



AG ECONOMIC SERIES

TIMELY INFORMATION

Agriculture & Natural Resources

Road Fuel Tax

Federal Excise Tax or Road Fuel Tax is paid on gasoline or aviation fuel when it is sold. Farmers may claim a credit or refund of the tax if the fuel is used for farming purposes.

Farming purposes include cultivation, livestock management, handling and storing crop & feed, and maintenance. It includes use in generators and stationary equipment, tractors and combines, crop sprayers, bulldozers, four wheelers and ATVs, and off-road farm use of vehicles. Non-qualified purposes include highway use, non-commercial aviation, packaging and freezing, and personal use.

Records must document the number of gallons bought and used, the dates of purchases, names and addresses of suppliers, the nontaxable uses, and the number of gallons used for each nontaxable use.

No credit or refund is allowed to users for undyed diesel fuel or kerosene. These fuels are sold for highway use. Farmers may purchase specially marked or dyed diesel fuel and kerosene for farm use without paying excise tax on the fuel. This generally requires completing an Exemption Certificate with a "registered ultimate vendor" or dealer. State and federal penalties are applied to anyone caught running dyed diesel fuel in a non-qualified vehicle designed for highway use.

Fuel Tax Credit

Excise tax paid on gasoline used on the farm for farming purposes must be claimed as a credit on the next tax return. Excise tax on other fuels may be claimed as a credit. File Form 4136, Credit for Federal Tax Paid on Fuels with Form 1040. Individuals claim the credit on Line 69, Other payments from, and check Box b. Partnerships report the claim by statement with the K-1. Corporations claim the credit on Form 1120 or 1120S line for Credit for Federal tax on fuels under Tax and Payments. Cash basis farmers report the credit on next year's Schedule F, Line 10, if the excise tax was included as expense.

Fuel Tax Refund

Farmers may claim a refund of excise tax on other fuel in any quarter when the total cumulative claim is \$750 or more. Unclaimed amounts may be carried over to later quarters. File Form 8849, Claim for Refund of Excise Tax. Excise tax must be claimed as a fuel tax credit if the total un-refunded claim is less than \$750 at the end of the year. Cash basis farmers report the refund as income in the year it is received.

ALABAMA A&M AND AUBURN UNIVERSITIES, AND TUSKEGEE UNIVERSITY, COUNTY GOVERNING BODIES AND USDA COOPERATING

The Alabama Cooperative Extension System offers educational programs, materials, and equal opportunity employment to all people without regard to race, color, national origin, religion, sex, age, veteran status, or disability.

In response to shortages of diesel fuel caused by recent hurricanes, The Internal Revenue Service and the State of Alabama suspended tax penalties for dyed diesel fuel sold for use or used on the highway. Any dyed diesel fuel can be used on the highway during this relief period. This relief began August 30, 2005 and remained in effect through October 15, 2005. Operators of highway use vehicles were given a reasonable amount of time to use up fuel in vehicle tanks.

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