). This

change was made under section 6(d)(2) of the Tax Technical Corrections Act of 2007 (P.L.110-172)..

3. We deleted **Claim rate**. This change was made under IRC 4081(d)(2) as modified by P.L. 110-190, Airport and Airway Extension Act of 2008.

- **Lines 10 and 11. Sales By Registered Ultimate Vendors of Gasoline and Aviation Gasoline**

1. We deleted **Claim rate**. This change was made under IRC 4081(d)(2) as modified by P.L. 110-190, Airport and Airway Extension Act of 2008.

**Page 13**

- **Line 13. Biodiesel or Renewable Diesel Mixture Credit**

1. Under **Claim requirements**, we added the requirements for renewable diesel used in a renewable diesel mixture. The requirements are described in Notice 2007-37.

- **Line 14. Alternative Fuel Credit and Alternative Fuel Mixture Credit**

1. Under **Alternative fuel credit**, we added that taxpayers may now claim their additional gallons on Schedule C (Form 720) or Schedule 3 (Form 8849). Previously, the additional gallons could be claimed only on Form 4136. We deleted the method for figuring the reduced number of gallons because the alternative fuel credit is no longer limited the section 4041 liability. Section 5(a)(1) of the Tax Technical Corrections Act of 2007 (P.L. 110-172) allows a payment for the alternative fuel credit.

**Page 14**

- **Line 15d. Diesel-Water Fuel Emulsion**

1. We deleted the reduced credit rate for use in trains. Trains are entitled to the full credit of \$.197 per gallon.

- **Line 15e. Registered Credit Card Issuers.**

1. Under **Claim rates**, we deleted the dual rates and the footnote regarding the expiration date under section 4081(d)(2). This change was made under IRC 4081(d)(2) as modified by P.L. 110-190, Airport and Airway Extension Act of 2008.

**The above major changes resulted in a revision of Form 720 and Instructions, adding 6 code references and 44 line items. The responses were increased by 18,000 to correct a previous computation error.**

**\*\*\*\* These changes created a program change of +777,919, resulting in an overall increase of burden hours to 4,354,623.**

**CAROLYN N. BROWN  
Tax Analyst  
3/5/2008**