

# Instructions for Form 720

(Revised October 1997)

## 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

**ÿ1. Fuel taxes** increased by \$.001 per gallon (due to reinstatement of the Leaking Underground Storage Tank (LUST) tax).

**ÿ2. Liquefied petroleum gas (LPG)**, IRS No. 61, is taxed at \$.136 per gallon. Report other fuels listed in the chart on page 3 on the line for IRS No. 79.

**ÿ3. A first taxpayer's report** is required to be filed on certain removals or sales of gasoline and diesel fuel. See page 2 for new procedures on submitting this report.

**ÿ4. Transportation of persons by air**, IRS No. 26, is taxed at a rate of 9% (7.5% on transportation to or from rural airports) plus \$1.00 for each domestic segment (excluding segments to or from rural airports). See page 2.

**ÿ5. Use of international travel facilities**, IRS No. 27, is taxed at \$12 per person on international departures and arrivals. See page 2.

**ÿ6. Vaccines**, IRS No. 97, are taxed at \$.75 per dose on the sale or use of all taxable vaccines. See page 4.

**ÿ7. Arrow components**, IRS No. 102, are taxed at 12.4% on the sale price of the components. See page 4.

### 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**, Tax Calendar for 1998, 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 tax on 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 5 for details.

### Where To File

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, Adjustments and Claims** on page 6.

### Special Rules—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:

**ÿ1.** File the return for the quarter in which you incur liability for the tax. See **When To File** on this page.

**ÿ2.** Pay the tax with the return. No deposits are required.

**ÿ3.** 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.

**ÿ4.** 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:

**ÿ1.** Go out of business,

**ÿ2.** Stop collecting and paying air transportation and communications taxes reportable on Form 720, or

**ÿ3.** 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 in future quarters, 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 IRS 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 cause the spending of 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.

## Additional Information

- **Pub. 510**, Excise Taxes for 1998, has more information on the taxes reported on Form 720. 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. See **How To Claim a Credit or Refund** in Pub. 378 for information on minimum dollar amounts and deadlines for filing for credit or refund.
- **Pub. 509**, Tax Calendar for 1998, has payment dates for all Federal excise taxes.

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## 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 **Special Rules—One-Time Filings** on page 1.) If you do not have an EIN, you must get one. Use **Form SS-4**, Application for Employer Identification Number. 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 state's IRS Service Center listed in the instructions for Form SS-4.

## Part I

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### Environmental Taxes

**Form 6627**, Environmental Taxes, is used 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.

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### Communications and Air Transportation Taxes

#### Who Must File

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

#### Air Transportation Taxes

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

**Transportation of persons by air (IRS No. 26).** The tax is 9% of amounts paid for taxable transportation of persons by air.

**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. 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). The domestic segment tax (see below) is not imposed on this transportation.

**Domestic segment tax.** \$1.00 per segment (1 takeoff and 1 landing) is charged on transportation excluding segments to or from rural airports.

**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 or Hawaii, the tax is \$6 per person and applies only to departures.

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### Fuel Taxes

**First taxpayer's report.** If you are reporting gallons of gasoline or diesel fuel 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;
- 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 of the report 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. Include on line (b) the tax on previously untaxed liquids that are blended with previously taxed diesel fuel.

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.

**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.

**Liquefied petroleum gas (LPG) (IRS No. 61).** Only LPG 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.

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 No. 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 No. 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.

**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). See Pub. 510 for a list of exempt uses of CNG and when the exemption applies.

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**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.

See Pub. 510 for more information.

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**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.

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**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.

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**Luxury Tax**

**Passenger vehicles (IRS No. 92).** The tax is imposed on the first retail sale of any passenger vehicle and is equal to 8% 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.

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**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:

ÿ1. For tires weighing more than 40 pounds but not more than 70 pounds—\$.15 a pound for each pound over 40 pounds.

ÿ2. For tires weighing more than 70 pounds but not more than 90 pounds—\$4.50 PLUS \$.30 a pound for each pound over 70 pounds.

ÿ3. 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, or chicken pox; or
- Is any HIB (haemophilus influenza type B) vaccine.

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.

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## 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:

ÿ1. Check the one-time filing box on page 1. If this is your final return, check the final return box.

ÿ2. Write "None" on lines 1, 3, and 5.

ÿ3. Sign the return.

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

**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

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## 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% of the sales price for which the component is sold. The tax is paid by the manufacturer, producer, importer of any component part 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:

ÿ1. Uses a mixture or straight alcohol for a purpose other than fuel,

ÿ2. Separates the alcohol from the mixture, or

ÿ3. 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.

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## Part III

Report on line 4 of Form 720 the total adjustments and claims from line 12 of Schedule C. See the **Schedule C** 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.*

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## 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 **Special Rules—One-Time Filings** on page 1.
- The liability is for taxes listed in Part II (Form 720), except for the floor stocks taxes, which 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.** If your total deposits of income tax withheld and social security, Medicare, and railroad retirement taxes were more than \$50,000 in 1996, you must make electronic deposits for **all** depository tax liabilities that occur after 1997.

**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 prior to July 1, 1998. 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 and diesel fuel tax (IRS Nos. 14, 60, 62, 58, 73, 74, 59, 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 **Special Rules—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, 1997, to December 31, 1997, is considered collected from January 16, 1998, to January 22, 1998, and must be deposited by January 27, 1998.

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, 60, 62, 58, 73, 74, 59, 75, and 76).** Deposits of the gasoline and diesel fuel 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:

- ÿ1. The net amount of tax reflected in the separate account for the corresponding semimonthly period of the previous month, or
- ÿ2. 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:

- ÿ1. Make each deposit timely at an authorized Government depository; and
- ÿ2. 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.

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

- ÿ1. Add the net liability for each tax for each semimonthly period, and
- ÿ2. 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.

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

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**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, 1997, to December 15, 1997, are considered collected during the period January 1, 1998, to January 7, 1998, and are reported for the 1st quarter of 1998 on Schedule A in box **M**, not the 4th quarter of 1997.

Report your **gasoline or diesel fuel 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.*

**Caution:** *See Pub. 378 for claim requirements that include minimum dollar amounts and deadlines for filing your fuel tax claim.*

To make claims or adjustments to prior quarters, complete Schedule C. Enter on line 4 of Form 720 the total from Part III, line 12, 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.

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 for each claim you have. 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.

### Line 3

**Off-highway business use.** To make a claim for gasoline, you must be the ultimate purchaser and have used the gasoline for a business use other than in a highway vehicle registered (or required to be registered) for highway use.

For other nontaxable uses of gasoline, use line 10. For aviation gasoline, use line 6.

### Line 4

**Off-highway business use.** You may make a claim for the price of the gasohol used for a business use other than in a highway vehicle registered (or required to be registered) for highway use. The rate per gallon is based on the percentage of alcohol in the mixture.

For other nontaxable uses of gasohol, use line 10.

### Line 5

**Caution:** *You cannot make a claim on lines 5a through 5c for the tax paid on diesel fuel that you used on a farm for farming purposes or for the exclusive use of a state or local government.*

**5a. Heating oil.** You must have used the taxed diesel fuel as heating oil.

**5b. Off-highway business use.** You must have used the taxed diesel fuel for a business use other than in a highway vehicle registered (or required to be registered) for highway use. For other nontaxable uses of taxed diesel fuel, use line 10.

**5c. Qualified local and school buses.** You must have used the taxed diesel fuel in a qualified local bus or in a bus that transports students and school employees. For taxed diesel fuel you used in certain intercity or local buses or diesel-powered trains, use line 9.

**5d. Sales by registered ultimate vendors.** You must be registered with the IRS as an "ultimate vendor" to file a claim. You must attach the following information:

- **y1.** Your UV registration number issued to you by the IRS;
- **y2.** The name and TIN of each farmer, custom harvester, or governmental unit that bought diesel fuel from you and the number of gallons that you sold to each; and
- **y3.** A statement that you have:

- Not included the amount of tax in the sales price and have not collected the amount of tax from your buyer; **or**
- Repaid the amount of the tax to your buyer; **or**
- Obtained the written consent from your buyer to make the claim.

**Note:** *For lines 6a and 7a below, the claim for emergency medical transportation now includes flights by certain fixed-wing aircraft.*

### Line 6

**6a. Used in foreign trade or in certain aircraft.** You may make a claim for the entire tax imposed on aviation gasoline.

**6b. Used in commercial aviation.** You may make a claim for \$.15 per gallon of the tax imposed on aviation gasoline.

### Line 7

**7a. Used in foreign trade, on a farm, or in certain aircraft.** You may make a claim for the entire tax imposed on aviation fuel.

**7b. Used in commercial aviation (other than foreign trade).** You may make a claim for \$.175 per gallon of the tax imposed on aviation fuel.

### Line 8

If you bought gasoline taxed at the full rate, have not claimed a refund, and used that gasoline to make gasohol, you may make a claim for each gallon of gasoline you used to make gasohol. The rate per gallon is based on the percentage of alcohol in the mixture.

### Line 9

You must have used the taxed diesel fuel for train or certain intercity or local bus use.

For bus uses that qualify for a full refund of the tax, use line 5c.

### Line 10

Enter the claim amount for the IRS No. listed or use the blank line(s) for any claim not described.

You must attach any additional information as required by regulations, a detailed description of the transaction, how you figured the claim amount, and any other information you believe will support the claim. Also, be sure to include your name and EIN on each sheet you attach.

**Paperwork Reduction Act Notice.** We ask for the information on these forms to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

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	22 hr., 29 min.	2 hr., 41 min.	6 hr., 3 min.
Sch. A	1 hr., 55 min.		2 min.
Sch. C Part I	1 hr., 55 min.	6 min.	8 min.
Part II	12 hr., 40 min.	6 min.	19 min.
Part III	14 min.	6 min.	7 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form 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 form to this office. Instead, see **Where To File** on page 1.