

# Instructions for Form 720

(Revised October 1998)

## Quarterly Federal Excise Tax Return

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



Department of the Treasury  
Internal Revenue Service

### General Instructions

#### Changes To Note

1. For balance due payments, make any check or money order payable to the **United States Treasury**. See Form 720, line 9.
2. After September 30, 1998, rates change for transportation of persons by air, IRS No. 26. See page 2.
3. The rate for dyed diesel fuel used in trains, IRS No. 71, decreases to \$.044 per gallon beginning November 1, 1998.
4. Some rules for claims have changed beginning with the fourth quarter of 1998. See the instructions for Schedule C beginning on page 6.
5. After October 21, 1998, vaccine against rotavirus gastroenteritis is added to the list of taxable vaccines, IRS No. 97. See **Vaccine taxes** on page 3 for details.

#### Additional Information

You may find the following publications helpful when preparing Form 720 and the attachments:

- **Pub. 510**, Excise Taxes for 1999, has more information on Form 720 taxes. Pub. 510 contains definitions and examples that will help you prepare Form 720 and the attachments.
- **Pub. 378**, Fuel Tax Credits and Refunds, has more information on nontaxable uses.
- **Pub. 509**, Tax Calendars for 1999, has payment dates for all Federal excise taxes.

#### Unresolved Tax Problems

The Taxpayer Advocate's Problem Resolution Program (PRP) is for taxpayers who have been unable to resolve their problems with the IRS. If you have a tax problem that you cannot clear up through normal channels, you can write to the local IRS District Director or call the Taxpayer Advocate at a new toll-free assistance number, 1-877-777-4778. Persons who have access to TTY/TDD equipment may call 1-800-829-4059 to ask for help from the Taxpayer Advocate. This office cannot change the law or technical decisions, but it can help clear up problems that resulted from previous contacts.

#### Purpose of Form

Use Form 720 and attachments to report and pay the excise taxes listed on the form.

#### 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

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.

Mail your return using the U.S. Postal Service or designated private delivery service. See Pub. 509 for more information.

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.**

**Floor stocks taxes.** Report the floor stocks taxes on:

- Kerosene, IRS No. 103, on the return for the 3rd quarter of 1998. The payment was due August 31, 1998. See page 4.
- Ozone-depleting chemicals (ODCs), IRS No. 20, on the return for the 2nd quarter of each year. The tax payment is due by June 30. See page 4.

#### Where To File

File Form 720 with the Internal Revenue Service Center, Cincinnati, OH 45999-0009.

#### How To File

If you are not reporting a tax that you normally report, enter a zero on the appropriate line in Part I or II (Form 720). Also, if you have no tax to report, write "None" on lines 3 and 5, page 2, Part III, and sign the return.

If you have adjustments to Part I or Part II (Form 720) taxes, do not enter adjustments in the "tax" column. See Schedule C instructions on page 6.

#### One-Time Filings

If you import for personal use a gas guzzling automobile or a passenger vehicle subject to the luxury tax, you may be eligible to make a one-time filing of Form 720 and Form 6197.

You may make a one-time filing to report the gas guzzler tax or the luxury tax if you meet all of the following conditions:

- You do not use the vehicle in the course of any trade or business;
- You do not import gas guzzling automobiles or luxury passenger vehicles in the course of your trade or business; and
- You are not required to file Form 720 reporting excise taxes for the calendar quarter, except for one-time filings.

To make a one-time filing:

1. File the return for the quarter in which you incur liability for the tax. See **When To File** on this page.
2. Pay the tax with the return. No deposits are required.
3. If you are an individual and do not have an employer identification number (EIN), enter your social security number (SSN) on Form 720 on the line for the EIN.
4. Check the one-time filing box above Part I on page 1 of Form 720.

#### Final Return

File a final return if you have been filing a Form 720 and you:

1. Go out of business,
2. Stop collecting and paying air transportation and communications taxes reportable on Form 720, or
3. Will not owe for excise taxes that are reportable on Form 720 in future quarters.

**Note:** If you are only filing to report zero tax and you will no longer owe excise tax, check the final return box above Part I on page 1 of Form 720. The IRS will then stop mailing Package 720 to you each quarter.

#### 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: when the tax became due; when you paid the tax; when you claimed an adjustment; or when you filed a claim for a refund. Always keep your records available 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.

**Trust fund recovery penalty.** If communications and air transportation taxes are collected but not paid over to the United States Treasury or are willfully not collected, the trust fund recovery penalty may apply. The penalty is 100% of these taxes. The penalty may apply to you if these taxes cannot be immediately recovered from the 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 spend 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.

## 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. 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).

**P.O. box.** If the Post Office does not deliver mail to the street address and you have a P.O. box, show the box number instead of the street address.

**Foreign address.** Enter the city, province or state, and country. Follow the country's practice for entering the postal code. Please **do not** abbreviate the country name.

### 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 are a one-time filer, you do not need an EIN. See **One-Time Filings** on page 1.) If you do not have an EIN, use **Form SS-4**, Application for Employer Identification Number, to apply for one. You can get this form at Social Security Administration offices or by calling 1-800-TAX-FORM (1-800-829-3676). You can ask for an EIN by calling the tele-TIN phone number for your service center listed in the instructions for Form SS-4.

## Part I

### Environmental Taxes

Use **Form 6627**, Environmental Taxes, to figure the environmental taxes on:

- ODCs, IRS No. 98;
- Imported products that used ODCs as materials in the manufacture or production of the product, IRS No. 19; and
- The floor stocks tax on ODCs, IRS No. 20.

Attach Form 6627 to Form 720 each quarter. The tax rates for these taxes are shown on Form 6627 and its instructions.

### Communications and Air Transportation Taxes

#### Who Must File

The person receiving the payment for communications or air transportation services must 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 local telephone service, toll telephone service, and teletypewriter exchange service.

#### Air Transportation Taxes

Enter the amount of tax collected or considered collected for the quarter.

**Transportation of persons by air (IRS No. 26).** For amounts paid for taxable transportation of persons by air, the tax is:

- 8% for transportation beginning after September 30, 1998, and
- 7.5% after September 30, 1999.

**To or from rural airports.** The tax is 7.5% of amounts paid for taxable transportation of persons by air to or from rural airports. The domestic segment tax (see below) is not imposed on this transportation. However, special rules apply if the transportation involves more than one segment one of which does not begin or end at a rural airport. See section 4261(e).

**Domestic segment tax.** For any amount paid for transportation (excluding segments to or from rural airports), the tax is:

- \$2.00 per segment for transportation after September 30, 1998, and
- \$2.25 per segment after September 30, 1999, and before January 1, 2000.

A segment consists of one takeoff and one landing.

**Transportation of property by air (IRS No. 28).** The tax is 6.25% of amounts paid for transportation of property by air.

**International air travel facilities (IRS No. 27).** For any amount paid, the tax is \$12 per person on all departures and arrivals. For domestic segments that begin or end in Alaska and Hawaii, the tax is \$6 per person and applies only to departures.

### Fuel Taxes

**First taxpayer's report.** If you are reporting gallons of gasoline, diesel fuel, and kerosene that may again be subject to tax, you may need to file a first taxpayer's report. The report must contain all the information as shown in the Model Certificate C, Appendix C of Pub. 510.

The person who paid the first tax must:

- Give a copy of the first taxpayer's report to the buyer;
- File the first taxpayer's report with Form 720 for the quarter for which the report relates; and
- Write "EXCISE—FIRST TAXPAYER'S REPORT" across the top of a separate copy of the report, and by the due date of Form 720, send the copy to: Internal Revenue Service, Cincinnati, OH 45999-0002.

**Diesel fuel (IRS No. 60).** If you are liable for the diesel fuel tax on removal at the terminal rack, report these gallons on line (a) of IRS No. 60. If you are liable for the diesel fuel tax on events other than removal at the terminal rack, report these gallons on line (b) of IRS No. 60.

Multiply the total number of gallons subject to tax on lines (a) and (b) by \$.244 and make one entry in the tax column.

**Dyed diesel fuel used in trains (IRS No. 71).** Dyed diesel fuel used in a diesel-powered train is taxed at:

- \$.0565 per gallon before November 1, 1998, and
- \$.044 per gallon after October 31, 1998.

**Dyed diesel fuel used in certain intercity or local buses (IRS No. 78).** Dyed diesel fuel used in certain intercity or local buses is taxed at \$.074 per gallon.

**Kerosene (IRS No. 35).** If you are liable for the kerosene tax on removal at the terminal rack, report these gallons on line (a) of IRS No. 35. If you are liable for the kerosene tax on events other than removal at the terminal rack, report these gallons on line (b) of IRS No. 35.

Multiply the total number of gallons subject to tax on lines (a) and (b) by \$.244 and make one entry in the tax column.

**Liquefied petroleum gas (LPG) (IRS No. 61).** Only LPG (such as propane and butane) is reported on the line for IRS No. 61. LPG is taxed at \$.136 per gallon.

**Other fuels (IRS No. 79).** Use the following table to determine the tax for each gallon. Fill in the number of gallons and the appropriate rate in the **Rate** column on the line for IRS No. 79. If more than one rate applies, leave the **Rate** column blank and attach a schedule showing the rates and number of gallons taxed at each rate.

Fuel	Tax Rate per Gallon
Liquefied natural gas.....	\$.1190
<b>Qualified—</b>	
Ethanol.....	.1295
Methanol.....	.1235
<b>Partially exempt—</b>	
Ethanol produced from natural gas.....	.1140
Methanol produced from natural gas.....	.0925
<b>Gasoline sold for gasohol production containing at least—</b>	
10% alcohol (methanol).....	.13778
7.7% alcohol but less than 10% alcohol (methanol).....	.14929
5.7% alcohol but less than 7.7% alcohol (methanol).....	.15885
<b>Gasohol containing at least—</b>	
10% alcohol (methanol).....	.1240
7.7% alcohol but less than 10% alcohol (methanol).....	.1378
5.7% alcohol but less than 7.7% alcohol (methanol).....	.1498
<b>Special motor fuels/alcohol mixture containing—</b>	
Ethanol.....	.1300
Methanol.....	.1240
<b>Diesel/alcohol mixture containing—</b>	
Ethanol.....	.1900
Methanol.....	.1840

<b>Diesel sold for diesel/alcohol mixture containing—</b>	
Ethanol.....	.2111
Methanol.....	.2044
<b>Aviation fuel/alcohol mixture containing—</b>	
Ethanol.....	.0850
Methanol.....	.0790
<b>Aviation fuel sold for aviation/alcohol mixture containing—</b>	
Ethanol.....	.09444
Methanol.....	.08778
<b>Other fuels not shown.....</b>	<b>.1840</b>

**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. If you are liable for the additional tax on failure to blend or later separation, report these gallons on line (c) of IRS No. 62.

Multiply the total number of gallons subject to tax on lines (a) and (b) by \$.184. Multiply the total number of gallons subject to tax on line (c) by the appropriate rate (see below). Combine the tax for lines (a), (b), and (c), and make one entry in the tax column.

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

Type of Mixture	Rate of Tax
At least 10% alcohol .....	\$ .03956
At least 7.7% alcohol but less than 10% alcohol .....	.02970
At least 5.7% alcohol but less than 7.7% alcohol .....	.02152

Report the number of gallons on line (c) of IRS No. 62 and enter the appropriate rate in the **Rate** column of that line. If more than one rate applies, leave the **Rate** column blank and attach a schedule showing the rates and number of gallons taxed at each rate.

**Compressed natural gas (IRS No. 101).** Tax is imposed on compressed natural gas (CNG) that is sold for use or used as fuel in a motor vehicle or motorboat. The rate of tax is \$.4854 per thousand cubic feet (determined at standard temperature and pressure).

### Retail Tax

**Truck, trailer, and semitrailer chassis and bodies, and tractors (IRS No. 33).** The tax is 12% (.12) of the sales price on the first retail sale of each unit. The sales price of a vehicle includes certain related parts and accessories sold on or in connection with the sale of the vehicle. It applies to trucks that have a gross vehicle weight (GVW) over 33,000 pounds. It also applies to trailer and semitrailer chassis and bodies for use with a trailer or semitrailer with a GVW over 26,000 pounds. Tractors mainly used for highway transportation with a trailer or semitrailer are taxable regardless of GVW.

**Tire credit.** The value of any tires sold on or in connection with the first retail sale is **not** excluded from the sales price subject to the 12% retail tax. However, a tax credit may be taken equal to the amount of tax on each tire. Claim the tax credit on Schedule C, line 11h.

### 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. A voyage extends "over 1 or more nights" if it is longer than 24 hours. 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.

### Other Excise Tax

**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.

### Luxury Tax

**Passenger vehicles (IRS No. 92).** The tax is imposed on the first retail sale of any passenger vehicle and is equal to 7% (6% in 1999) of the sales price to the extent the price exceeds \$36,000. The first retail sale

includes the use or lease of a vehicle. The tax must be paid by the seller of the vehicle.

The tax generally applies to passenger vehicles having an unloaded vehicle weight of 6,000 pounds or less. The tax also applies to trucks and vans having a gross vehicle weight (the weight of the vehicle plus its maximum load) of 6,000 pounds or less. Limousines are taxable regardless of weight. The tax does not apply to taxicabs and other passenger vehicles used by the purchaser exclusively in the business of transporting persons or property for compensation or hire, to law enforcement vehicles, public safety or public works vehicles, or emergency medical service vehicles.

Add the tax on each sale during the quarter and enter the total on the line for IRS No. 92. See Pub. 510 for more information.

**Note:** Also, see Pub. 510 for information on applying this tax to electric and clean-fuel burning vehicles.

### 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—\$.45 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.

Figure 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 figure 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 taxes (IRS No. 97).** A tax is imposed on the sale or use of a vaccine manufactured, produced, or entered into the United States at \$.75 per dose if it:

- Contains diphtheria toxoid, tetanus toxoid, pertussis bacteria, extracted or partial cell bacteria, specific pertussis antigens, or polio virus;
- Is against measles, mumps, rubella, hepatitis B, chicken pox, or rotavirus gastroenteritis (see **Note** below); or
- Is any HIB (haemophilus influenza type B) vaccine.

**Note:** The tax is imposed on sales of the rotavirus vaccine after October 21, 1998. The tax also applies to deliveries of the vaccine after October 21, 1998, for sales made on or before that date.

If any taxable vaccine is combined with one or more additional taxable vaccines, then the tax is imposed on each vaccine included in the combination.

**Example.** MMR contains three taxable vaccines: measles, mumps, and rubella. The tax per dose on MMR is \$2.25 (3 x \$.75).

Add the tax for each taxable vaccine and enter the total tax on the line for IRS No. 97.

### Foreign Insurance 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 which must report the payments of premiums that are exempt from the excise tax on policies issued by foreign insurers for the previous calendar year. This statement is filed with the 1st quarter Form 720, which is due before May 1 of each year.

You may be able to use Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b), as a disclosure statement.

**How to file.** At the top of Form 720, write "Section 6114 Treaty." Provided you have no other transactions reportable on Form 720:

1. Check the one-time filing box on page 1. If this is your final return, check the final return box.

2. Write "None" on lines 1, 3, and 5.

3. Sign the return.

You need an EIN to file Form 720. If you do not have an EIN, use Form SS-4 to apply for one. See **Employer Identification Number (EIN)** on page 2.

**Where to file.** Send the Form 720 with the attached statement to: Internal Revenue Service Center, P.O. Box 21086, Philadelphia, PA 19114.

**Exception.** If you are reporting liabilities in Parts I or II (Form 720), follow the instructions above for **How to file**, except send the Form 720 to: Internal Revenue Service Center, Cincinnati, OH 45999-0009.

## Part II

**Sport fishing equipment (IRS No. 41).** The tax on sport fishing equipment is 10% (.10) of the sales price. The tax is paid by the manufacturer, producer, or importer. Taxable articles include fishing rods and poles (and component parts), reels, fly fishing lines (and other lines not over 130 pounds test), fishing spears, spear guns, spear tips, terminal tackle, fishing supplies and accessories, and any parts or accessories sold on or in connection with these articles. See Pub. 510 for a complete list of taxable articles. Add the tax on each sale during the quarter and enter the total on the line for IRS No. 41.

**Electric outboard motors and sonar devices (IRS No. 42).** The tax on an outboard motor or a sonar device for finding fish is 3% (.03) of the sales price. The tax is paid by the manufacturer, producer, or importer. The tax is limited to \$30 for each sonar device. Sonar devices for finding fish do not include graph recorders, digital types, meter readouts, or combination graph recorders or combination meter readouts. Add the tax on each sale during the quarter and enter the total on the line for IRS No. 42.

**Bows (IRS No. 44).** The tax on bows is 11% (.11) of the sales price. The tax is paid by the manufacturer, producer, or importer. It applies to bows having a draw weight of 10 pounds or more. The tax is also imposed on the sale of any part or accessory suitable for inclusion in or attachment to a taxable bow and any quiver suitable for use with arrows described below. Add the tax on each sale during the quarter and enter the total on the line for IRS No. 44.

**Arrow components (IRS No. 102).** The tax on any shaft, point,nock, or vane is 12.4% (.124) of the sales price for which the component is sold. The tax is paid by the manufacturer, producer, or importer of any component used in the manufacture of any arrow which after assembly measures 18 inches or more in overall length or is less than 18 inches but is suitable for use with a bow that has a draw weight of 10 pounds or more. Add the tax on each sale during the quarter and enter the total on the line for IRS No. 102.

**Inland waterways fuel use (IRS No. 64).** Enter the number of gallons subject to tax. The tax is \$.244 per gallon.

**Alcohol sold as but not used as fuel (IRS No. 51).** An excise tax is imposed if the credit was claimed on **Form 6478**, Credit for Alcohol Used as Fuel, and any person later:

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.

Use the following table to determine the tax for each gallon of alcohol.

IF the alcohol is...	AND...	THEN the tax rate per gallon is...
at least 190 proof	• is ethanol	\$.54
	• is methanol	.60
	• benefited from the small ethanol producer credit	.64
at least 150 proof but less than 190 proof	• is ethanol	\$.40
	• is methanol	.45
	• benefited from the small ethanol producer credit	.50

## Floor Stocks Taxes

**Ozone-depleting chemicals floor stocks tax (IRS No. 20).** Use Form 6627 to figure the liability for this tax. Enter the amount from Form 6627, Part III, line 4, column (d) on the line for IRS No. 20. Attach Form 6627 to Form 720 for the 2nd quarter of each year. Deposit the payment by June 30 at an authorized depository. See **How To Make Deposits** on this page.

**Kerosene floor stocks tax (IRS No. 103).** A floor stocks tax of \$.244 per gallon was imposed on any person that held kerosene on the first moment of July 1, 1998. The floor stocks tax payment was due August 31, 1998.

**Note:** Get Form 720 (Rev. July 1998) and its instructions for more information.

## Part III

Report on line 4 of Form 720 the total adjustments and claims from line 13 of Schedule C. See the instructions on page 6.

You may have any overpayment refunded or applied to your next return. 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. A **semimonthly period** is the first 15 days of a month (the first semimonthly period) or the 16th through the last day of a month (the second semimonthly period).

However, no deposit is required for the situations listed below; the taxes are payable with the return.

- The net liability for taxes listed in Part I (Form 720) does not exceed \$2,000 for the quarter.
- The gas guzzler tax and/or the luxury tax is being paid on a one-time filing. See **One-Time Filings** on page 1.
- The liability is for taxes listed in Part II (Form 720), except for the floor stocks taxes, which generally require a single deposit. See **Floor Stocks Taxes** on this page.
- The tax liability is for the removal of a batch of gasohol from an approved refinery by bulk transfer, if the refiner elects to treat itself for that removal as not registered under section 4101. See Regulations section 48.4081-3.

## How To Make Deposits

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.

**Electronic deposit requirement.** You must make electronic deposits for all depository tax liabilities that occur after 1997 if:

- Your total deposits of income tax withheld and social security, Medicare, and railroad retirement taxes were more than \$50,000 in 1996, or
- You **did not** have deposits of income tax withheld, social security, Medicare, or railroad retirement taxes in 1996, but deposited more than \$50,000 in other depository taxes (such as excise taxes).

**Electronic Federal Tax Payment System (EFTPS).** EFTPS must be used to make electronic deposits. If you are an employer required to use EFTPS, you must also deposit your Form 720 taxes by EFTPS. If you were required to deposit by electronic funds transfer in prior years, continue to do so in 1998. If you are required to make deposits by EFTPS and fail to do so, you may be subject to a 10% penalty. However, if you were first required to use EFTPS on or after July 1, 1997, no penalties for failure to use EFTPS will be imposed on deposit obligations incurred on or before June 30, 1999. Taxpayers who are not required to make electronic deposits may voluntarily participate in EFTPS. To enroll in EFTPS, call 1-800-555-4477 or 1-800-945-8400. For general information about EFTPS, call 1-800-829-1040.

**Federal Tax Deposit Coupons.** If you are not required to use EFTPS, then deposit Federal excise taxes 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.

## When To Make Deposits

Taxes that are required to be deposited are grouped into classes as follows:

- 9-day-rule taxes,
- 30-day-rule taxes,
- alternative method taxes, and
- 14-day-rule 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 following that 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, diesel fuel, and kerosene tax (IRS Nos. 14, 35, 58, 59, 60, 62, 73, 74, 75, and 76), if deposits by qualified persons are made using EFTPS. 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** on this page.

- One-time filers of luxury and gas guzzler tax. See **One-Time Filings** on page 1.

**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 instead of 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 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.

**Example.** The tax included in amounts billed or tickets sold for the period December 16–31, 1998, is considered collected from January 16–22, 1999, and must be deposited by January 27, 1999.

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 collected during January, February, and March and are reported on Form 720 as the tax for the 1st quarter of the calendar year.

**14-day rule (IRS Nos. 14, 35, 58, 59, 60, 62, 73, 74, 75, and 76).**

Deposits of the gasoline, diesel fuel, and kerosene 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 using EFTPS. 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. The 14-day rule does not apply to dyed diesel fuel used in trains (IRS No. 71) or to dyed diesel fuel used in certain intercity or local buses (IRS No. 78).

### Amount To Deposit

Deposits of taxes for a semimonthly period must be at least 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, 30-day rule, the alternative method, and the 14-day rule.

The **net tax liability** for a semimonthly period is the total liability for the period plus or minus any adjustments for the period. Net tax liability for a semimonthly period may be figured by dividing the net tax liability for the month by 2, provided this method of computation is used for all semimonthly periods in the calendar quarter.

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 collected during the semimonthly period. The net amount of tax that is considered 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: the look-back quarter liability, and the current liability.

**The look-back quarter liability safe harbor rule.** The look-back quarter safe harbor rule applies to persons who filed a Form 720 for the look-back quarter (the 2nd calendar quarter preceding the current quarter). Persons who 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 at least  $\frac{1}{6}$  (16.67%) of the net tax liability reported for the look-back quarter.

For the semimonthly period for which the additional deposit is required, the additional deposit must be at least 12.23% (11.12% non-EFTPS) of the net tax liability reported for the look-back quarter. Also, the total deposit for that semimonthly period must be at least  $\frac{1}{6}$  (16.67%) of the net tax liability reported for the look-back quarter.

**Exceptions.** The look-back rule does not apply to:

- The 1st and 2nd 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 at least  $\frac{1}{6}$  (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; or
- Deposits of any tax if the tax was not in effect throughout the look-back quarter. If this exception applies to you, be sure to see the instructions on **How to complete** under **Schedule A** below to report your net tax liability.

**The current liability safe harbor rule.** 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.

For the semimonthly period for which the additional deposit is required, the additional deposit must be at least 69.67% (63.34% non-EFTPS) of the net tax liability for the semimonthly period. Also, the total deposit for that semimonthly period must be at least 95% of the net liability for the semimonthly period.

**Requirements to be met.** For the safe harbor rules to apply, you must:

1. Make each deposit timely at an authorized Government depository; and
2. Pay any underpayment for the current quarter 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.

**Note:** *The IRS may withdraw the right to make deposits of tax using safe harbor rules from any person not complying with these rules.*

## Schedule A—Excise Tax Liability

**How to complete.** Complete Schedule A to record net tax liabilities for Part I taxes for each semimonthly period in a quarter even if your net liability is under \$2,000.

The following table will help you determine which boxes to complete on Schedule A.

IF you are reporting under the...	THEN you report on line...	AND enter the net tax liability in boxes...
9-day rule	1	A–F
30-day rule	2	G–L
Alternative method	3	M–R
14-day rule	4	S–X

**Note:** *No reporting under the special September rule is required for the current taxable period.*

If you are reporting more than one type of tax on lines 1, 2, 3, or 4:

1. Add the net liability for each tax for each semimonthly period, and
2. Enter the total in the applicable box.

If you are using the look-back rule for some taxes and you cannot use it for another tax in the same class, attach an additional sheet to Schedule A showing the net tax liability for each semimonthly period in the quarter for the other tax.

**Additional rules.** Report **communications and air transportation taxes** based on:

- Actual collections on line 1.
- Billings or tickets sold on line 3. The amount of tax to report for a semimonthly period is the amount that is considered collected during that period.

**Example.** The amounts billed for communications services from December 1–15, 1998, are considered collected during the period January 1–7, 1999, and are reported for the 1st quarter of 1999 on Schedule A in box **M**, not the 4th quarter of 1998.

Report your **gasoline, diesel fuel, and kerosene tax** liability on line 1, if you do not use the 14-day rule.

## Schedule C—Adjustments and Claims

**Note:** If you are not required to file Form 720 but you are due a refund of excise tax, you must use **Form 8849, Claim for Refund of Excise Taxes**, to make your claim.

To make claims or adjustments to prior quarters, complete Schedule C. Enter on line 4 of Form 720 the total from line 13, Part III, of Schedule C. You cannot claim any amounts on Schedule C that you took or will take as a credit on Form 4136 or as a refund on Form 8849 or Form 843.

Use **Form 843, Claim for Refund and Request for Abatement**, to request an abatement or refund of interest under section 6404(e) (due to IRS errors or delays) or an abatement of a penalty or addition to tax as a result of erroneous IRS written advice.

### Part I—Adjustments

Use this part to make adjustments to correct errors involving Forms 720 you have filed for prior quarters. Generally, adjustments that reduce your tax liability for a prior quarter must be made within 3 years from the time the return was filed or 2 years from the time the tax was paid, whichever is later.

On line 1, enter the total of any adjustments claimed. A statement **must** be attached for each adjustment claimed. The attached statement must include the following information:

- An explanation of why you are claiming a reduction in tax or reporting additional tax.
- The computation of the amount you are claiming.
- A statement that you have the required supporting evidence.

### Part II—Claims

Complete all information requested. Your claim will be disallowed if you do not follow the required procedures or do not provide all the required information. See Pub. 378 for more information.

**Note:** To make an ultimate vendor claim on lines 6 and 7, you are required to have a **UV** registration number (or **UP** registration number, in the case of kerosene sales from a blocked pump). If you do not have a registration number, you cannot make a claim at this time. Get **Form 637, Application for Registration (For Certain Excise Tax Activities)**, for information on how to apply for one.

**Claim requirements for lines 2 through 5 and line 8.** The following requirements must be met:

1. The claim must be for fuel used during one or more of the quarters of the claimant's income tax year and be for at least \$750.
2. To meet the \$750 requirement:
  - a. Amounts from lines 2, 3, 4, 5, and 8 are combined. For example, the requirement is met if \$750 is claimed on line 4a, or \$600 is claimed on line 4a and \$150 is claimed on line 5.
  - b. Amounts for quarters for which a claim has not been filed may be combined. For example, the requirement may be met by combining \$550 for the third quarter and \$300 for the fourth quarter in one claim.
3. Generally, the claim must be filed during the first quarter following the last quarter included in the claim. However, claims made on Form 720 must be filed earlier. For example, a calendar year income taxpayer's claim for the first quarter would be due June 30 (if filed on Form 8849). However, a claim made on Form 720 would be due the last day of April or May, depending on the claimant's Form 720 filing requirement.
4. Only one claim may be filed for a quarter.

**Note:** If requirements 1–4 above are not met, see **Annual Claims** on page 7.

#### Line 2—Nontaxable Use of Gasoline and Gasohol

**Claimant.** The ultimate purchaser of the gasoline or gasohol is the only person eligible to make this claim.

**Allowable use.** The fuel must have been used during the **Period of claim** for a business use other than in a highway vehicle registered (or required to be registered) for highway use (off-highway business use).

#### Line 3—Nontaxable Use of Aviation Gasoline

**Claimant.** The ultimate purchaser of the aviation gasoline is the only person eligible to make this claim.

**Allowable uses.** For line 3a, the aviation gasoline must have been used during the **Period of claim** in foreign trade or in certain aircraft (including certain helicopter and fixed-wing aircraft uses or in an aircraft or vehicle owned by an aircraft museum).

For line 3b, the aviation gasoline must have been used during the **Period of claim** in commercial aviation (other than foreign trade).

#### Line 4—Nontaxable Use of Undyed Diesel Fuel and Undyed Kerosene

**Claimant.** The ultimate purchaser of the fuel is the only person eligible to make this claim.

**Caution:** Line 4 cannot be used to make a claim for fuel used on a farm for farming purposes or for the exclusive use of a state or local government, or for kerosene sold from a blocked pump. Only registered ultimate vendors can make these claims.

**Allowable uses.** For line 4a, the taxed fuel must have been used during the **Period of claim** as heating oil.

For line 4b, the taxed fuel must have been used during the **Period of claim** for a business use other than in a highway vehicle registered (or required to be registered) for highway use (off-highway business use).

For line 4c, the taxed fuel must have been used during the **Period of claim** in a qualified local bus or in a bus transporting students and employees of schools.

For line 4d, the taxed fuel must have been used during the **Period of claim** in an intercity or local bus that furnishes for compensation passenger land transportation to the general public along regular routes.

For line 4e, the taxed fuel must have been used during the **Period of claim** for train use.

**Kerosene uses.** On line 4, write a "K" in the space to the left of the rate column. Kerosene claims must be reported separately. If more space is needed, attach a continuation sheet with the additional claims. Follow the same format as shown on line 4. Be sure to write your name and EIN on each sheet you attach.

#### Line 5—Nontaxable Use of Aviation Fuel (other than gasoline)

**Claimant.** The ultimate purchaser of the aviation fuel is the only person eligible to make this claim.

**Allowable uses.** For line 5a, the aviation fuel must have been used during the **Period of claim** in foreign trade, on a farm, or in certain aircraft.

For line 5b, the aviation fuel must have been used during the **Period of claim** in commercial aviation (other than foreign trade).

#### Line 6—Sales By Registered Ultimate Vendors of Undyed Diesel Fuel

**Claimant.** The registered ultimate vendor of the diesel fuel is the only person eligible to make this claim. You **must** write your **UV** registration number on the entry line for that number.

**Allowable sales.** The fuel must have been sold during the **Period of claim** for:

- Use on a farm for farming purposes, or
- Use by a state or local government (including essential government use by an Indian tribal government).

**Claim requirements for line 6.** The following requirements must be met:

1. The claim must be for any period that is at least 1 week and be for at least \$200.
2. To meet the \$200 requirement, amounts from line 6 and line 7 are combined.
3. Generally, the claim must be filed by the last day of the first quarter following the earliest quarter of the claimant's income tax year included in the claim. For example, a calendar year income taxpayer's claim for the first quarter would be due June 30 (if filed on Form 8849). However, a claim made on Form 720 would be due the last day of April or May, depending on the claimant's Form 720 filing requirement.
4. Only one claim may be filed for a quarter.

**Note:** If requirements 1–4 above are not met, see **Annual Claims** on page 7.

**Information to be submitted.** Attach a separate sheet with the name and TIN of each farmer, custom harvester, or governmental unit to whom the diesel fuel was sold and the number of gallons sold to each.

#### Line 7—Sales By Registered Ultimate Vendors of Undyed Kerosene

**Claimant.** The registered ultimate vendor of the kerosene is the only person eligible to make this claim. You **must** write your **UV** registration number on the entry line for that number if you are making a claim on line 7a or 7b. For line 7c, you **must** write your **UP** registration number on the entry line.

**Allowable sales.** The fuel must have been sold during the **Period of claim** for:

- For use on a farm for farming purposes,
- For use by a state or local government (including essential government use by an Indian tribal government), or
- From a blocked pump (see section 6427(l)(5)(B)).

**Claim requirements for line 7.** The following requirements must be met:

1. The claim must be for any period that is at least 1 week and be for at least \$100.
2. Generally, the claim must be filed by the last day of the first quarter following the earliest quarter of the claimant's income tax year included in the claim. For example, a calendar year income taxpayer's claim for the first quarter would be due June 30 (if filed on Form 8849). However, a claim made on Form 720 would be due the last day of April or May, depending on the claimant's Form 720 filing requirement.
3. Only one claim may be filed for a quarter.

**Note:** If requirements 1–3 above are not met, see **Annual Claims** on this page.

**Information to be submitted.** For claims on lines 7a and 7b, attach a separate sheet with the name and TIN of each farmer, custom harvester, or governmental unit to whom the kerosene was sold and the number of gallons sold to each.

**Line 8—Nontaxable Use of Liquefied Petroleum Gas (LPG) in Certain Buses**

**Claimant.** The ultimate purchaser of the LPG (such as propane or butane) is the only person eligible to make this claim.

**Allowable uses.** The fuel must have been used during the **Period of claim** in:

- Intercity and local buses, or
- Qualified local and school buses.

**Line 9—Gasohol Blending**

**Claimant.** The person that produced the gasohol is the only person eligible to make this claim.

**Allowable use.** Gasoline that was taxed at the full rate must have been used to produce gasohol during the **Period of claim** for sale or use in the blender's trade or business.

**Claim requirements for line 9.** The following requirements must be met:

1. The claim must be for any period that is at least 1 week and be for at least \$200.
2. Generally, the claim must be filed by the last day of the first quarter following the earliest quarter of the claimant's income tax year included in the claim. For example, a calendar year income taxpayer's claim for the first quarter would be due June 30 (if filed on Form 8849). However, a claim made on Form 720 would be due the last day of April or May, depending on the claimant's Form 720 filing requirement.
3. Only one claim may be filed for a quarter.

**Note:** If requirements 1–3 above are not met, see **Annual Claims** on this page.

**Line 10—Gasoline (Sold for uses described.)**

**Claimant.** The person who paid the tax to the government is the only person eligible to make this claim.

**Allowable sales.** The fuel must have been sold to the ultimate purchaser during the **Period of claim** for one or more of the uses described for line 10.

**Claim requirement.** The claim must be filed within 3 years from the time the return was filed by the person that paid the tax to the government or 2 years from the time the tax was paid to the government, whichever is later.

**Line 11—Other claims**

Use the blank line(s) for any claim not described. If you need additional space, attach other sheet(s) with your name and EIN on each sheet. You must include:

- Any additional information required by the regulations,
- A detailed description of the transaction,
- How you figured the claim amount, and
- Any other information you believe will support the claim.

**Annual Claims**

If a claim on lines 2–9 was not made for any gallons, an annual claim may be made. Generally, an annual claim is made on **Form 4136**, Credit for Federal Tax Paid on Fuels, for the income tax year during which the fuel was used by the ultimate purchaser or sold by the registered ultimate vendor. See Form 4136 and its instructions for more information.

**Privacy Act and Paperwork Reduction Act Notice.** We ask for the information on these forms in order to carry out the Internal Revenue laws of the United States. We need it to figure and collect the right amount of tax. Certain chapters under Subtitle D of the Internal Revenue Code, Miscellaneous Excise Taxes, impose a tax on the sale and manufacture of various articles, a tax on facilities and services, environmental taxes, luxury tax, and floor stocks taxes. These forms are used to determine the amount of tax that you owe. Section 6011 requires you to provide the requested information if any of the taxes are applicable to you. Section 6109 requires you to provide your taxpayer identification number (SSN, ITIN, or EIN). Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, and the District of Columbia for use in administering their tax laws. If you fail to provide this information in a timely manner, you may be liable for penalties and interest.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file these forms and related schedules 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	23 hr., 41 min.	2 hr., —	6 hr., 4 min.
Sch. A	1 hr., 55 min.	—	2 min.
Sch. C Part I	1 hr., 55 min.	6 min.	8 min.
Part II	21 hr., 3 min.	—	20 min.
Part III	14 min.	6 min.	7 min.
6197	4 hr., 18 min.	12 min.	17 min.
6627	5 hr., 1 min.	6 min.	11 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making these forms and related schedules simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax forms to this office. Instead, see **Where To File** on page 1.