

FEDERAL \$0.50/GALLON MOTOR FUEL TAX-CREDIT UPDATE

CLAIMING THE CREDIT ON BULK PURCHASES AND FORKLIFTS

Most state and local governments, non-profit agencies and users of propane, including forklift operators, will be registering for the first time with the Internal Revenue Service (IRS) as alternative fuel users so they can claim the 50-cents-a-gallon propane alternative fuel excise tax credit on their bulk fuel purchases used in motor vehicles. These entities can claim the credit if they purchase propane in bulk and refuel their own vehicles. For forklift operators, "refueling" is defined as loading a full cylinder onto a forklift, regardless of who filled the cylinder.

Registering for the Credit

Each entity wishing to claim the credit must register. To register, you must file IRS Form 637. A sample form is available at www.propanetx.gov. Once approved, the IRS will issue a 637 number with "AL" at the end, indicating IRS authorization to file as an alternative fueler. If the entity already has a 637 number, the entity must still file an amended form indicating a desire to begin claiming the tax credit.

Entities can expect a response from the IRS within 20 days of filing a correctly filled out Form 637. It's a good idea to send the application via certified mail, in order to have a record of when the application was sent and when the IRS office received it. IRS staff will check on the IRS filing status of the company officers and/or owners listed on the form. They must be in compliance for the application to proceed.

Site Review

After passing the internal review, the Form 637 is forwarded to the appropriate IRS field office for an on-site

inspection. Within 15 days, an agent will contact the entity to schedule a time to review the following information, if applicable:

- W-4 (Employment Tax Reporting)
- IRS Form 2290 (Road Tax for Heavy Vehicles)
- Financial Status
- Internal Financial Controls, including applicant's past payment history for tax liabilities
- Purchases and Sales of Propane
- List of Propane Suppliers
- Presence of Bulk Storage Tank



Recommendation for Approval/Disapproval

Based on the information gathered during the on-site review, the agent will recommend Approval or Disapproval of the registration application.

637 Number Means "You're Registered"

Entities can expect to the IRS to issue them a 637 number within three to four weeks after the on-site visit. The IRS can frequently expedite the process if the entity requests it.

Followup Review

Within six to twelve months after receiving a 637 number, the IRS will in all likelihood send an agent to conduct an on-site review to verify that the registered entity has made the propane purchases it reported and has used the fuel for motor fuel. The agent may cross-check with propane suppliers on sales to the entity as propane motor fuel. If there is a discrepancy, the IRS can assess penalties and pull the 637 registration, which would keep the former registrant from claiming the tax credit.