

2017 FEDERAL ALTERNATIVE FUEL CREDIT

Propane Autogas Customer FAQs

Q: When did the federal alternative fuel credit become available?

A: The federal alternative fuel credit expired December 31, 2016, but was reinstated in February 2018 and established a new expiration date of December 31, 2017. Each gallon of propane used as motor fuel retroactive to January 1, 2017, is eligible for the credit until the current expiration date of December 31, 2017.

Q: How does Propane's Gasoline Gallon Equivalency (GGE) affect my alternative fuel tax and credit for calendar year 2017?

A: Because propane and gasoline have different energy contents, the adjustment to the excise tax is made on the GGE of propane. The energy contained in one gallon of gasoline is roughly equivalent to the energy contained in 1.353 gallons of propane. For unofficial purposes, this is approximately 13.5 cents for a single gallon of propane.

LPG (propane), taxed at \$.183 per GGE, has a GGE of 5.75 pounds or 1.353 gallons of LPG.

Example: 10,000 gallons of LPG ÷ 1.353 = 7391 GGE x \$0.183 = \$1,353.55 tax

Currently, the Minnesota excise tax is \$0.2135 per propane gallon.

Like the excise tax rate, the alternative fuel tax credit has been adjusted to reflect energy content in 2016.

The official credit is 50 cents per 1.353 gallons of propane. Unofficially, this can be rounded to 37 cents per gallon. However, the actual credit on a per gallon basis is 36.9549150. The IRS states that 50 cents per 1.353 gallons of propane should be used.

LPG has a claim rate (or GGE) of 5.75 pounds or 1.353 gallons of LPG.

Example: 10,000 gallons of LPG ÷ 1.353 gallons = 7,391 GGE x \$0.50 = \$3,695.50 claim amount.

Q: How do I claim the credit for calendar year 2017?

A: Claims for fuel used during 2017 must be filed in the same manner as claims were filed for gallons used prior to 2017. The U.S. Department of the Treasury (Treasury) will issue guidance for how to submit claims by March 11, 2018. Claims may be submitted for a 180-day period beginning no later than 30 days after Treasury issues guidance, and claims will be paid no later than 60 days after receipt.

Q: Who is eligible to claim the credit?

A: Per Internal Revenue Service (IRS) regulations, only the "fueler" of the vehicle(s) is eligible to claim the credit. This will ensure that only one claim is made for each gallon of fuel. If your vehicle is fueled at a Lakes Gas location, a cardlock, or FuelMaster site that is open to the public, then the owner of that facility is the fueler and is the only entity that can claim the credit. If you purchase propane in bulk and fuel your own vehicles, then you can claim the credit once you are properly registered with the IRS.

Q: What are the IRS registration requirements?

A: You need to complete IRS Form 637 and register for Activity "AL." This registration may require that you file and prepare the Quarterly Federal Excise Tax Return, Form 720. Becoming registered may require that you account for the Federal Excise Tax on alternative fuel used as motor fuel. The incentive must first be taken as a credit against the entity's alternative fuel tax liability; any excess over this fuel tax liability may be claimed as a direct payment from the IRS.

You should consult your accountant or tax advisor to review your specific IRS filing requirements.



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Ver. 2-2018

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Q: What do I need to do if I already have a 637 Registration from the IRS?

A: You must still apply for the “AL” registration. If you currently file a Form 720 with the IRS, there are special provisions you must follow.

Q: I’m a government or tax-exempt entity, can I claim the credit?

A: If you use propane to power motor vehicles (forklifts are included), you can claim the credit.

Q: Is there a limit to how much I can claim?

A: There is not a cap or limitation at this time. You should maintain proper documentation of the propane purchased and used to support tax returns and claims.

Q: Lakes Gas Co. is currently charging motor fuel taxes on my bulk purchases. What happens when I register with the IRS?

A: Once you are registered with the IRS, notify Lakes Gas Co. in Forest Lake, MN and provide us with a letter requesting that we no longer charge motor fuel taxes on your bulk purchases. Once this occurs, your Lakes Gas Co. account will be updated and you will be responsible for remitting the applicable motor fuel taxes to the IRS and your state or local revenue department. This will also allow you to claim the credit available from the IRS.

Q: I purchase propane in bulk and fuel my own vehicles, but I don’t want to register with the IRS or file these tax returns. What happens to the credit?

A: If your bulk propane purchases are all used for motor fuel, then you can request Lakes Gas Co. to charge all of the applicable federal and state motor fuel taxes on each delivery. This request must be on file at Lakes Gas Co. in Forest Lake, MN. Making this request will make Lakes Gas Co. the “fueller” of your vehicles. The request will be effective until it is rescinded in writing.

Q: I purchase propane in bulk and use it for forklifts as well as motor fuel in licensed vehicles. Am I eligible for the credit?

A: The IRS considers forklifts to be a motor vehicle, so propane used to power them is also eligible for the credit. Forklift gallons are not subject to the federal or most state motor fuel taxes, but they are eligible for this credit.

Q: Can school districts and other tax-exempt entities obtain the credit?

A: Yes. Tax exempt entities that fuel their own vehicles can claim the credit by filing IRS Form 8849. Even though you may be exempt from the Federal Excise tax, you are still eligible to receive the credit.

Q: Why doesn’t Lakes Gas Co. just claim the credit and reduce their selling price?

A: The credit can only be claimed by the entity that “delivers the fuel into the fuel supply tank” of the motor vehicle. Lakes Gas Co.’s product costs and operating costs are not affected by this credit.

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Q: What other tax issues are there?

A: If you purchase propane in bulk and fuel your own vehicles, you may also be required to pay state and/or local motor fuel taxes and file tax returns. This will be dependent upon where you are located.

Q: Where can I get more information?

A: The IRS Forms and Instructions can be obtained at www.irs.gov.

IRS Forms and Instructions 720, 637, 4136 and 8849

IRS Publication 510, Excise Taxes

IRS Notice 2006-92

Call the IRS - Excise Tax Branch at phone **202-317-6855**



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