



## 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.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** . . . 10 hr., 31 min.
- Learning about the law or the form** . . . 34 min.
- Preparing the form.** . . . 1 hr., 41 min.
- Copying, assembling, and sending the form to the IRS** . 16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions of the tax return with which this form is filed.

### Items To Note

- The Energy Policy Act of 1992 extended the partial excise tax exemption for gasoline that is mixed with alcohol to include blends that contain less than 10% alcohol. This change is effective for gasoline withdrawn after December 31, 1992. Fiscal year filers who blend gasohol should use the following rates on line 7c:

Percentage of Alcohol	Credit Rate Per Gallon	
	Ethanol	Other than Ethanol
10% or more	4.44	5.10
7.5 to 9.9%	3.33	3.83
5.7 to 7.6%	2.42	2.78

- Because of limited space on the form, we have shown only the rate for alcohol from ethanol in column (b) for lines 2 and 7. We have included the rates for alcohol other than from ethanol in the **Specific Instructions** for each line. If you have a credit for alcohol other than from ethanol, enter in column (b) the rate from the instructions for the applicable line.

## General Instructions

### Purpose of Form

Use Form 6478 to figure your credit for alcohol used as fuel. The credit consists of the: (1) alcohol mixture credit; (2) alcohol credit; and (3) small ethanol producer credit. If you have only the small ethanol producer credit, do not complete lines 2 through 9.

You may claim or elect not to claim the alcohol fuel credit at any time within

the 3 years from the due date of your return on either an original or an amended return (determined without regard to extensions).

### Who Must File Form 3800, General Business Credit

The general business credit consists of several credits including the investment credit (Form 3468), jobs credit (Form 5884), credit for alcohol used as fuel (Form 6478), research credit (Form 6765), low-income housing credit (Form 8586), enhanced oil recovery credit (Form 8830), disabled access credit (Form 8826) and renewable electricity production credit (Form 8835). If you have more than one of these credits for 1992, a carryback or carryforward of any of these credits, or a credit for alcohol used as fuel from a passive activity, you must also file Form 3800, which is used instead of lines 12 through 19 to figure the tax liability limitation.

### Definitions and Special Rules

**Alcohol.**—Alcohol, for credit purposes other than the small ethanol producer credit, includes ethanol and methanol but does not include:

1. Alcohol produced from petroleum, natural gas, or coal (including peat), or
2. Alcohol of less than 150 proof. In figuring the proof of any alcohol, disregard any denaturants (additives that make the alcohol unfit for human consumption). The volume of alcohol includes any denaturant up to 5% of the volume of the alcohol and denaturant combined.

**Alcohol mixture.**—The alcohol must be used to make a qualified mixture. A qualified mixture combines alcohol with gasoline, diesel, or special motor fuel. The producer of the mixture either:

1. Uses it as fuel, or
2. Sells it as fuel to another person. The credit is available only to the producer who blends the mixture. The producer must use or sell the mixture in a trade or business and the credit is available only for the year the mixture is sold or used. The credit is not allowed for casual off-farm production of a qualified mixture.

**Straight alcohol.**—The alcohol must not be a mixture with gasoline, diesel, or special motor fuel (other than as a denaturant). The credit is for alcohol that during the tax year is:

1. Used by the taxpayer as a fuel in a trade or business, or
2. Is sold by the taxpayer at retail to another person and put in the fuel tank of that person's vehicle.

**Qualified ethanol fuel production.**—This is ethanol produced by an eligible

small ethanol producer (defined below) and 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 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 ethanol at retail to another person and puts the ethanol in the retail buyer's fuel tank; or
2. Is used or sold by the producer for any purpose described in 1 above.

**Eligible small ethanol producer.**—This is a person who, at all times during the tax year, has a productive capacity for alcohol of 30 million gallons or less. This includes alcohol made from petroleum, natural gas, coal, peat, and alcohol with proof of less than 150.

**Diesel fuel.**—Diesel fuel is any liquid other than gasoline that can be used as a fuel in a diesel-powered highway vehicle.

**Special motor fuel.**—This is any liquid other than gasoline that is suitable for use or is used in a motor vehicle or motor boat.

**Noncommercial aviation.**—This is the use of an aircraft other than in a business of transporting persons or property for pay.

**Recapture of credit if not used as fuel.**—You must pay the tax on each gallon of the alcohol or the alcohol in the mixture at the applicable rate that you used to figure the credit if you claim any alcohol fuel credit and later you:

1. Separate the alcohol from the mixture,
2. Use the mixture other than as a fuel,
3. Mix straight alcohol on which the credit was allowed for the retail sale,
4. Use the straight alcohol other than as a fuel, or
5. Do not use the fuel for the purposes described under **Qualified ethanol fuel production**.

Report the tax on **Form 720**, Quarterly Federal Excise Tax Return.

## Specific Instructions

Use lines 1 through 9 to figure any alcohol fuel credit from your own trade or business.

**Note:** We have shown in column (b) the rate for ethanol only. If you have a credit for alcohol other than from ethanol, enter in column (b) the rate shown in the instructions for lines 2a, 2b, and 7a through 7d(ii).

Skip lines 1 through 9 if you are claiming only a credit that was allocated to you from a flow-through entity (i.e., S corporation, partnership, estate, or trust).

## S Corporations, Partnerships, Estates, and Trusts

Figure the total credit on lines 1 through 11. Then allocate the line 11 credit to each shareholder, partner, and beneficiary in the same way that income and loss are divided.

If the line 11 credit includes any small ethanol producer credit (line 1), you must separately state to each shareholder, partner, beneficiary, etc., the number of gallons on which the credit was figured, and the productive capacity for alcohol that you, the pass-through entity, have. State the productive capacity in terms of gallons.

**Line 1.**—Enter the number of gallons of ethanol that meet the conditions listed under **Qualified ethanol fuel production**. Do not enter more than 15 million gallons. Multiply by the rate of 10 cents per gallon. If you have only the small ethanol producer credit, do not complete lines 2 through 9.

**Line 2.**—Enter on the appropriate line the number of gallons sold or used.

**Line 2a.**—Enter the number of gallons of 190 proof or greater alcohol and multiply by the rate.

For alcohol other than from ethanol, the rate is 60 cents per gallon.

**Line 2b.**—Enter the number of gallons of alcohol that is less than 190 proof but at least 150 proof and multiply by the rate.

For alcohol other than from ethanol, the rate is 45 cents per gallon.

**Line 3.**—Enter the number of gallons of other fuels that you blended with the alcohol shown on lines 2a and 2b. Other fuels include gasoline, diesel, and special motor fuels.

**Line 5.**—Enter the number of gallons included on line 4 that contain less than 10% of 190-proof alcohol or are exempt from excise taxes. The fuel can be exempt because of specific exemption, credit, or refund provisions other than the alcohol fuel credit. Examples of fuels exempt from excise tax include fuel that is:

- Used on a farm for farming purposes.
- Supplied to military ships or aircraft or certain commercial ships or aircraft.
- Used in off-highway business use.
- Used as fuel by a state, any political subdivision of a state, or the District of Columbia.
- Used as fuel by a nonprofit educational organization.

- Used in an intercity, local, or school bus.

- Used for certain helicopter uses.

**Line 7.**—If you sold or used alcohol or an alcohol mixture as fuel, you may have been entitled to an exemption from excise tax or a reduced rate of excise tax. The alcohol fuel credit on lines 2a and 2b must be reduced to take into account any benefit provided by that exemption or reduced rate.

**Lines 7a and 7b.**—Enter on line 7a the number of gallons of aviation fuel that is alcohol or alcohol blended with aviation fuels other than gasoline.

The benefit for alcohol other than from ethanol or alcohol other than from ethanol blended with aviation fuels (other than gasoline) is 13.61 cents per gallon.

Enter on line 7b the number of gallons of aviation fuel that is alcohol blended with gasoline.

The benefit for alcohol other than from ethanol is 5.11 cents per gallon.

**Lines 7c and 7d.**—This includes all other uses that received an excise tax benefit because the fuels contained alcohol (e.g., gasoline bought at a reduced rate to produce gasohol). See **Items To Note** on page 3 for certain gasohol rates effective after 1992. Include only fuel mixtures that received an excise tax benefit because the fuel contained alcohol.

**Line 7c.**—Enter the number of gallons of fuel that is a mixture containing less than 85% alcohol.

The benefit for alcohol other than from ethanol is 6 cents per gallon.

**Line 7d.**—Enter the number of gallons of fuel that contain 85% or more alcohol.

On line 7d(i), enter the number of gallons of fuel containing alcohol produced from other than petroleum or natural gas.

For alcohol other than from ethanol, the benefit is 6.05 cents per gallon.

On line 7d(ii), enter the number of gallons of fuel containing 85% or more alcohol produced from natural gas. The benefit rate is 7 cents per gallon for ethanol or alcohol other than from ethanol.

**Line 9.**—Include this amount in income, under "Other income" on the appropriate line of your income tax return, even if you cannot use all the credit because of the tax liability limitation.

**Line 10.**—Enter the amount of credit that was allocated to you as a shareholder, partner, or beneficiary.

If your credit from a flow-through entity includes the small ethanol producer credit, the flow-through entity must tell you the amount of the small producer credit included in the flow-through credit, the number of gallons for which the entity claimed the small ethanol producer credit, and the productive capacity for alcohol. You as a shareholder, partner, beneficiary, etc., are subject to the 15 million gallon limitation for line 1 and the 30 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 11.**—If you have more than one of the credits listed under **Who Must File Form 3800, General Business Credit**, or a credit for alcohol used as fuel from a passive activity, stop here and go to Form 3800.

If you have only a 1992 credit for alcohol used as fuel, and the credit is not from a passive activity, complete this form. You do not have to file Form 3800 for this year.

For an estate or trust, the credit on line 11 is allocated among the beneficiaries in the same manner as the income was allocated. In the margin to the right of line 11, the fiduciary of the estate or trust identifies its share and the beneficiaries' shares of the total credit. Complete lines 12 through 19, as applicable, to figure the credit to take on Form 1041. Attach a schedule to Form 6478 showing how the total credit was divided.

**Line 15.**—Enter the tentative minimum tax (TMT) that was figured on the appropriate alternative minimum tax (AMT) form or schedule. Although you may not owe AMT, you must still compute the TMT to figure your credit.

**Line 17.**—See section 38(c)(2) for special rules for married couples filing separate returns, for controlled corporate groups, and for estates and trusts.

**Line 19.**—If you cannot use part of the credit because of the tax liability limitations, carry it back 3 years, then forward for 15 years. See the separate instructions for Form 3800 for details.