



Petroleum Transportation & Storage Association

REGULATORY ALERT

April 8, 2004

DEADLINE FOR REGISTERING WITH IRS AS BIO-DIESEL BLENDER DRAWS NEAR

BACKGROUND: Last October, Congress enacted the Jobs Creation Act of 2004 that established a federal tax credit for bio-diesel fuel blends. Effective January 1, 2005 the credit is available to the person who produces the mixture for sale or use in the producer's business or trade. The credit is paid on the amount of biodiesel added to the fuel mixture.

ISSUE: To file for the bio-diesel credit, blenders obtain an IRS 637 "M" registration before 7/1/05.

REGISTRATION: - Bio-diesel blenders must obtain an **IRS 637 "M" registration** (blender of gasoline, diesel fuel or kerosene outside the bulk transfer/terminal system) by July 1, 2005. Blenders who currently have an **IRS 637 "T" registration** (buyer of gasoline for blending into gasohol outside the bulk transfer/terminal system) will be considered a 637 "M" registrant by the IRS for purposes of filing returns and making claims for the biodiesel mixture credit **until** July 1, 2005. After this date, all blenders **must** obtain a new IRS 637 "M" registration. (Use IRS Form 637 to register)

TIMELINE: The processing time for the IRS 637 "M" registration could take up to 45 days. Bio-diesel blenders should fill out IRS Form 637 and send it to the IRS immediately to avoid any delay in bio-diesel claims or disruption of blending activities.

HOW THE CREDIT WORKS:

- **Biodiesel Credit** - The applicable credit for biodiesel* is \$0.50 for every gallon used to produce a biodiesel fuel mixture. The applicable credit for agri-biodiesel** is \$1.00 for every gallon of used to produce a biodiesel fuel mixture.

*The IRS defines *biodiesel* as monoalkyl esters of long chain fatty acids derived from *plant or animal* matter meeting the requirements of ASTM Standard D6751.

** The IRS defines *Agri-biodiesel* as biodiesel derived *solely from virgin oils*, including esters derived from virgin vegetable oils and from animal fats.

- **Filing a Claim** - Biodiesel blended with diesel fuel downstream of the terminal is taxed at 24.4 cents per gallon. The blender is required to pay tax on the added biodiesel amount. The blender may apply the biodiesel credit against existing federal excise tax liability on IRS Form 720, *Quarterly Federal Excise Tax Return*. If no federal excise tax liability exists, the credit is claimed on IRS Form 8849, *Claim for Refund of Excise Taxes*, Schedule 2.

Got questions? Call Mark S. Morgan at (202) 364-6767