

February 2014



## Excise Tax Credit/Refund on Off-Highway Business Use of Fuel



KNAV is a firm of International Accountants, Tax and Business Advisors.

### Presence in |

INDIA  
USA  
UK  
FRANCE  
NETHERLANDS  
SWITZERLAND  
CANADA

E: [admin@knavcpa.com](mailto:admin@knavcpa.com)

W: [www.knavcpa.com](http://www.knavcpa.com)

An excise tax is imposed on gasoline fuel at 18.4 cents per gallon, and the taxes collected are placed into a special fund designated for highway and road construction and maintenance. However, a taxpayer may be eligible to claim a **credit or a refund** on their income tax return for the federal excise tax on the use of gasoline fuel for "Off-highway business use". Off-highway business use means fuel used in a trade or business or in an income-producing activity other than as a fuel in a highway vehicle registered or required to be registered for use on public highways. In other words, any gasoline fuel used by a taxpayer for the use in their business other than for a registered vehicle may qualify for a credit or a refund.

Off-highway business use includes fuels used in any of the following ways:

- In stationary machines such as generators, compressors, power saws, and similar equipment.
- For cleaning purposes.
- In forklift trucks, bulldozers, and earthmovers.

The credit or refund is allowable in the year in which the fuel is used. Taxpayers should maintain a record of the following items while claiming the credit/refund:

- The number of gallons purchased and used during the period covered by the claim.
- The dates of the purchases.
- The names and addresses of suppliers and amounts purchased from each in the period covered by the claim.
- The nontaxable use for which you used the fuel.
- The number of gallons used for each non-taxable use.

The taxpayer can either claim a credit or a refund, but not both.

### Claim for Federal Excise Tax Refund

If the amount claimed is \$750 or more during the taxpayer's tax year, then a refund can be claimed by using Form 8849, Claim for Refund of Excise Taxes. This refund can be claimed by filing the form in the quarter following the use of the fuel, and can be claimed a maximum of once every quarter.

For example, for a calendar year taxpayer if the amount claimed is \$500 for the quarter of January - March, then the form cannot be filed during the quarter of April-June. If during this second quarter the amount claimed is \$300, then the total claim for the first two quarters amounts to \$800 (greater than \$750) and accordingly the refund can be claimed by filing the form in the quarter of July-September.

### Claim for Federal Excise Tax Credit

If the total claim for the excise tax is less than \$750 for the taxable year, then the only option for the taxpayer is to claim a credit. Form 4136, Credit for Federal Tax Paid on Fuels must be completed and filed along with the taxpayer's income tax return, i.e. Form 1120 in case of corporations. A fuel tax credit can be claimed in the year in which the fuel was used. A credit cannot be claimed for any amount on which a refund has already been claimed on Form 8849.

The credit available must be utilized during the same taxable year, and any unused credit cannot be carried-over to subsequent taxable years.

### Claim for State Excise Tax Credit/Refund

Claims for excise tax credit or refund are also available for taxpayers for the various states from which the gasoline fuel was purchased, the amounts available for claim vary from state to state.

**Source: IRS.**

**Disclaimer:** These materials and the information ('this information') contained herein are provided by KNAV and are intended to provide general information on a particular subject or subjects and are not an exhaustive treatment of such subject(s).

This information is not intended to constitute accounting, tax, legal, investment, consulting, or other professional advice or services and should not be relied upon as the sole basis for any decision which may affect you or your business. No reader should act on the basis of any information contained in this publication without considering and, if necessary, taking appropriate advice upon their own particular circumstances. None of KNAV, its member firms, or its and their respective affiliates shall be responsible for any loss and any special, indirect, incidental, consequential, or punitive damages or any other damages whatsoever whether in an action of contract, statute, tort (including, without limitation, negligence), or otherwise, sustained by any person who relies on this information. If any of the foregoing is not fully enforceable for any reason, the remainder shall nonetheless continue to apply.

#### [Forward email](#)



This email was sent to atul.deshmukh@knavcpa.com by [nishta.sharma@knavcpa.com](mailto:nishta.sharma@knavcpa.com) | [Update Profile/Email Address](#) | Rapid removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).



KNAV | 101 RNA Azzure | Service Road | Bandra East | Mumbai | 400051 | India