

# FEDERAL ALTERNATIVE FUEL CREDIT

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## AUTOGAS CUSTOMER FAQs

**Q: When did the 50 cpg credit become available?**

**A:** The credit expired December 31, 2014, but was reinstated in December 2015 and made retroactive to January 1, 2015, while establishing a new expiration date of December 31, 2016. Each gallon of propane used as motor fuel is eligible for the credit, until the current expiration date of December 31, 2016. This refundable credit was 50 cpg for 2015, but was energy content adjusted to 36 cpg for 2016, reflecting the changed energy content calculation of excise tax on autogas that was enacted during 2015.

**Q: Who is eligible to claim the credit?**

**A:** Per Internal Revenue Service (IRS) regulations, only the “fueler” of the vehicle(s) is eligible to claim the credit. This will ensure that only one claim is made for each gallon of fuel. If your vehicle is fueled at a Ferrellgas location, a cardlock, or FuelMaster site that is open to the public, then the owner of that facility is the fueler and is the only entity that can claim the credit. If you purchase propane in bulk, fuel your own vehicles and paid the Federal Excise Tax directly to the IRS by filing Form 720, then you can claim the credit once you are properly registered with the IRS. Customers exempt from the Federal Excise tax may not be required to file Form 720.

**Q: What are the IRS registration requirements?**

**A:** You need to complete IRS Form 637 and register for Activity “AL.” This registration may require that you file and prepare the IRS Excise Tax return, Form 720, on a quarterly basis. Becoming registered may require that you account for the Federal Excise tax on alternative fuel used as motor fuel. The tax rate through December 31, 2015, was 18.3 cpg. The tax rate changed to 13.2 cpg in 2016. You should consult your accountant or tax advisor to review these filing requirements. IRS Forms 637 and 720 can be obtained at the IRS website [www.irs.gov](http://www.irs.gov).

**Q: What other tax issues are there?**

**A:** If you purchase propane in bulk and fuel your own vehicles, you may also be required to pay state and/or local motor fuel taxes and file tax returns. This will be dependent upon where you are located. You should consult your accountant or tax advisor to verify the state specific rules and filing requirements.

**Q: Ferrellgas is currently charging motor fuel taxes on my bulk purchases. What happens when I register with the IRS?**

**A:** Once you are registered with the IRS, notify your Ferrellgas Account Manager and provide us with a letter requesting that we no longer charge motor fuel taxes on your bulk purchases. Once this occurs, your Ferrellgas account will be updated and you will be responsible for remitting the applicable motor fuel taxes to the IRS and your state or local revenue department. This will also allow you to claim the tax credit available from the IRS.



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**Q: I purchase propane in bulk and fuel my own vehicles, but I don't want to register with the IRS or file these tax returns. What happens to the credit?**

**A:** If your bulk propane purchases are all used for motor fuel, then you can request Ferrellgas to charge all of the applicable federal and state motor fuel taxes on each delivery. We must have this request in writing and sent to the Ferrellgas Tax Department. Making this request will make Ferrellgas the "fueler" of your vehicles. The request will be effective until it is rescinded in writing.

**Q: I purchase propane in bulk and use it for forklifts as well as motor fuel in licensed vehicles. Am I eligible for the credit?**

**A:** The IRS considers forklifts to be a motor vehicle, so propane used to power them is also eligible for the credit. Forklift gallons are not subject to the federal or most state motor fuel taxes, but they are eligible for this credit.

**Q: What do I need to do if I already have a 637 Registration from the IRS?**

**A:** You must still apply for the "AL" registration. If you currently file a Form 720 with the IRS, there are special provisions you must follow.

**Q: Can school districts, government, and other tax-exempt entities obtain the credit?**

**A:** Yes. Tax exempt entities that fuel their own vehicles can claim the credit by filing IRS Form 8849. Even though you may be exempt from the Federal Excise tax, you are still eligible to receive the credit. You should consult your accountant to obtain more information. The form and instructions can be obtained at [www.irs.gov](http://www.irs.gov).

**Q: I'm a government or tax-exempt entity. Can I claim the credit?**

**A:** If you use propane to power motor vehicles (forklifts are included), you can claim the credit by filing IRS Form 8849.

**Q: Why doesn't Ferrellgas just claim the credit and reduce their selling price?**

**A:** The credit can only be claimed by the entity that "delivers the fuel into the fuel supply tank" of the motor vehicle. Ferrellgas' product costs and operating costs are not affected by this credit.

**Q: Is there a limit to how much I can claim?**

**A:** There is not a cap or limitation at this time. You should maintain proper documentation of the propane purchased and used to support tax returns and claims.

**Q: Where can I get more information?**

**A:** The IRS website [www.irs.gov](http://www.irs.gov) has Forms & Instructions and Publications  
IRS Forms 720, 637, 4136 and 8849  
IRS Publication 510, Excise Taxes  
IRS Notice 2006-92  
Call the IRS Excise Tax Branch @ **202-622-3130**.

