

**Alcohol and Cellulosic Biofuel Fuels Credit
(Including Second Generation Biofuel)**

▶ Attach to your tax return.

▶ Information about Form 6478 and its instructions is at www.irs.gov/form6478.

Name(s) shown on return

Identifying number

Reserved

Type of Fuel		(a) Number of Gallons Sold or Used	(b) Rate	(c) Column (a) x Column (b)
1	Reserved	1		
2	Reserved	2		
3	Reserved	3		
4	Reserved	4		
5	Qualified cellulosic biofuel production for fuel sold or used before January 3, 2013 (see instructions for election)	5		
6	Qualified second generation biofuel production for fuel sold or used after January 2, 2013 (see instructions for election)	6		
7	Add the amounts in column (c) on lines 5 and 6. Include this amount in your income for 2012, and enter your IRS registration number (see instructions) _____		7	
8	Alcohol and cellulosic biofuel fuels credit from partnerships, S corporations, cooperatives, estates, and trusts (see instructions)		8	
9	Add lines 7 and 8. Cooperatives, estates, and trusts, go to line 10. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, line 4c		9	
10	Amount allocated to patrons of the cooperative or beneficiaries of the estate or trust (see instructions)		10	
11	Cooperatives, estates, and trusts, subtract line 10 from line 9. Report this amount on Form 3800, line 4c		11	

Reserved

General Instructions

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

Future Developments

For the latest information about developments related to Form 6478 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/form6478.

What's New

- The alcohol mixture, alcohol, and small ethanol producer credits expired for fuels sold or used after 2011.
- The cellulosic biofuel producer credit was extended to cover fuel sold or used through January 2, 2013.
- A second generation biofuel producer credit adds algae-based fuel and covers fuel sold or used after January 2, 2013, and before January 1, 2014.

Purpose of Form

Use Form 6478 to figure your alcohol and cellulosic biofuel fuels credit. You claim the credit for the tax year in which the sale or use occurs. This credit consists of the:

- Cellulosic biofuel producer credit, and
- Second generation biofuel producer credit.

You may claim or elect not to claim the alcohol and cellulosic biofuel fuels 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.

Taxpayers, other than partnerships, S corporations, cooperatives, estates, or trusts, 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 Form 3800.

Qualified Cellulosic Biofuel Production

This is cellulosic biofuel which during the tax year:

1. Is sold by the producer to another person—
 - a. For use by the buyer in the buyer's trade or business to produce a qualified cellulosic biofuel mixture (other than casual off-farm production),
 - b. For use by the buyer as a fuel in a trade or business, or
 - c. Who sells the cellulosic biofuel at retail to another person and puts the cellulosic biofuel in the retail buyer's fuel tank; or
2. Is used or sold by the producer for any purpose described in (1) above.

Qualified cellulosic biofuel production does not include purchasing alcohol and increasing the proof of the alcohol through additional distillation. Nor does it include cellulosic biofuel that is not both produced in the United States or a U.S. possession and used as a fuel in the United States or a U.S. possession.

A qualified cellulosic biofuel mixture combines cellulosic biofuel with gasoline or a special fuel. The producer of the mixture either:

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

Cellulosic Biofuel

Generally, cellulosic biofuel, for credit purposes, is any liquid fuel, which:

- Is produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis,
- Meets the registration requirements for fuels and fuel additives established by the Environmental Protection Agency under section 211 of the Clean Air Act (42 U.S.C. 7545), and
- Is not alcohol of less than 150 proof. In figuring the proof of any alcohol, disregard any added denaturants (additives that make the alcohol unfit for human consumption).

However, cellulosic biofuel does not include any fuel if:

- More than 4% of the fuel (determined by weight) is any combination of water and sediment,
- The ash content of the fuel is more than 1% (determined by weight), or
- The fuel has an acid number greater than 25.

Qualified Second Generation Biofuel Production

This is second generation biofuel which during the tax year:

1. Is sold by the producer to another person—
 - a. For use by the buyer in the buyer's trade or business to produce a qualified second generation biofuel mixture (other than casual off-farm production),
 - b. For use by the buyer as a fuel in a trade or business, or
 - c. Who sells the second generation biofuel at retail to another person and puts the second generation biofuel in the retail buyer's fuel tank; or
2. Is used or sold by the producer for any purpose described in (1) above.

Qualified second generation biofuel production does not include purchasing alcohol and increasing the proof of the alcohol through additional distillation. Nor does it include second generation biofuel that is not both produced in the United States or a U.S. possession and used as a fuel in the United States or a U.S. possession.

A qualified second generation biofuel mixture combines second generation biofuel with gasoline or a special fuel. The producer of the mixture either:

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

Second Generation Biofuel

Generally, second generation biofuel, for credit purposes, is any liquid fuel, which:

- Is derived by, or from, qualified feedstocks,

- Meets the registration requirements for fuels and fuel additives established by the Environmental Protection Agency under section 211 of the Clean Air Act (42 U.S.C. 7545), and

- Is not alcohol of less than 150 proof. In figuring the proof of any alcohol, disregard any added denaturants (additives that make the alcohol unfit for human consumption).

A qualified feedstock is:

- Any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, and
- Any cultivated algae, cyanobacteria, or lemna.

However, second generation biofuel does not include any fuel if:

- More than 4% of the fuel (determined by weight) is any combination of water and sediment,
- The ash content of the fuel is more than 1% (determined by weight), or
- The fuel has an acid number greater than 25.

Special rules for algae. For sales described in (1) under *Qualified Second Generation Biofuel Production*, earlier, second generation biofuel also includes certain liquid fuel, which:

- Is derived by, or from, any cultivated algae, cyanobacteria, or lemna, and
- Is not alcohol of less than 150 proof (disregard any added denaturants).

But only if this fuel is sold by the producer to another person for refining by such other person into a liquid fuel which will meet the registration requirements for fuels and fuel additives established by the Environmental Protection Agency under section 211 of the Clean Air Act (42 U.S.C. 7545), and not include any fuel if:

- More than 4% of the fuel (determined by weight) is any combination of water and sediment,
- The ash content of the fuel is more than 1% (determined by weight), or
- The fuel has an acid number greater than 25.

Also, once this fuel is sold by the producer to another person for refining by such person into a fuel which will meet these requirements, neither the producer nor any other person can use such fuel (or any fuel derived from such fuel) to figure a second credit for qualified second generation biofuel production.

Registration

All producers of cellulosic or second generation biofuel must be registered with the IRS. See Form 637, Application for Registration.

Recapture of Credit

You must pay a tax on each gallon of cellulosic or second generation biofuel at the rate you used to figure the credit if you do not use the fuel for the purposes described under *Qualified Cellulosic Biofuel Production* or *Qualified Second Generation Biofuel Production*, earlier.

Report the tax on Form 720.

Specific Instructions

Lines 1 Through 4

These lines are reserved for future use.

Line 5

Enter the number of gallons of cellulosic biofuel sold or used before January 3, 2013, that meets the conditions listed under *Qualified Cellulosic Biofuel Production*, earlier. Multiply by the rate of \$1.01 per gallon.

Line 6

Enter the number of gallons of second generation biofuel sold or used after January 2, 2013, that meets the conditions listed under *Qualified Second Generation Biofuel Production*, earlier. Multiply by the rate of \$1.01 per gallon.

Line 7

The total credit shown in column (c) on lines 5 and 6 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 figuring AMT and must be subtracted when figuring your alternative minimum taxable income. Do this by including this amount on line 27 of Form 6251, line 23 of Schedule I (Form 1041), or line 2o of Form 4626.

Registration number. To claim a cellulosic or second generation biofuel producer credit on line 5 or line 6, you must be registered with the IRS. Enter your CB registration number in the space provided. For more information, see Form 637 and Publication 510, Excise Taxes.

Line 8

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

If your credit from a pass-through entity includes the small ethanol producer credit, you, as a partner, shareholder, patron, or beneficiary, are subject to the 15-million-gallon production limitation and the 60-million-gallon 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 10

Estate or trust. Allocate the alcohol and cellulosic biofuel fuels credit on line 9 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries' share on line 10.

If the estate or trust is subject to the passive activity rules, include on line 8 any alcohol and cellulosic biofuel fuels credits from passive activities disallowed for prior years and carried forward to this year. Complete Form 8582-CR, Passive Activity Credit Limitations, to determine the allowed credit that must be allocated between the estate or trust and the beneficiaries. For details, see the Instructions for Form 8582-CR.

Cooperative election to allocate the cellulosic or second generation biofuel producer credit to patrons.

A cooperative described in section 1381(a) can elect to allocate any part of the cellulosic or second generation biofuel producer credit to patrons of the cooperative. To make the election, attach a statement to the effect that the cooperative elects to allocate the credit *pro rata* 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.

If the cooperative is subject to the passive activity rules, include on line 8 any small ethanol or cellulosic biofuel producer credits from passive activities disallowed for prior years and carried forward to this year. Complete Form 8810, Corporate Passive Activity Loss and Credit Limitations, to determine the allowed producer credits that can be allocated to patrons. For details, see the Instructions for Form 8810.

The election is not effective unless:

- The statement described above is attached to the timely filed tax return (including extensions) for the tax year associated with the election, and
- The cooperative designates the apportionment in a written notice mailed to its patrons during the payment period described in section 1382(d).

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 extensions). Write "Filed pursuant to section 301.9100-2" on the amended return.

Once made, the election cannot be revoked.

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** 4 hr., 32 min.
- Learning about the law or the form** 53 min.
- Preparing and sending the form to the IRS** 1 hr.

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.