

# Propane Engine Fuel Tax Incentives

Mike Caldarera, NPGA  
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# Presentation Overview

- What is NPGA?
- Engine Fuel Tax Incentives
- On the Horizon

# What is NPGA?

- National Propane Gas Association
  - Headquartered in Washington, D.C.
  - Over 3500 members
- Broad Membership Base
  - Retail propane marketers, producers, wholesalers, equipment manufacturers, distributors, services
- Committee Structure
  - Governmental Affairs Committee

# Engine Fuel Tax Incentives

Three major tax credits passed in 2005:

- Alternative fuel vehicles (*Energy Bill*)
- Alternative fuel refueling infrastructure (*Energy Bill*)
- Retail sale of alternative fuels (*Highway Bill*)
  
- Benefit of credits: deducted from tax owed rather than taxable income

(Note: Consult your tax advisors for specific advice on tax credits before submitting information to IRS)

# Alternative Fuel Vehicles

- Tax credit for purchase of qualified alternative fuel motor vehicle
  - Applies to consumer purchasing vehicle
  - Must operate on an alternative fuel, e.g. propane
  - Applies to both new AND conversion vehicles
- Credit effective thru December 31, 2010

# Alternative Fuel Vehicles (cont.)

- Purchaser receives tax credit equal to 50% of incremental cost of vehicle (over cost of conventional fuel vehicle)
  - Additional 30% if vehicle meets more rigorous emission standards
- Maximum incremental costs and credit amount capped and based on vehicle weight

# Alternative Fuel Vehicles (cont.)

Vehicle Wt. class (lbs)	Maximum Allowable Incremental Cost	Maximum Base Credit	Maximum Additional Credit	Maximum Allowable Credit
< 8500	\$5,000	\$2,500	\$1,500	\$4,000
8500 ≤ 14,000	\$10,000	\$5,000	\$3,000	\$8,000
14,001 ≤ 26,000	\$25,000	\$12,500	\$7,500	\$20,000
> 26,000	\$40,000	\$20,000	\$12,000	\$32,000

# Alternative Fuel Vehicles (cont.)

- Manufacturer/Converter must provide certification that vehicle qualifies for credit
  - IRS Notice 2006-54 specifies what is to be provided to purchaser
- Credit applies to mixed fuel vehicles
  - 75% alt. fuel; vehicle eligible for 70% of credit
  - 90% alt. fuel, vehicle eligible for 90% of credit
- Tax exempt entities (e.g. municipality)
  - Credit transfers from purchaser to seller
  - Seller must clearly disclose and document amount of credit to be taken
- See IRS Form 8910 (Alternative Motor Vehicle Credit)

# Refueling Infrastructure

- Applies to property used for storage and dispensing of propane at point where fuel is delivered into the tank of a motor vehicle.
  - Credit replaces 179A deduction
- 30% credit for the cost of installing alternative fuel refueling infrastructure
  - used in a taxpayer's trade or business or at principal residence of taxpayer.

# Refueling Infrastructure (cont.)

- Credit Limits:
  - \$30,000 for retail property
  - \$1000 for residential property
- Credit taken “per location”
  - Cannot take credit for more than one piece of equipment at same location
- See IRS Form 8911 (Alternative Fuel Vehicle Refueling Property Credit) and IRS Notice 2007-43
- Effective thru 12/31/10\*
  - \*extended as part of financial bailout package

# Retail Sale of Alternative Fuels

- 50 cent per gallon (cpg) credit for each gallon of alternative fuel sold for vehicle use
- Applies to alternative fuel retailers
  - Must deliver the fuel into the supply tank of motor vehicle
- Effective thru December 31, 2009\*
  - \* extended as part of financial bailout package

# Retail Sale of Alternative Fuels (cont.)

- To qualify for credit, must meet two requirements:
  - Tax test
    - Must be liable for excise tax on propane sold for use or used in a motor vehicle
    - For bulk, must obtain written statement from buyer that fuel will be used for taxable purpose (seller able to claim credit)
  - Registration test
    - Must register with IRS and be classified as an “Alternative Fueler”
    - IRS Form 637

# Retail Sale of Alternative Fuels (cont.)

How to claim credit?

- Complete Form 637 to register with IRS
- Complete Form 720 (Quarterly excise tax return)
  - For propane, excise tax is 18.3 cents/gallon
  - Schedule C (Claims) lowers excise tax liability
- Excess alternative fuel credit may then be taken on Form 4136
  - If liability is less than credit, IRS will refund the difference
- Form 8849 may also be used to expedite process

# Retail Sale of Alternative Fuels (cont.)

- What if Form 720 not required?
  - Sales still eligible to receive the 50 cpg credit
- So who receives the credit?
  - Retailer only if fuel delivered directly into tank
  - Otherwise, tax exempt entity receives credit
- Forklifts?
  - Forklift operator eligible for credit, not retailer
  - Operator needs to register with IRS as Alternative Fueler

# Retail Sale of Alternative Fuels (cont.)

## Relevant IRS Forms:

- Form 637 (Application for Registration)
- Form 720 (Quarterly Federal Excise Tax Return)
- Form 4136 (Credit for Federal Tax Paid on Fuels)
- Form 8849 (Claim for Refund of Excise Taxes)

# On the Horizon

- Will seek further extension of tax credits
- Seeking legislative fix to make conversions easier
  - Current requirements burdensome for industry
  - Working with natural gas industry
  - Remains a work in progress
- Challenges
  - New Administration
  - New Congress
  - New Regulatory Leadership, i.e. EPA

Thank you!

***Mike Caldarera***

***National Propane Gas Association***

**[mcaldarera@npga.org](mailto:mcaldarera@npga.org)**

**202-355-1323**