



Instructions for Form 720

(Revised January 1993)

Quarterly Federal Excise Tax Return

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

Paperwork Reduction Act Notice.—We ask for the information on these forms 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.

The time needed to complete and file these forms will vary depending on individual circumstances. The estimated average times are:

Form	Recordkeeping	Learning about the law or the form	Preparing and sending the form to the IRS
720	12 hr., 55 min.	1 hr., 35 min.	6 hr., 38 min.
Sch. A	2 hr., 23 min.		2 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms more simple, we would be happy to hear from you. You can write to both the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; and the **Office of Management and Budget**, Paperwork Reduction Project (1545-0023), Washington, DC 20503. **DO NOT** send these tax forms to either of these offices. Instead, see **Where To File** below.

Changes To Note

- The Luxury Taxes are now reported on page 2 of Form 720. They have not been repealed.
- Recent legislation has increased the rates on most ozone-depleting chemicals (ODCs) effective January 1, 1993. The rates for the floor stocks taxes on ODCs have also increased effective January 1, 1993. See the Instructions for Form 6627.
- There is a new abstract number (IRS No. 98) for manufacturers and importers of ozone-depleting chemicals (ODCs) to report the ODCs tax. See Form 6627.

General Instructions

Purpose of Form

Use Form 720 and attachments to report and pay the excise taxes listed on the form. File a return for each quarter. If you are not reporting a tax that you normally report, you must enter a zero on the appropriate line in Part I or II. Also, if you have no tax to report, write "None" on lines 3 and 5, page 2, Part III, and sign the return.

Get **Pub. 510**, Excise Taxes for 1993, for more information on the taxes reported on Form 720. Pub. 510 contains definitions and examples that will help you prepare Form 720 and the attachments.

When To File

Except as otherwise provided in the instructions, you must file a return for each quarter of the calendar year as follows:

Quarter covered	All excise taxes other than ODCs, comm., and air trans. due by	ODCs, comm., and air trans. due by
Jan., Feb., Mar.	Apr. 30	May 31
Apr., May, June	July 31	Aug. 31
July, Aug., Sept.	Oct. 31	Nov. 30
Oct., Nov., Dec.	Jan. 31	Feb. 28

The filing date for the floor stocks tax on ODCs is August 31, 1993.

If any due date for filing a return falls on a Saturday, Sunday, or legal holiday, you may file the return on the next business day.

If you are reporting two or more excise taxes and they are due on different dates, use the later filing date. **File only one return each quarter.**

Where To File

If your principal business, office or agency, or legal residence in the case of an individual, is located in	File with the Internal Revenue Service Center at
Florida, Georgia, South Carolina	Atlanta, GA 39901
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Philadelphia, PA 19255
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201

Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
California (all other counties), Hawaii	Fresno, CA 93888
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Memphis, TN 37501

If you have no legal residence, principal place of business, or principal office or agency in any Internal Revenue district, file your return with the Internal Revenue Service Center, Philadelphia, PA 19255.

Records

Keep copies of your tax return, records, and accounts of all transactions to show that the correct tax has been paid. Keep records to support all adjustments claimed and all exemptions at least 4 years from the latest of the following dates: (1) when the tax became due, (2) when you paid the tax, (3) when you claimed an adjustment, or (4) when you filed a claim for a refund. Your records must be available at all times for IRS inspection.

Penalties and Interest

Avoid penalties and interest by filing returns and depositing and paying taxes when due. The law provides penalties for filing a return late; depositing taxes late; paying taxes late; willfully failing to collect and pay tax, keep records, or file a return; negligence; and fraud. These penalties are in addition to the interest charge on late payments. The penalty for filing a return late will not be imposed if you can show that the failure to file a timely return is due to reasonable cause. Those filing after the due date must attach an explanation to the return to show reasonable cause.

100% penalty.—If communications and air transportation taxes are collected but not paid to the IRS or are willfully not collected, the 100% penalty may apply. The penalty is 100% of such unpaid taxes and may apply if these unpaid taxes cannot be immediately collected from the employer or business. The penalty may be imposed on all persons who are determined by the IRS to be **responsible** for collecting, accounting for, and paying over these taxes, and who acted **willfully** in not doing so.

A **responsible person** can be an officer or employee of a corporation, a partner or employee of a partnership, an employee of a sole proprietorship, an accountant, or a volunteer director/trustee. A responsible person may also include one who signs checks for the business or otherwise has authority to cause the spending of business funds. **Willfully** means voluntarily, consciously, and intentionally. A responsible person acts willfully if he or she knows the required actions are not being taken.

Change of Address

If you change your address after you file, use **Form 8822**, Change of Address, to notify the IRS.

Specific Instructions

Name and Address

The first time you file Form 720, enter the required information. After that, the IRS will mail you a Package 720 with a preprinted label every quarter. Please use the preprinted label on your form. Include the suite, room, or other unit number after the street address on the label. If you did not receive a label, type or print your

name, address, and quarter ending date (month and year).

Employer Identification Number (EIN)

If the EIN on the label is wrong or you did not receive a label, enter the correct number. If you do not have an EIN, you must apply for one. Get **Form SS-4**, Application for Employer Identification Number. Form SS-4 has information on how to apply for an EIN by mail or by telephone. If the EIN has not been received by the filing date of Form 720, write "Applied for" in the space for the EIN.

Final Return

If you are filing a Form 720 and you: (1) will not be liable for excise taxes reportable on Form 720 in future quarters, or (2) go out of business, or (3) stop collecting and paying air transportation and communications taxes reportable on Form 720, you must file a final return. Check the box on the final return line above Part I. For example, if you used to file a return only for diesel fuel and you no longer owe diesel fuel tax to the IRS, checking the final return box will stop the mailing to you of Package 720 each quarter.

Part I

Do not enter adjustments in the "tax" column. See the instructions for adjustments on page 3.

Use **Schedule A (Form 720)**, Excise Tax Liability, to record net tax liabilities for Part I taxes for each semimonthly period in a quarter. File it with Form 720 each quarter. See the instructions on Schedule A.

Environmental Taxes

Use **Form 6627**, Environmental Taxes, to compute the liability for these taxes and attach it to Form 720 each quarter. The tax rates for these taxes are shown on Form 6627 and its instructions.

From Form 6627	Enter on Form 720
Part I, line 5, col. (c)	IRS No. 53
Part I, line 6, col. (c)	IRS No. 18
Part I, line 7, col. (c)	IRS No. 16
Part I, line 8, col. (c)	IRS No. 21
Part II, line 43, col. (c)	IRS No. 54
Part III, line 4, col. (f)	IRS No. 17
Part IV, line 4, col. (d)	IRS No. 98
Part V, line 4, col. (f)	IRS No. 19

Communications and Air Transportation Taxes

Who must file.—The person receiving the payment for communications or air transportation services is required to collect and pay over the tax and file the return.

Communications services (IRS No. 22).—Enter the amount of tax collected or considered collected for the quarter. The tax is 3% of amounts paid for toll telephone service, teletypewriter exchange service, and local telephone service.

Transportation of persons by air (IRS No. 26).—Enter the amount of tax collected or considered collected for the quarter. The tax is 10% of amounts paid for taxable transportation of persons by air, including amounts paid for related seating or sleeping accommodations.

Transportation of property by air (IRS No. 28).—Enter the amount of tax collected or considered collected for the quarter. The tax is

6.25% of amounts paid for transportation of property by air.

International air travel facilities (IRS No. 27).—Enter the amount of tax collected or considered collected for the quarter. The tax is \$6 per person.

Fuel Taxes

Enter the number of gallons subject to tax for each fuel. The fuels subject to tax and the tax rates are listed on Form 720. **Form 8743**, Information on Fuel Inventories and Sales, must be completed each quarter and attached to Form 720. The form is no longer used to compute the number of gallons subject to tax.

Special motor fuels (IRS No. 61).—A \$.141 a gallon tax applies to special motor fuels sold for use or used in a motor vehicle or boat (other than a commercial fishing boat). Special motor fuels include benzol, benzene, naphtha, liquid petroleum gas (not subject to the \$.001 a gallon LUST tax), casinghead and natural gasoline, and any other liquid fuel (except gasoline, kerosene, gas oil, fuel oil, and diesel fuel).

Other alcohol fuels (IRS No. 79).— Report the tax for the following fuels on this line:

Fuel	Tax Rate per Gallon
Qualified ethanol	\$.0865
Qualified methanol . . . . .	.0805
Qualified methanol and ethanol produced from natural gas . . . . .	.0710
Gasoline sold for gasohol production containing at least 10% alcohol (methanol) . . . . .	.0900
Gasoline sold for gasohol production containing at least 7.7% alcohol but less than 10% alcohol (methanol) . . . . .	.1027
Gasoline sold for gasohol production containing at least 5.7% alcohol but less than 7.7% alcohol (methanol) . . . . .	.1132
Gasohol containing at least 10% alcohol (methanol) . . . . .	.0810
Gasohol containing at least 7.7% alcohol but less than 10% alcohol (methanol) . . . . .	.0948
Gasohol containing at least 5.7% alcohol but less than 7.7% alcohol (methanol) . . . . .	.1068
Special motor fuels/alcohol mixture containing ethanol . . . . .	.0870
Special motor fuels/alcohol mixture containing methanol . . . . .	.0810
Diesel/alcohol mixture containing ethanol . . . . .	.1470
Diesel sold for diesel/alcohol mixture containing ethanol . . . . .	.1633
Diesel/alcohol mixture containing methanol . . . . .	.1410
Diesel sold for diesel/alcohol mixture containing methanol . . . . .	.1566
Aviation fuel/alcohol mixture containing ethanol . . . . .	.0420
Aviation fuel sold for aviation/alcohol mixture containing ethanol . . . . .	.0467
Aviation fuel/alcohol mixture containing methanol . . . . .	.0360
Aviation fuel sold for aviation/alcohol mixture containing methanol . . . . .	.0399

Gasoline (IRS No. 62).—If you are liable for the gasoline tax on removal at the terminal rack,

report these gallons on line (a) of IRS No. 62. If you are liable for the gasoline tax on events other than removal at the terminal rack, report these gallons on line (b) of IRS No. 62. Multiply the total number of gallons subject to tax on lines (a) and (b) by \$.141 and make one entry in the tax column.

If you are reporting gallons subject to tax on line (b) of IRS No. 62, you may need to file a "first taxpayers report" with Form 720. See Regulations section 48.4081-7.

Gasohol and gasoline sold for gasohol production.—Recent legislation has added new tax rates for gasohol and gasoline sold for gasohol production that are based on the percentage of alcohol in the mixture. There are three categories of mixtures for each fuel:

1. Mixtures containing at least 10% alcohol,
2. Mixtures containing at least 7.7% alcohol but less than 10% alcohol, and
3. Mixtures containing at least 5.7% alcohol but less than 7.7% alcohol.

The new rates for each mixture are listed on page 1 of Form 720. These rates apply to ethanol mixtures.

Additional tax on failure to blend or later separation.—Anyone who purchases gasoline for gasohol production (IRS Nos. 58, 73, and 74) at one of the rates listed on Form 720 and fails to blend the gasoline with alcohol will be subject to an additional tax. Anyone who purchases gasohol (IRS Nos. 59, 75, and 76) at one of the rates listed on Form 720 and later separates the gasoline from the mixture will be subject to an additional tax. The additional tax rates per gallon of gasoline are:

Type of Mixture	Rate of Tax
At least 10% alcohol	\$.0444
At least 7.7% alcohol but less than 10% alcohol . . . . .	.0333
At least 5.7% alcohol but less than 7.7% alcohol . . . . .	.0242

Report the number of gallons and the additional tax on line (b) of IRS No. 62.

Retail Tax

Truck, trailer, and semitrailer chassis and bodies; tractors (IRS No. 33).—Compute the tax on **Form 8807**, Certain Manufacturers and Retailers Excise Taxes, and attach it to Form 720. Enter the amount from Form 8807, Part I, line 8 on the line for IRS No. 33.

Ship Passenger Tax

Transportation by water (IRS No. 29).—A tax is imposed on the operator of commercial ships. The tax is \$3 for each passenger on a commercial passenger ship that has berth or stateroom accommodations for at least 17 passengers if the trip is over 1 or more nights. The tax also applies to passengers on any commercial ship that transports passengers engaged in gambling aboard the ship beyond the territorial waters of the United States. Enter the number of passengers for the quarter on the line for IRS No. 29.

The definition of "over 1 or more nights" has changed. A voyage extends "over 1 or more nights" if it extends for more than 24 hours. Previously, "over 1 or more nights" was variously defined as one complete period of darkness or 24 hours, whichever was less, or as more than 17 hours. This change is effective for voyages beginning on or after January 1, 1990.

Luxury Taxes

Aircraft, boats, passenger vehicles, furs, and jewelry (IRS Nos. 90, 91, 92, 93, and 94).—Compute the tax on Form 8807 and attach it to Form 720. See the instructions on Form 8807.

From Form 8807	Enter on Form 720
Part II, line 6, col. (a)	IRS No. 90
Part II, line 6, col. (b)	IRS No. 91
Part II, line 6, col. (c)	IRS No. 92
Part II, line 6, col. (d)	IRS No. 93
Part II, line 6, col. (e)	IRS No. 94

Aircraft tax imposed on purchaser for failure to provide certification of business use.—An aircraft that is used 80% or more in a trade or business may be purchased free of the luxury tax. A statement certifying the 80% or more business use must be attached to the purchaser's income tax returns for the first 2 tax years ending after the date the aircraft was placed in service. If this statement is not attached to the income tax return for each of the 2 years, the luxury tax on the aircraft will be imposed on the due date (including extensions) of the income tax return to which the statement is not attached. This tax must be paid by the purchaser of the aircraft. Forms 720 and 8807 must be filed for the quarter in which the due date of the income tax return falls.

For information on deposits of the luxury tax, see **Payment of Taxes** on page 4. You must pay interest, figured at the underpayment rate under section 6621 and compounded daily, on the tax from the date of purchase of the aircraft until the date the tax is paid. If you fail to pay the tax when due, you cannot claim any depreciation on the aircraft.

Use Part II of Form 8807 and Worksheet I in the instructions for Form 8807 to compute the aircraft luxury tax. Enter the amount of tax due on line 6 of Part II, and transfer this amount to the line for IRS No. 90 on Form 720. Write "Section 4003(c)(3) interest" and the amount of interest due beneath the entry space for line 10 on page 2 of Form 720.

Manufacturers Taxes

Caution: Do not include the excise tax on coal in the sales price when determining which tax rate to use.

Underground mined coal (IRS Nos. 36 and 37).—The tax on underground mined coal is the lower of \$1.10 per ton or 4.4% of the sales price. Enter on the line for IRS No. 36 the number of tons of underground mined coal sold at \$25 or more per ton. Enter on the line for IRS No. 37 the total sales price for all sales of underground mined coal sold at a selling price of less than \$25 per ton.

Surface mined coal (IRS Nos. 38 and 39).—The tax on surface mined coal is the lower of \$.55 per ton or 4.4% of the sales price. Enter on the line for IRS No. 38 the number of tons of surface mined coal sold at \$12.50 or more per ton. Enter on the line for IRS No. 39 the total sales price for all sales of surface mined coal sold at a selling price of less than \$12.50 per ton.

Highway-type tires (IRS No. 66).—The tax applies only to highway-type tires and is as follows:

1. For tires weighing more than 40 pounds but not more than 70 pounds—\$.15 a pound for each pound over 40 pounds.
2. For tires weighing more than 70 pounds but not more than 90 pounds—\$4.50 PLUS \$.30 a pound for each pound over 70 pounds.

3. For tires weighing more than 90 pounds—\$10.50 PLUS \$.50 a pound for each pound over 90 pounds.

Compute the tax for each tire sold and enter the total for the quarter on the line for IRS No. 66.

Gas guzzler tax (IRS No. 40).—Use Form 6197, Gas Guzzler Tax, to compute the liability for this tax and attach it **each quarter** to Form 720. The tax rates for the gas guzzler tax are shown on Form 6197.

Vaccine tax (IRS Nos. 81, 82, 83, and 84).—Enter the number of doses of each vaccine on Form 720. The taxable vaccines are: DPT (diphtheria, pertussis, and tetanus); DT (diphtheria-tetanus); MMR (measles, mumps, and rubella); and Polio.

Caution: The vaccine tax has terminated effective January 1, 1993. If Congress passes legislation that reinstates the vaccine tax, an announcement will be issued.

Other Excise Taxes

Policies issued by foreign insurers (IRS No. 30).—Enter the amount of premiums paid during the quarter on policies issued by foreign insurers. Multiply the premiums paid by the rates listed on Form 720 and enter the total for the three types of insurance on the line for IRS No. 30.

Treaty-based return positions under section 6114.—Foreign insurers and reinsurers who take the position that a treaty of the United States overrules, or otherwise modifies, an Internal Revenue law of the United States must disclose such position. This disclosure must be made once a year on a statement filed with the first quarter Form 720, which is due before May 1 of each year. The statement must report the payments of premiums that are exempt from the excise tax on policies issued by foreign insurers for the previous calendar year.

How to file.—Send the Form 720 with the attached statement to: Internal Revenue Service, P.O. Box 21086, Philadelphia, PA 19114. At the top of Form 720 write "Section 6114 Treaty." You need an EIN to file Form 720. If you do not have an EIN, get Form SS-4 for instructions on how to apply for an EIN. Provided you have no other transactions reportable on Form 720, check the "final return or one-time filing" box on page 1, write "None" on lines 1, 3, and 5, and sign the return.

Obligations not in registered form (IRS No. 31).—For obligations issued during the quarter, enter the principal amount of the obligation multiplied by the number of calendar years (or portion thereof) during the period beginning on the issue date and ending on the maturity date on the line for IRS No. 31.

Part II

Do not enter adjustments in the "tax" column. See the instructions below for adjustments.

Sport fishing equipment, electric outboard motors, sonar devices, and bows and arrows (IRS Nos. 41, 42, and 44).—Compute the tax on Form 8807 and attach it to Form 720. See the instructions on Form 8807 for more information.

From Form 8807	Enter on Form 720
Part I, line 8, col. (b)	IRS No. 41
Part I, line 8, col. (c)	IRS No. 42
Part I, line 8, col. (d)	IRS No. 44

Inland waterways fuel use (IRS No. 64).—Enter the number of gallons subject to tax.

Alcohol sold as but not used as fuel (IRS No. 51).—Alcohol, either mixed or straight, designated for use as fuel is eligible for a credit. **Form 6478**, Credit for Alcohol Used as Fuel, is used to compute the credit. If the credit was determined and any person later either (1) uses a mixture or straight alcohol for a purpose other than fuel, (2) separates the alcohol from the mixture, or (3) mixes the straight alcohol, an excise tax is imposed. The tax is \$.54 a gallon (\$.64 a gallon if the alcohol benefited from the small ethanol producer credit) for each gallon of alcohol that is at least 190 proof and \$.40 a gallon (\$.50 a gallon if the alcohol benefited from the small ethanol producer credit) for each gallon of alcohol that is at least 150 proof but less than 190 proof.

Ozone-depleting chemicals floor stocks tax (IRS No. 20).—Use Form 6627 to compute the liability for this tax. Enter the amount from Form 6627, Part VI, line 4, column (d) on the line for IRS No. 20. Attach Form 6627 to Form 720 for the second quarter of 1993. Deposit the payment by June 30, 1993, at an authorized depository. See **Payment of Taxes** on page 4.

Part III

Line 4, Adjustments

Generally, you may make adjustments for taxes reported on Form 720. These adjustments may be to amend previously filed returns or to adjust payments of tax on transactions, charges, or processings that are entitled to be made tax free.

Note: If you are due a credit for taxes reported on the form, you may claim a credit on line 4 up to the amount of the total tax for the quarter. Use **Form 843**, Claim for Refund and Request for Abatement, or, if applicable, **Form 4136**, Credit for Federal Tax Paid on Fuels, to obtain any remaining refund or credit.

On line 4, enter the total of any adjustments claimed. If an amount is included on line 4, a statement must be attached for each adjustment claimed. If you do not attach a statement, it will delay the processing of your return. If the adjustment is a credit, it may be disallowed until the statement is provided.

The attached statement must include:

- The IRS Nos. on Form 720 being adjusted.
- An explanation of why you are claiming a reduction in tax or reporting additional tax. Include in your explanation the type of business operation, such as manufacturing or importing.
- A statement that you have the required supporting evidence.
- The amount of reduction claimed or additional tax reported for each IRS No.
- If the adjustment is a credit for a tax you previously reported on Form 720, indicate when the return was filed reporting the tax. If the adjustment is reporting additional tax, indicate the quarters in which the tax should have been reported.

See the applicable regulations for the circumstances under which you may make adjustments and the evidence you need to support adjustments.

Lines 7 and 10, Overpayment

If you deposited more than the amount you owed for a quarter, you may have the overpayment applied to your next return or refunded to you. Enter the amount in the space on line 10. Enter on line 7 of your next return the amount you want to have applied to that return.

Caution: If you owe other Federal tax, interest, or penalty, the overpayment on line 10 will be applied to the unpaid amounts.

Payment of Taxes

Generally, semimonthly deposits of excise taxes are required. However, no deposit is required if the net tax liability for a quarter does not exceed \$2,000. No deposits are required for the taxes listed in Part II of Form 720. These taxes are payable with the return. Also, no deposit is required for one-time filings of the gas guzzler tax and the luxury tax. See **Special Rules—One-Time Filings** below.

How To Make Deposits

Deposit Federal excise tax payments with a **Form 8109**, Federal Tax Deposit Coupon, at an authorized depository or the Federal Reserve bank serving the area in which you are located. See the instructions in the coupon book for additional information. If you do not have a coupon book, contact your IRS district office.

To avoid a penalty, make your deposits timely and do not mail your deposits directly to the IRS. Records of your deposits will be sent to the IRS for crediting to your business accounts.

Generally, if any due date for making a deposit falls on a Saturday, Sunday, or legal holiday, you may make the deposit on the next business day.

Semimonthly period.—A semimonthly period is the first 15 days (the first semimonthly period) of a month or the 16th through the last day of a month (the second semimonthly period).

Computation of net tax liability.—Net tax liability for a semimonthly period is the liability for the period plus or minus any adjustments for the period. Liability for a semimonthly period may be computed by dividing the net tax liability for the month by two, provided this method of computation is used for all semimonthly periods in the calendar quarter.

When To Make Deposits

Taxes that are required to be deposited are grouped together into classes as follows: (1) 9-day rule taxes, (2) 14-day rule taxes, (3) 30-day rule taxes, and (4) alternative method taxes. If you are depositing more than one tax in a class, combine all the taxes in the class and make one deposit for the semimonthly period.

9-day rule.—The deposit of tax for a semimonthly period is due by the 9th day of the following semimonthly period. Generally, this is the 24th day of a month and the 9th day of the following month. The 9-day rule applies to all taxes in Part I of Form 720 except for:

- Gasoline tax (IRS Nos. 58, 59, 62, 73, 74, 75, and 76), if deposits by qualified persons are made by transfer between accounts in the same depository. See **14-day rule**.

- ODCs tax (IRS Nos. 19 and 98). See **30-day rule**.

- Communications and air transportation taxes (IRS Nos. 22, 26, 27, and 28), if deposits are based on amounts billed or tickets sold, rather than on amounts actually collected. See **Alternative method**.

- One-time filers of luxury and gas guzzler tax. See **Special Rules—One-Time Filings**.

14-day rule (IRS Nos. 58, 59, 62, 73, 74, 75, and 76).—Deposits of the gasoline tax for a semimonthly period by an independent refiner or any person whose average daily production of crude oil for the preceding calendar quarter did not exceed 1,000 barrels may be made by the

14th day following the semimonthly period. The deposits must be made by transfer between accounts with the same Government depository. If the 14th day is a Saturday, Sunday, or legal holiday, the due date is the immediately preceding day that is not a Saturday, Sunday, or legal holiday.

30-day rule (IRS Nos. 19 and 98).—The deposit of tax for a semimonthly period is due by the last day of the second following semimonthly period. Generally, this is the 15th day of the following month and the last day of the following month.

Alternative method (IRS Nos. 22, 26, 27, and 28).—Deposits of communications and air transportation taxes may be based on amounts billed or tickets sold during a semimonthly period rather than on taxes actually collected during the period. Under the alternative method, the tax included in amounts billed or tickets sold during a semimonthly period is considered as collected during the first 7 days of the second following semimonthly period. The deposit of tax is due by the 3rd banking day after the 7th day of that period. For example, the tax included in amounts billed or tickets sold for the period January 1, 1993 to January 15, 1993 is considered as collected from February 1, 1993 to February 7, 1993 and must be deposited by February 10, 1993.

In order to use the alternative method, you must keep a separate account of the tax included in amounts billed or tickets sold during the month and report on Form 720 the tax included in amounts billed or tickets sold and not the amount of tax that is actually collected. For example, amounts billed in December, January, and February are considered as collected during January, February, and March and are reported on Form 720 as the tax for the 1st quarter of the calendar year.

Special rule for semimonthly deposits of gasoline taxes for September 1993.—You must deposit gasoline taxes for the period beginning September 16 and ending September 22 by September 27, 1993. The 14-day rule does not apply to this deposit. Deposit the tax for the period beginning September 23 and ending September 30 on the normal due date for the semimonthly period.

Amount To Deposit

Deposits of taxes for a semimonthly period must not be less than the net tax liability for that period unless one of the safe harbor rules applies. The safe harbor rules apply separately to deposits under the 9-day rule, 14-day rule, 30-day rule, and the alternative method.

Under the alternative method, the deposit of tax for any semimonthly period must not be less than the net amount of tax that is considered as collected during the semimonthly period. The net amount of tax that is considered as collected during the semimonthly period must be either (1) the net amount of tax reflected in the separate account for the corresponding semimonthly period of the previous month or (2) one-half of the net amount of tax reflected in the separate account for the preceding month.

Safe harbor rules.—There are two safe harbor rules: one based on look-back quarter liability and one based on current liability.

The look-back quarter safe harbor rule applies to persons that filed a Form 720 for the second calendar quarter preceding the current quarter (the look-back quarter). Persons that filed for the look-back quarter are considered to meet the semimonthly deposit requirement if the deposit for each semimonthly period in the current quarter is not less than 1/6 (16.67%) of the net tax liability reported for the look-back quarter. This rule does not apply for the first and second quarters beginning on or after the effective date of an increase in the rate of tax unless the deposit of taxes for each semimonthly period in the calendar quarter is not less than 1/6 (16.67%) of the tax liability you would have had for the look-back quarter if the increased rate of tax had been in effect for that look-back quarter.

The current liability safe harbor rule applies to all filers of Form 720. Filers are considered to meet the semimonthly deposit requirement if the deposit for the semimonthly period is at least 95% of the net tax liability for the semimonthly period.

The following requirements must be satisfied for the safe harbor rules to apply:

1. Each deposit must be timely made at an authorized Government depository; and

2. Any underpayment for the current quarter must be paid by the due date of the return. However, if the due date of the return is extended because you report taxes with different return due dates, you must deposit on the earlier due date any underpayment for taxes ordinarily reported on the earlier date.

The IRS may withdraw the right to make deposits of tax using safe harbor rules from any person not complying with the rules as stated above.

Special Rules—One-Time Filings

If you import for personal use a gas guzzling automobile or an article subject to the luxury tax, you may be eligible to make a one-time filing of Form 720 and Form 6197 and/or Form 8807. You may make a one-time filing to report the gas guzzler tax or the luxury tax if you meet all three of the following conditions:

1. You do not use the automobile or luxury article in the course of any trade or business;

2. You do not import gas guzzling automobiles or luxury articles in the course of your trade or business; and

3. You are not required to file Form 720 reporting excise taxes for the calendar quarter, except for one-time filings.

The following rules apply if you are making a one-time filing:

1. File the return for the quarter in which you incur liability for the tax. See **When To File** on page 1.

2. Pay the tax with the return. No deposits are required.

3. If you are an individual and do not have an EIN, enter your social security number on Form 720 on the line for the employer identification number.

4. Check the final return or one-time filing box on page 1 of Form 720.