

Credit for Producing Fuel From a Nonconventional Source

Announcement 2004-42

On April 5, 2004, the Internal Revenue Service released, in advance of publication, Rev. Proc. 2004-27, which allows certain owners of royalty interests (RI

Owners) to claim the credit for producing fuel from a nonconventional source under § 29 of the Internal Revenue Code in the taxable year (including a 2003 taxable year) in which they receive the income from the sale of qualified fuel, rather than in a prior taxable year in which the owner of the operating interest sold the qualified

fuel. The version of Rev. Proc. 2004–47 that was advance released applied only to RI Owners using the cash receipts and disbursements method of accounting. The Service has since determined that it is appropriate to extend the relief granted in Rev. Proc. 2004–27 to taxpayers using an accrual method of accounting. Accord-

ingly, Rev. Proc. 2004–27 as published in this Bulletin differs from the version that was advance released in that all references therein to the cash method of accounting have been removed.

For further information regarding this announcement, contact Jaime Park at (202) 622–3120 (not a toll-free call).