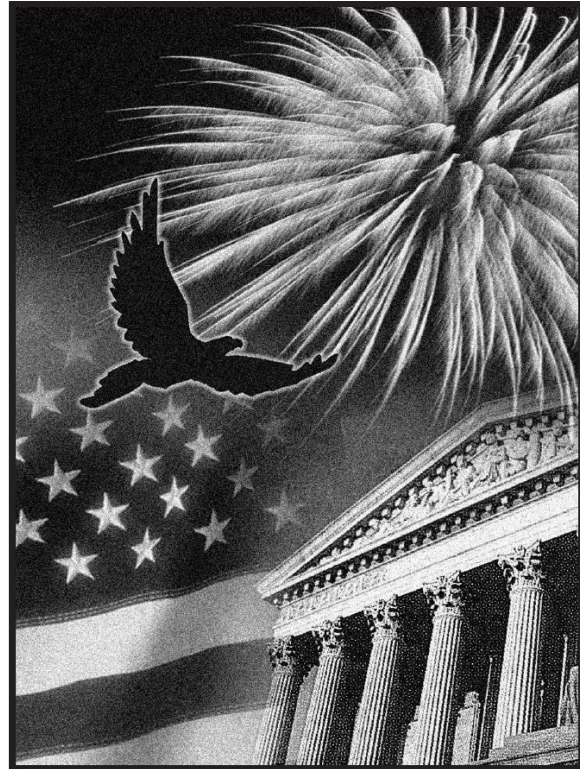


Publication 510

Excise Taxes

(Including Fuel Tax Credits and Refunds)

Volume 3 of 5



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In military aircraft (No. 16). In a military aircraft means fuel used in an aircraft owned by the United States or any foreign nation and constituting a part of its armed forces.

In commercial aviation (other than foreign trade). See [*Commercial aviation*](#), earlier, for the definition.

Use in a train. Use in a train means fuel used in the propulsion engine of equipment or machinery that rides on rails. This includes use in a locomotive, work train, switching engine, and track maintenance machine.

Biodiesel or Renewable Diesel Mixture Credit, Alternative Fuel Credit, and Alternative Fuel Mixture Credit

The section 6426 credit for biodiesel and alternative fuel consists of the biodiesel or renewable diesel mixture credit, alternative fuel credit, and alternative fuel mixture credit.

Coordination with income tax credit. Only one credit may be claimed for any amount of biodiesel or renewable diesel.

Biodiesel or renewable diesel mixture credit claimant. Claimant produced a biodiesel mixture by mixing biodiesel with diesel fuel. Claimant produced a renewable diesel mixture by mixing renewable diesel with diesel fuel (other than renewable diesel).

The biodiesel used to produce the biodiesel mixture must meet the EPA's registration requirements for fuels and fuel additives under section 211 of the Clean Air Act.

The person that produced and sold or used the mixture in their trade or business is the only person eligible to make this claim. The credit is based on the gallons of biodiesel or renewable diesel in the mixture.



Renewable diesel doesn't include any fuel derived from coprocessing biomass (as defined in section 45K(c)(3)) with a feedstock that isn't biomass.

The renewable diesel used to produce the renewable diesel mixture must be derived from biomass, meet ASTM D975, D396, or other equivalent standard approved by the IRS, and meet the EPA's registration requirements for fuels and fuel additives under section 211 of the Clean Air Act. For a renewable diesel mixture used in aviation, kerosene is treated as if it's diesel fuel.

Form 720, Claim requirements. See the Instructions for Form 720 for the biodiesel or renewable diesel mixture claim requirements.

Alternative fuel credit claimant. For the alternative fuel credit, the registered alternative fueler who (1) sold an alternative fuel at retail and delivered it into the fuel supply tank of a motor vehicle or motorboat; (2) sold an alternative fuel, delivered it in

bulk for taxable use in a motor vehicle or motorboat, and received the required statement from the buyer; (3) used an alternative fuel (not sold at retail or in bulk as previously described) motor vehicle or motorboat; or (4) sold an alternative fuel used as a fuel in aviation is the only person eligible to make this claim.

Carbon capture requirement. A credit for Fischer-Tropsch process liquid fuel derived from coal (including peat) can be claimed only if the fuel is derived from coal produced at a gasification facility that separates and sequesters at least 75% of the facility's total carbon dioxide emissions.

Alternative fuel credit. The registered alternative fueler is the person eligible to make the claim. An alternative fueler is the person liable for tax on alternative fuel under the rules for taxable events for other fuels, or would be liable but for an exemption for nontaxable uses. An alternative fueler

includes a person who sells for use or uses an alternative fuel in aviation.

Alternative fuel mixture credit claimant.

For the alternative fuel mixture credit, the registered alternative fueler that produced and sold or used the mixture as a fuel in their trade or business is the only person eligible to make this claim. The credit is based on the gallons of alternative fuel in the mixture. An alternative fuel mixture is a mixture of alternative fuel and section 4081 taxable fuel (gasoline, diesel fuel, or kerosene).



For claims made on or after January 8, 2018, alternative fuel mixture means a mixture of taxable fuel and alternative fuel other than liquefied petroleum gas (LPG), compressed natural gas (CNG), liquefied natural gas (LNG), liquefied gas derived from biomass, or compressed gas derived from biomass.

Registration. You must be registered by the IRS to be eligible to claim the section 6426 fuel credit. See [Registration Requirements](#) in chapter 1.

Credits for fuel provide incentive for U.S. production. The section 6426 fuel credit may not be claimed for biodiesel or alternative fuel that is produced outside the United States for use as a fuel outside the United States. The United States includes any possession of the United States.

No credit for fuels derived from paper or pulp production. Credit for alternative fuels and alternative fuel mixtures isn't available for any fuel derived from the production of paper or pulp.

Filing Claims

This section tells you how to make a claim for a credit or refund of excise taxes on fuels. This section also covers recordkeeping

requirements and when to include the credit or refund in your income.

Generally, you will provide all the information needed to claim a credit or refund when you properly complete Form 8849; Form 4136; or Form 720, Schedule C. In some cases, you will have to attach additional information. You need to keep records that support your claim for a credit or refund.



Keep at your principal place of business all records needed to enable the IRS to verify that you're the person entitled to claim a credit or refund and the amount you claimed.

Ultimate purchaser. Ultimate purchasers may make claims for the nontaxable use of fuels on Form 4136; Schedule 1 (Form 8849); or Form 720, Schedule C, if reporting excise tax liability on that return. If you're an ultimate purchaser, you must keep the following records.

- The number of gallons purchased and used during the period covered by your claim.
- The dates of the purchases.
- The names and addresses of suppliers and amounts purchased from each in the period covered by your claim.
- The nontaxable use for which you used the fuel.
- The number of gallons used for each nontaxable use.

It's important that your records show separately the number of gallons used for each nontaxable use that qualifies as a claim. If the fuel is exported, you must have proof of exportation.

For more information about keeping records, see Publication 583, *Starting a Business and Keeping Records*, or chapter 1 of Publication 17, *Your Federal Income Tax for Individuals*.

Exceptions.

1. Generally, the ultimate purchaser may not claim a credit or refund for undyed diesel fuel, undyed kerosene, or kerosene for use in aviation sold for the exclusive use of a state or local government. However, see Claims by credit card issuers, later, for an exception.
2. The ultimate purchaser may not claim a credit or refund as follows.
 - a. The ultimate purchaser of gasoline or aviation gasoline used by a state or local government for its exclusive use or by a nonprofit educational organization for its exclusive use may waive its right to make a claim by providing a certificate that is signed under penalties of perjury by a person authorized to bind the ultimate purchaser and

is in the same format as the Model Certificate M. A new certificate is required each year or when any information in the current certificate expires.

- b. The ultimate purchaser of kerosene for use in commercial aviation or noncommercial aviation (other than nonexempt, noncommercial aviation and exclusive use by a state, political subdivision of a state, or the District of Columbia) may waive its right to make a claim by providing a waiver that is signed under penalties of perjury by a person authorized to bind the ultimate purchaser and is in the same format as the Model Waiver L. A new waiver is required each year or when any information in the current waiver expires.

- c. The ultimate purchaser of undyed diesel fuel or undyed kerosene used in certain intercity and local buses may waive its right to make a claim by providing a waiver that is signed under penalties of perjury by a person authorized to bind the ultimate purchaser and is in the same format as the Model Waiver N. A new waiver is required each year or when any information in the current waiver expires.
- d. The ultimate purchaser of kerosene for use in nonexempt, noncommercial aviation must provide a certificate that is signed under penalties of perjury by a person authorized to bind the ultimate purchaser and is in the same format as the Model Certificate Q. A new certificate is

required each year or when any information in the current certificate expires.

Registered ultimate vendor. Registered ultimate vendors may make claims for certain sales of fuels on Form 720, Schedule C; Form 4136; or Schedule 2 (Form 8849) if reporting excise tax liability on that return. If you're a registered ultimate vendor, you must keep certain information pertaining to the sale of the fuel.

To make a claim, you must have sold the fuel at a tax-----excluded price, repaid the tax to the buyer, or obtained the buyer's written consent to the allowance of the claim. you're required to have a valid certificate or waiver in your possession in order to make the claim.

In addition, you must have a registration number that hasn't been revoked or suspended. See Form 637.

State use. To make a claim as an ultimate vendor (state), you must have a UV registration number and the fuel can't be purchased with a credit card as explained below. If you sell undyed diesel fuel, undyed kerosene, or kerosene for use in aviation for use by a state or local government, you must keep the following information.

- The name and taxpayer identification number of each person (government unit) that bought the fuel.
- The number of gallons sold to each person.
- An unexpired certificate from the buyer. See Model Certificate P in the Appendix. The certificate expires on the earlier of 1 year after the date of the certificate or the date a new certificate is given to the registered ultimate vendor.

Nonprofit educational organization and state use. To make a claim as an ultimate

vendor (nonprofit educational organization or state), you must have a UV registration number and the fuel can't be purchased with a credit card as explained later. If you sell gasoline or aviation gasoline to a nonprofit educational organization for its exclusive use or to a state or local government for its exclusive use, you must keep the following information.

- The name and taxpayer identification number of each person (nonprofit educational organization or government unit) that bought the fuel.
- The number of gallons sold to each person.
- An unexpired certificate from the buyer. See Model Certificate M in the Appendix. The certificate expires on the earlier of 1 year after the date of the certificate or the date a new certificate is given to the registered ultimate vendor.

Blocked pump. To make a claim as an ultimate vendor (blocked pump), you must have a UP registration number. If you sell undyed kerosene (other than kerosene for use in aviation) from a pump that qualifies as a blocked pump because it's locked by you after each sale and is unlocked by you at the request of the buyer, you must keep the following information for each sale of more than 5 gallons.

- The date of each sale.
- The name and address of the buyer.
- The number of gallons sold to that buyer.

Certain intercity and local bus use. To make a claim as an ultimate vendor of undyed diesel fuel or undyed kerosene used in certain intercity and local buses, you must have a UB registration number. You must keep the following information.

- The date of each sale.

- The name and address of the buyer.
- The number of gallons sold to the buyer.
- A copy of the waiver signed by the buyer at the time the credit or payment is claimed. See Model Waiver N in the Appendix.

Kerosene for use in commercial aviation or noncommercial aviation. To make a claim as an ultimate vendor of kerosene for use in commercial aviation (other than foreign trade) or noncommercial aviation (other than nonexempt, noncommercial aviation and exclusive use by a state, political subdivision of a state, or the District of Columbia), you must have a UA registration number. See [*Kerosene for Use in Aviation*](#), earlier, for a list of nontaxable uses. You must keep the following information.

- The date of each sale.
- The name and address of the buyer.

- The number of gallons sold to the buyer.
- A copy of the waiver signed by the buyer at the time the credit or payment is claimed. See Model Waiver L in the Appendix.

Kerosene for use in nonexempt, noncommercial aviation. To make a claim as an ultimate vendor of kerosene for use in nonexempt, noncommercial aviation, you must have a UA registration number. You must keep the following information.

- The date of each sale.
- The name and address of the buyer.
- The number of gallons sold to the buyer.
- A copy of the certificate signed by the buyer at the time the credit or payment is claimed. See Model Certificate Q in the Appendix.

Claims by credit card issuers. For sales of gasoline, aviation gasoline, diesel fuel,

kerosene, or kerosene for use in aviation that are purchased by an exempt user with the use of a credit card, the registered credit card issuer is the only person who can make the claim. An exempt user for this purpose is:

- For gasoline or aviation gasoline, a state or local government (including essential government use by an Indian tribal government) or a nonprofit educational organization; or
- For diesel fuel, kerosene, or kerosene for use in aviation, a state or local government (including essential government use by an Indian tribal government).

If gasoline is purchased without the use of a credit card, then the registered ultimate vendor of the gasoline may make the claim for refund or credit. However, if the gasoline is purchased with a credit card issued to a state, but the credit card issuer isn't registered by the IRS or doesn't meet the

conditions described, the credit card issuer must collect the tax and the state may make the claim.

If diesel fuel, kerosene, or kerosene for use in aviation is purchased without the use of a credit card, the registered ultimate vendor may make the claim for refund or credit. A state isn't allowed to make a claim for these fuels. However, if the diesel fuel or kerosene is purchased with a credit card issued to a state, but the credit card issuer isn't registered by the IRS or doesn't meet the conditions described, the credit card issuer must collect the tax and the state may make the claim.

The claim from the credit card issuer must contain the following information as it applies to the fuel covered in the claim.

- The total number of gallons.
- Its registration number.

- A statement that it hasn't collected the amount of tax from the ultimate purchaser or has obtained the written consent of the ultimate purchaser to make the claim.
- A statement that it has repaid or agreed to repay the amount of tax to the ultimate vendor, has obtained the written consent of the ultimate vendor to make the claim, or has otherwise made arrangements that directly or indirectly provide the ultimate vendor with reimbursement of the tax.
- Has in its possession an unexpired certificate similar to Model Certificate R in the Appendix and has no reason to believe any of the information in the certificate is false.

Taxpayer identification number. To file a claim, you must have a taxpayer identification number. Your taxpayer identification number can be:

- An employer identification number (EIN);

- A social security number (SSN); or
- An individual taxpayer identification number (ITIN), if you're an alien individual and don't have and aren't eligible to get an SSN.

If you normally file only a U.S. individual income tax return (such as Form 1040 or 1040-NR), use your SSN or ITIN. You get an SSN by filing Form SS-5, Application for a Social Security Card, with the Social Security Administration. To get an ITIN, file Form W-7, Application for IRS Individual Taxpayer Identification Number, with the IRS.

If you operate a business, use your EIN. If you don't have an EIN, you may apply for one online. Go to [IRS.gov/Businesses/Small](https://www.irs.gov/Businesses/Small) and click on the "Employer ID Numbers (EINs)" link. You may also apply for an EIN by faxing or mailing Form SS-4, Application for Employer Identification Number, to the IRS.

Claiming a Refund

Generally, you may claim a refund of excise taxes on Form 8849. Complete and attach to Form 8849 the appropriate Form 8849 schedules. The Instructions for Form 8849 and the separate instructions for each schedule explain the requirements for making a claim for refund. Only one credit may be taken for each amount of any fuel type. If you file Form 720, you can use the Form 720, Schedule C, for your refund claims for the quarter. See the Instructions for Form 720. Don't claim a refund on Form 8849 for any amount for which you have filed or will file a claim on Form 720, Schedule C; Form 8849; or Form 4136.

Only one claim may be made for any particular amount of alternative fuel.

Claiming a Credit on Form 4136

A credit may be claimed for certain uses and sales of fuels on Form 4136 when you file

your income tax return at the end of the year. If you meet certain requirements (discussed earlier), you may be able to make a claim during the year.

Credit only. You can claim the following taxes only as a credit on Form 4136.

- Tax on fuels used for nontaxable uses if the total for your tax year is less than \$750.
- Tax on fuel you didn't include in any claim for refund previously filed for any quarter of your tax year.
- Tax on fuel you used in mobile machinery (off-highway business use) that traveled less than 7,500 miles on public highways.

Only one credit may be taken for each amount of any fuel type. Don't claim a credit for any amount for which you have filed a refund or credit claim on Form 8849; 8864; or credit on Form 720, Schedule C.

When to file. You can claim a fuel tax credit on your income tax return for the year you used the fuel (or sold the fuel in the case of a registered ultimate vendor claim).



You may be able to make a fuel tax claim on an amended income tax return for the year you used the fuel. Generally, you must file an amended return by the later of 3 years from the date you filed your original return or within 2 years from the date you paid the income tax.

How to claim a credit. How you claim a credit depends on whether you're an individual, partnership, corporation, S corporation, or farmers' cooperative association.

Individuals. You claim the credit on Schedule 3 (Form 1040), line 12. If you wouldn't otherwise have to file an income tax return, you must do so to get a fuel tax credit.

Partnerships. Partnerships (other than electing large partnerships) claim the credit by including a statement on Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., showing each partner's share of the number of gallons of each fuel sold or used for a nontaxable use, the type of use, and the applicable credit per gallon. Each partner claims the credit on their income tax return for the partner's share of the fuel used by the partnership.

Other entities. Corporations, S corporations, farmers' cooperative associations, and trusts must make the claim on the appropriate line of their applicable income tax return.

Federal, state, and local governments, and certain tax-exempt organizations (as discussed earlier under [Claiming A Refund](#)) must use Form 8849, not Form 4136, to make an annual claim.

Including the Credit or Refund in Income



In most situations, the amount claimed as a credit or refund will be less than the amount deducted as fuel tax expense because the LUST tax is generally not refunded.

Include any credit or refund of excise taxes on fuels in your gross income if you claimed the total cost of the fuel (including the excise taxes) as an expense deduction that reduced your income tax liability.

The year you include a credit or refund in gross income depends on whether you use the cash or an accrual method of accounting.

Cash method. If you use the cash method and file a claim for refund, include the refund amount in your gross income for the tax year in which you receive the refund. If you claim a credit on your income tax return, include the credit amount in gross income for the tax

year in which you file Form 4136. If you file an amended return and claim a credit, include the credit amount in gross income for the tax year in which you receive the credit.

Example 1. Sharon Brown, a cash basis farmer, filed a 2022 Form 1040 on March 3, 2022. On the Schedule F (Form 1040), Sharon deducted the total cost of gasoline (including \$110 of excise taxes) used on the farm. Then, on Form 4136, Sharon claimed \$108 as a credit. Sharon reports the \$108 as additional income on the 2022 Schedule F (Form 1040).

Example 2. March Corporation uses the calendar year as its tax year. For 2022, the following amounts of excise tax were included in the cost of gasoline the corporation used each quarter in a nontaxable use.

Calendar Quarters	Fuel Tax Expense	Fuel Tax Claim
Jan. 1 – March 31	\$1,300	\$1,293
April 1 – June 30	1,100	1,094
July 1 – Sept. 30	400	397
Oct. 1 – Dec. 31	300	298
Total	\$3,100	\$3,082

The corporation deducts the entire cost of the gasoline (including the \$3,100 in excise taxes) it used during the year as a business expense on its corporation income tax return, thereby reducing its corporate income tax liability for that year.

Form 8849. March Corporation files quarterly refund claims for the first 2 quarters (ending March 31 and June 30). It can't file a quarterly refund claim for the third or fourth quarter because it didn't meet the \$750 minimum requirement.

Since March Corporation uses the cash method of accounting, the corporation includes \$2,387 (\$1,293 + \$1,094) in its gross income for the tax year in which it receives the refunds.

Form 4136. The corporation claims the remaining amounts (\$397 + \$298) as a credit on its 2022 income tax return by attaching Form 4136. It files its tax return in 2022. It includes this credit (\$695) in its 2022 gross income.

Example 3. Tyler S. Sands used undyed diesel fuel in vehicles used in the construction business. The vehicles weren't registered (or required to be registered) for highway use. In the fourth quarter of 2022 income tax year, which ends in December, Tyler used 3,000 gallons of undyed diesel fuel. The excise tax on the 3,000 gallons of undyed diesel fuel used was \$732 (tax of \$.244 per gallon).

Because the tax is less than \$750, Tyler must claim a credit for the tax on the 2022 income

tax return. Tyler fills out Form 4136 and attaches it to the 2022 income tax return, which Tyler files in 2022. Tyler enters \$729 (credit of \$.243 per gallon) on Schedule 3 (Form 1040), line 12.

Tyler uses the cash method of accounting. On the 2022 Schedule C (Form 1040) Tyler deducts the total cost of the fuel, including the tax. When Tyler files a 2022 Form 1040, it will include the \$729 credit shown on a 2022 Form 4136 as additional income on the Schedule C (Form 1040) for 2022.

For the first 2 quarters of 2022, Tyler's records show the following.

<u>Quarter</u>	<u>Gallons Used</u>	<u>Claim Tax Rate</u>	<u>Claim Amount</u>
First	2,750	.243	\$668.25
Second	2,500	.243	607.50

Tyler couldn't file a claim for a refund for the first quarter because the amount of the claim was less than \$750. Tyler adds the first

quarter amount (\$668.25) to the second quarter amount (\$607.50) and claims a refund of \$1,275.75 by filing Form 8849 and Schedule 1 (Form 8849). The claim must be filed by September 30, 2022, which is the last day of the first quarter (July – September) following the last quarter (April – June) included in the claim. Tyler will have to include the \$1,275.75 excise tax refund as additional income on a Schedule C (Form 1040) for 2022.

Accrual method. If you use an accrual method, include the amount of credit or refund in gross income for the tax year in which you used the fuels (or sold the fuels if you're a registered ultimate vendor). It doesn't matter whether you filed for a quarterly refund or claimed the entire amount as a credit.

Example 1. Patty Green uses an accrual method. Patty files a 2022 return in April 2023. On Schedule C (Form 1040) Patty deducts the total cost of gasoline (including \$155 of excise taxes) used for an off-highway business use during 2022. On Form 4136, Patty claims \$153 as a credit. The \$153 is reported as additional income on the 2022 Schedule C (Form 1040).

Example 2. Use the same facts as in the earlier *Example 2*, except that March Corporation uses an accrual method of accounting. Since the nontaxable use occurred in 2022, the corporation reports the \$3,082 of excise taxes as income on its 2022 income tax return. This consists of the \$2,387 it claimed on Form 8849 and the \$695 it claimed on Form 4136.

Part Two.

Excise Taxes Other Than Fuel Taxes

3.

Environmental Taxes

Environmental taxes are imposed on domestic crude oil and imported petroleum products (oil spill liability), the sale or use of ozone-depleting chemicals (ODCs), and imported products containing or manufactured with ODCs. In addition, a floor stocks tax is imposed on ODCs held on January 1 by any person (other than the manufacturer or importer of the ODCs) for sale or for use in further manufacture.

The Infrastructure Investment and Jobs Act reinstates the section 4661 excise tax on chemicals (other than ODCs) (IRS No. 54) and the section 4671 tax on imported

chemical substances (IRS No. 17), effective July 1, 2022 (they previously expired on December 31, 1995). See the Instructions for Form 6627.

See [Table of Taxable Imported Chemical Substances](#), for a listing of taxable imported chemical substances and the IRS-provided tax rates for most of the substances. Any additional tax rates the IRS provides will be available either online or in the [Table of Taxable Imported Chemical Substances](#) when they become available. Taxpayers are reminded that they may calculate their own tax rates for imported chemical substances, regardless of whether the IRS has provided a tax rate.

Revenue Procedure 2022-26 provides procedures for requesting a determination that a substance be added or removed.

See [Notice 2022-15](#) for information about temporary relief from the penalty for failure

to deposit the 2022 third and fourth quarter taxes.

For updates, such as the not yet shown tax rates for taxable imported chemical substances, or substances recently added or removed, go to [IRS.gov/Form6627](https://www.irs.gov/Form6627). Also, see [*Frequently Asked Questions and Answers*](#).

Figure the environmental tax on Form 6627. Enter the tax on the appropriate lines of Form 720 and attach Form 6627 to Form 720.

For environmental tax purposes, United States includes the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, any possession of the United States, the Commonwealth of the Northern Mariana Islands, the Trust Territory of the Pacific Islands, the continental shelf areas (applying the principles of section 638), and foreign trade zones. No one is exempt from the environmental taxes, including the federal government, state and local governments,

Indian tribal governments, and nonprofit educational organizations.

Tax on Petroleum

The petroleum tax is reported on Form 6627, and Form 720 (IRS Nos. 16, 18, 21, and 53). The tax rate is the sum of the Oil Spill Liability Trust Fund financing rate (petroleum oil spill tax rate) and the Hazardous Substance Superfund financing rate (petroleum Superfund tax rate). The petroleum oil spill tax rate is \$.09 per barrel. The petroleum Superfund tax rate is \$.164 per barrel, beginning in calendar year 2023, and will be adjusted annually for inflation. See Form 6627 for the rates.

Generally, the petroleum tax is imposed on crude oil received at a U.S. refinery and on petroleum products entered into the United States for consumption, use, or warehousing. The tax also applies to certain uses of domestic crude oil.

Crude oil includes crude oil condensates and natural gasoline. Petroleum products include crude oil, refined and residual oil, and other liquid hydrocarbon refinery products.

Crude oil. Tax is imposed on crude oil when it's received at a U.S. refinery. The operator of the refinery is liable for the tax.

Tax is imposed on domestic crude oil that's used before it's received at a U.S. refinery. However, the use of crude oil for extracting oil or natural gas on the premises where such crude oil was produced isn't taxable. The user is liable for the tax.

Imported petroleum products. Tax is imposed on petroleum products when they enter the United States for consumption, use, or warehousing. The person entering the petroleum product into the country is liable for the tax, including the tax on imported crude oil, even if it's subsequently received at a U.S. refinery.

Tax is imposed only once on any imported petroleum product. So, the operator of a U.S. refinery that receives imported crude oil must establish that they're not liable for the tax by establishing that the petroleum tax has already been imposed on the imported crude oil.

Ozone-Depleting Chemicals (ODCs)

For a list of the taxable ODCs and tax rates, see Instructions for the Form 6627.

Taxable event. Tax is imposed on an ODC when it's first used or sold by its manufacturer or importer. The manufacturer or importer is liable for the tax.

Use of ODCs. You use an ODC if you put it into service in a trade or business or for the production of income. Also, an ODC is used if you use it in the making of an article, including incorporation into the article, chemical transformation, or release into the

air. The loss, destruction, packaging, repackaging, or warehousing of ODCs isn't a use of the ODC.

The creation of a mixture containing an ODC is treated as a taxable use of the ODC contained in the mixture. An ODC is contained in a mixture only if the chemical identity of the ODC isn't changed. Generally, tax is imposed when the mixture is created and not on its sale or use. However, you can choose to have the tax imposed on its sale or use by checking the appropriate box on Form 6627. You can revoke this choice only with IRS consent.

The creation of a mixture for export or for use as a feedstock isn't a taxable use of the ODCs contained in the mixture.

Exceptions. The following may be exempt from the tax on ODCs.

- Metered-dose inhalers.
- Recycled ODCs.

- Exported ODCs.
- ODCs used as feedstock.

Metered-dose inhalers. There is no tax on ODCs used or sold for use as propellants in metered-dose inhalers. For a sale to be nontaxable, you must obtain from the purchaser an exemption certificate that you rely on in good faith. The certificate must be in substantially the form as the sample certificate set forth in Regulations section 52.46822(d)(5). The certificate may be included as part of the sales documentation. Keep the certificate with your records.

Recycled ODCs. There is no tax on any ODC diverted or recovered in the United States as part of a recycling process (and not as part of the original manufacturing or production process). There is no tax on recycled Halon-1301 or recycled Halon-2402 imported from a country that has signed the Montreal Protocol on Substances that Deplete the Ozone Layer (Montreal Protocol).

The Montreal Protocol is administered by the United Nations (UN). To determine if a country has signed the Montreal Protocol, contact the UN at UNtreaty.un.org.

Exported ODCs. Generally, there is no tax on ODCs sold for export if certain requirements are met. For a sale to be nontaxable, you and the purchaser must be registered, see Form 637. Also, you must obtain from the purchaser an exemption certificate that you rely on in good faith. Keep the certificate with your records. The certificate must be in substantially the same form as the sample certificate set forth in Regulations section 52.4682-5(d)(3). The tax benefit of this exemption is limited. For more information, see [Regulations section 52.4682-5](#).

ODCs used as feedstock. There is no tax on ODCs sold for use or used as a feedstock. An ODC is used as a feedstock only if the ODC is entirely consumed in the manufacture of

another chemical. The transformation of an ODC into one or more new compounds qualifies as use as a feedstock, but use of an ODC in a mixture doesn't qualify.

For a sale to be nontaxable, you must obtain from the purchaser an exemption certificate that you rely on in good faith. The certificate must be in substantially the same form as the sample certificate set forth in Regulations section 52.4682-2(d)(2). Keep the certificate with your records.

Credits or refunds. A credit or refund (without interest) of tax paid on ODCs may be claimed if a taxed ODC is:

- Used as a propellant in a metered-dose inhaler (the person who used the ODC as a propellant may file a claim),
- Exported (the manufacturer may file a claim), or
- Used as a feedstock (the person who used the ODC may file a claim).

For information on how to file for credits or refunds, see the Instructions for Form 720, and Schedule 6 (Form 8849).

Conditions to allowance for ODCs

exported. To claim a credit or refund for ODCs that are exported, you must have repaid or agreed to repay the tax to the exporter, or obtained the exporter's written consent to allowance of the credit or refund. You must also have the evidence required by the EPA as proof that the ODCs were exported.

Tax on Imported Chemical Substances, IRS No. 17

The imported chemical substance tax is equal to the chemical tax that would have been imposed on the taxable chemicals (listed in Form 6627, Part II) used as materials in the manufacture of the substance if such substance had been manufactured in the United States. See the Instructions for Form

6627 and its [Table of Taxable Imported Chemical Substances](#) for the

substances to which the imported substance tax applies and the IRS-provided tax rates for most of the substances. Any additional tax rates the IRS provides will be available either online or in the [Table of Taxable Imported Chemical Substances](#) when they become available. Revenue Procedure 2022-26 provides procedures for requesting a determination that a substance be added or removed.

For updates, such as the not yet shown tax rates for some of the taxable imported chemical substances, or substances recently added or removed, go to [IRS.gov/Form6627](https://www.irs.gov/Form6627). Also, see [Frequently Asked Questions and Answers](#).

See [Notice 2022-15](#) for information about temporary relief from the penalty for failure to deposit the 2022 third and fourth quarter taxes.

To figure the tax, you'll generally need to know the ratio of the weight of each taxable chemical used to make the substance to the total weight of the substance (the conversion factor). See the Instructions for Form 6627.

You may calculate your own tax rates for imported chemical substances, regardless of whether the IRS has provided a tax rate.

Imported Taxable Products (ODC Tax on Imported Products, IRS No. 19)

An imported product containing or manufactured with ODCs is subject to tax if it's entered into the United States for consumption, use, or warehousing and is listed in the Imported Products Table. The Imported Products Table is listed in Regulations section 52.4682-3(f)(6).

The tax is based on the weight of the ODCs used in the manufacture of the product. Use the following methods to figure the ODC weight.

- The actual (exact) weight of each ODC used as a material in manufacturing the product.
- If the actual weight can't be determined, the ODC weight listed for the product in the Imported Products Table.

However, if you can't determine the actual weight and the table doesn't list an ODC weight for the product, the rate of tax is 1% of the entry value of the product.

Taxable event. Tax is imposed on an imported taxable product when the product is first sold or used by its importer. The importer is liable for the tax.

Use of imported products. You use an imported product if you put it into service in a trade or business or for the production of income or use it in the making of an article, including incorporation into the article. The loss, destruction, packaging, repackaging,

warehousing, or repair of an imported product isn't a use of that product.

Importer election. The importer may choose to treat the entry of a product into the United States as the use of the product. Tax is imposed on the date of entry instead of when the product is sold or used. The choice applies to all imported taxable products that you own and haven't used when you make the choice and all later entries. Make the choice by checking the box in Form 6627, Part V, under Election. The choice is effective as of the beginning of the calendar quarter to which the Form 6627 applies. You can revoke this choice only with IRS consent.

Sale of article incorporating imported product. The importer may treat the sale of an article manufactured or assembled in the United States as the first sale or use of an imported taxable product incorporated in that article if both the following apply.

- The importer has consistently treated the sale of similar items as the first sale or use of similar taxable imported products.
- The importer hasn't chosen to treat entry into the United States as use of the product.

Imported products table. The table lists all the products that are subject to the tax on imported taxable products and specifies the ODC weight of each product. See [Table of Taxable Imported Chemical Substances](#).

Each listing in the table identifies a product by name and includes only products that are described by that name. Most listings identify a product by both name and Harmonized Tariff Schedule (HTS) heading. In those cases, a product is included in that listing only if the product is described by that name and the rate of duty on the product is determined by reference to that HTS heading. A product is included in the listing even if it's

manufactured with or contains a different ODC than the one specified in the table.

Part II of the table lists electronic items that aren't included within any other list in the table. An imported product is included in this list only if the product meets one of the following tests.

- It's an electronic component whose operation involves the use of nonmechanical amplification or switching devices such as tubes, transistors, and integrated circuits.
- It contains components described in (1), which account for more than 15% of the cost of the product.

These components don't include passive electrical devices, such as resistors and capacitors. Items such as screws, nuts, bolts, plastic parts, and similar specially fabricated parts that may be used to construct an

electronic item aren't themselves included in the listing for electronic items.

Rules for listing products. Products are listed in the table according to the following rules.

1. A product is listed in Part I of the table if it's a mixture containing ODCs.
2. A product is listed in Part II of the table if the Commissioner has determined that the ODCs used as materials in the manufacture of the product under the predominant method are used for purposes of refrigeration or air conditioning, creating an aerosol or foam, or manufacturing electronic components.
3. A product is listed in Part III of the table if the Commissioner has determined that the product meets both the following tests.

- a. It isn't an imported taxable product.
- b. It would otherwise be included within a list in Part II of the table.

For example, floppy disk drive units are listed in Part III because they aren't imported taxable products and would have been included in the Part II list for electronic items not specifically identified, but for their listing in Part III.

ODC weight. The Table ODC weight of a product is the weight, determined by the Commissioner, of the ODCs used as materials in the manufacture of the product under the predominant method of manufacturing. The ODC weight is listed in Part II in pounds per single unit of product unless otherwise specified.

Modifying the table. A manufacturer or importer of a product may request that the

IRS add a product and its ODC weight to the table. They also may request the IRS remove a product from the table, or change or specify the ODC weight of a product. To request a modification, see Regulations section 52.4682-3(g) for the mailing address and information that must be included in the request.

Floor Stocks Tax

Tax is imposed on any ODC held (other than by the manufacturer or importer of the ODC) on January 1 for sale or use in further manufacturing. The person holding title (as determined under local law) to the ODC is liable for the tax, whether or not delivery has been made.

These chemicals are taxable without regard to the type or size of storage container in which the ODCs are held. The tax may apply to an ODC whether it's in a 14-ounce can or a 30-pound tank.

You're liable for the floor stocks tax if you hold any of the following on January 1.

1. At least 400 pounds of ODCs other than halons or methyl chloroform,
2. At least 50 pounds of halons, or
3. At least 1,000 pounds of methyl chloroform.

If you're liable for the tax, prepare an inventory on January 1 of the taxable ODCs held on that date for sale or for use in further manufacturing. You must pay this floor stocks tax by June 30 of each year. Report the tax on Form 6627 and Form 720, Part II, for the second calendar quarter.

For the tax rates, see the Instructions for Form 6627.

ODCs not subject to floor stocks tax. The floor stocks tax isn't imposed on any of the following ODCs.

1. ODCs mixed with other ingredients that contribute to achieving the purpose for which the mixture will be used, unless the mixture contains only ODCs and one or more stabilizers.
2. ODCs contained in a manufactured article in which the ODCs will be used for their intended purpose without being released from the article.
3. ODCs that have been reclaimed or recycled.
4. ODCs sold in a qualifying sale for:
 - a. Use as a feedstock,
 - b. Export, or
 - c. Use as a propellant in a metered-dose inhaler.

Tax on Chemicals (Other Than Ozone-Depleting Chemicals (ODCs)), IRS No. 54

See Form 6627, Part II, for the list and rates for the tax on chemicals other than ODCs, IRS No. 54.

4.

Communications and Air Transportation Taxes

Excise taxes are imposed on amounts paid for certain facilities and services. If you receive any payment on which tax is imposed, you're required to collect the tax, file returns, and pay the tax over to the government.

If you fail to collect and pay over the taxes, you may be liable for the trust fund recovery penalty. See [chapter 14](#), later.

Uncollected Tax Report

A separate report is required to be filed by collecting agents of communications services and air transportation taxes if the person from whom the facilities or services tax (the tax) is required to be collected (the taxpayer) refuses to pay the tax, or it's impossible for the collecting agent to collect the tax. The

report must contain the name and address of the taxpayer, the type of facility provided or service rendered, the amount paid for the facility or service (the amount on which the tax is based), and the date paid.

Regular method taxpayers. For regular method taxpayers, the report must be filed by the due date of the Form 720 on which the tax would have been reported.

Alternative method taxpayers. For alternative method taxpayers, the report must be filed by the due date of the Form 720 that includes an adjustment to the separate account for the uncollected tax. See [*Alternative method*](#) in chapter 11.

Where to file. Don't file the uncollected tax report with Form 720. Instead, mail the report to:

Department of the Treasury
Internal Revenue Service
Cincinnati, OH 45999

Communications Tax

A 3% tax is imposed on amounts paid for local telephone service and teletypewriter exchange service.

Local telephone service. This includes access to a local telephone system and the privilege of telephonic quality communication with most people who are part of the system. Local telephone service also includes any facility or services provided in connection with this service. The tax applies to lease payments for certain customer premises equipment (CPE) even though the lessor doesn't also provide access to a local telecommunications system.

Local-only service. Local-only service is local telephone service as described above, provided under a plan that doesn't include long distance telephone service or that separately states the charge for local service on the bill to customers. Local-only service

also includes any facility or services provided in connection with this service, even though these services and facilities may also be used with long-distance service.

Private communication service. Private communication service isn't local telephone service. Private communication service includes accessory-type services provided in connection with a Centrex, PBX, or other similar system for dual use accessory equipment. However, the charge for the service must be stated separately from the charge for the basic system, and the accessory must function, in whole or in part, in connection with intercommunication among the subscriber's stations.

Teletypewriter exchange service. This includes access from a teletypewriter or other data station to a teletypewriter exchange system and the privilege of intercommunication by that station with most

persons having teletypewriter or other data stations in the same exchange system.

Figuring the tax. The tax is based on the sum of all charges for local telephone service included in the bill. However, if the bill groups individual items for billing and tax purposes, the tax is based on the sum of the individual items within that group. The tax on the remaining items not included in any group is based on the charge for each item separately. Don't include in the tax base state or local sales or use taxes that are separately stated on the taxpayer's bill.

Exemptions

Payments for certain services or payments from certain users are exempt from the communications tax.

Nontaxable service. Nontaxable service means bundled service and long distance service. Nontaxable service also includes pre-

paid telephone cards and pre-paid cellular service.

Bundled service. Bundled service is local and long distance service provided under a plan that doesn't separately state the charge for the local telephone service. Bundled service includes plans that provide both local and long distance service for either a flat monthly fee or a charge that varies with the elapsed transmission time for which the service is used. Telecommunications companies provide bundled service for both landlines and wireless (cellular) service. If Voice over Internet Protocol service provides both local and long distance service and the charges aren't separately stated, such service is bundled service.

The method for sending or receiving a call, such as on a landline telephone, wireless (cellular), or some other method, doesn't affect whether a service is local-only or bundled.

Long distance service. Long distance service is telephonic quality communication with persons whose telephones are outside the local telephone system of the caller.

Pre-paid telephone cards (PTC). A PTC will be treated as bundled service unless a PTC expressly states it's for local-only service. Generally, the person responsible for collecting the tax is the carrier who transfers the PTC to the transferee. The transferee is the first person that isn't a carrier to whom a PTC is transferred by the carrier. The transferee is the person liable for the tax and is eligible to request a credit or refund. For more information, see Regulations section 49.4251-4.

The holder is the person that purchases a PTC to use and not to resell. Holders aren't liable for the tax and can't request a credit or refund.

Pre-paid cellular telephones. Rules similar to the PTC rules described above apply to

pre-paid cellular telephones. The transferee is the person eligible to request the credit or refund.

Installation charges. The tax doesn't apply to payments received for the installation of any instrument, wire, pole, switchboard, apparatus, or equipment. However, the tax does apply to payments for the repair or replacement of those items incidental to ordinary maintenance.

Answering services. The tax doesn't apply to amounts paid for a private line, an answering service, and a one-way paging or message service if they don't provide access to a local telephone system and the privilege of telephonic communication as part of the local telephone system.

Mobile radio telephone service. The tax doesn't apply to payments for a two-way radio service that doesn't provide access to a local telephone system.

Coin-operated telephones. The tax for local telephone service doesn't apply to payments made for services by inserting coins in public coin-operated telephones. But the tax applies if the coin-operated telephone service is furnished for a guaranteed amount. Figure the tax on the amount paid under the guarantee plus any fixed monthly or other periodic charge.

Telephone-operated security systems. The tax doesn't apply to amounts paid for telephones used only to originate calls to a limited number of telephone stations for security entry into a building. In addition, the tax doesn't apply to any amounts paid for rented communication equipment used in the security system.

News services. The tax on teletypewriter exchange service doesn't apply to charges for the following news services.

- Services dealing exclusively with the collection or dissemination of news for or through the public press or radio or television broadcasting.
- Services used exclusively in the collection or dissemination of news by a news ticker service furnishing a general news service similar to that of the public press.

This exemption applies to payments received for messages from one member of the news media to another member (or to or from their bona fide correspondents). For the exemption to apply, the charge for these services must be billed in writing to the person paying for the service and that person must certify in writing that the services are used for an exempt purpose.

Services not exempted. The tax applies to amounts paid by members of the news media for local telephone service.

International organizations and the American Red Cross. The tax doesn't apply to communication services furnished to an international organization or to the American National Red Cross.

Nonprofit hospitals. The tax doesn't apply to telephone services furnished to income tax-exempt nonprofit hospitals for their use. Also, the tax doesn't apply to amounts paid by these hospitals to provide local telephone service in the homes of their personnel who must be reached during their off-duty hours.

Nonprofit educational organizations. The tax doesn't apply to payments received for services and facilities furnished to a nonprofit educational organization for its use. A nonprofit educational organization is one that satisfies all the following requirements.

- It normally maintains a regular faculty and curriculum.

- It normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.
- It's exempt from income tax under section 501(a).

This includes a school operated by an organization exempt under section 501(c)(3) if the school meets the above qualifications.

Qualified blood collector organizations.

The tax doesn't apply to telephone services furnished to qualified blood collector organizations for their use. A qualified blood collector organization is one that is:

- Described in section 501(c)(3) and exempt from tax under section 501(a),
- Primarily engaged in the activity of collecting human blood,
- Registered with the IRS, and

- Registered by the Food and Drug Administration to collect blood.

Federal, state, and local government. The tax doesn't apply to communication services provided to the government of the United States, the government of any state or its political subdivisions, the District of Columbia, or the United Nations. Treat an Indian tribal government as a state for the exemption from the communications tax only if the services involve the exercise of an essential tribal government function.

Exemption certificate. Any form of exemption certificate will be acceptable if it includes all the information required by the Internal Revenue Code and Regulations. See Regulations section 49.4253-11. File the certificate with the provider of the communication services. An exemption certificate isn't required for nontaxable services.

The following users that are exempt from the communications tax don't have to file an annual exemption certificate after they have filed the initial certificate to claim an exemption from the communications tax.

- The American National Red Cross and other international organizations.
- Nonprofit hospitals.
- Nonprofit educational organizations.
- Qualified blood collector organizations.
- State and local governments.

The federal government doesn't have to file any exemption certificate.

All other organizations must furnish exemption certificates when required.

Credits or Refunds

If tax is collected and paid over for nontaxable services, or for certain services or users exempt from the communications tax,

the collector or taxpayer may claim a credit or refund if it has repaid the tax to the person from whom the tax was collected or obtained the consent of that person to the allowance of the credit or refund. Alternatively, the person who paid the tax may claim a refund. For more information on how to file for credits or refunds, see the Instructions for Form 720, or Form 8849.

Collectors. The collector may request a credit or refund if it has repaid the tax to the person from whom the tax was collected, or obtained the consent of that person to the allowance of the credit or refund. These requirements also apply to nontaxable service refunds.

Collectors using the regular method for deposits. Collectors using the regular method for deposits must use Form 720-X to request a credit or refund if the collector has repaid the tax to the person from whom the tax was collected, or obtained the consent of

that person to the allowance of the credit or refund.

Collectors using the regular method for deposits. Collectors using the regular method for deposits must use Form 720X to request a credit or refund if the collector has repaid the tax to the person from whom the tax was collected, or obtained the consent of that person to the allowance of the credit or refund.

Collectors using the alternative method for deposits. Collectors using the alternative method for deposits must adjust their separate accounts for the credit or refund if it has repaid the tax to the person from whom the tax was collected, or obtained the consent of that person to the allowance of the credit or refund. For more information, see the Instructions for Form 720.

Air Transportation Taxes

Taxes are imposed on amounts paid for:

- Transportation of persons by air,
- Use of international air travel facilities,
and
- Transportation of property by air.

Aircraft Management Services

Amounts paid by an aircraft owner for certain aircraft management services are exempt from the section 4261 and 4271 excise taxes imposed on transportation by air. An aircraft owner includes a person that owns an aircraft and a person that leases an aircraft for 31 days or more. A person owns an aircraft if the person holds legal title to the aircraft, or if the person holds substantial incidents of ownership in the aircraft for a period of more than 31 days. A lessee of an aircraft includes the beneficiary of an owner trust that holds legal title to the aircraft.

If an aircraft owner pays an amount to an aircraft management services provider for flights on the aircraft owner's aircraft, the amount paid isn't subject to the section 4261 or 4271 excise tax, even if the aircraft owner isn't on the flight. However, tax may apply if an aircraft owner pays an amount to an aircraft management services provider for flights on a substitute aircraft. An allocation is required if an aircraft owner pays an amount to an aircraft management services provider that includes an amount attributable to flights on the aircraft owner's aircraft and an amount attributable to flights on a substitute aircraft.

The aircraft management services exemption doesn't apply to amounts paid by an aircraft owner for aircraft management services related to (i) an aircraft that the aircraft owner has leased for a period of less than 31 days, (ii) a fractionally owned aircraft, or (iii) an aircraft used for scheduled passenger

service for which tickets are sold on a seat-by-seat basis to the general public.

Transportation of Persons by Air

The tax on transportation of persons by air is made up of the:

- Percentage tax, and
- Domestic-segment tax.

Percentage tax. A tax of 7.5% applies to amounts paid for taxable transportation of persons by air. Amounts paid for transportation include charges for layover or waiting time and movement of aircraft in deadhead service.

Mileage awards. The percentage tax may apply to an amount paid (in cash or in kind) to an air carrier (or any related person) for the right to provide mileage awards for, or other reductions in the cost of, any transportation of persons by air. For example, this applies to mileage awards purchased by

credit card companies, telephone companies, restaurants, hotels, and other businesses.

Generally, the percentage tax doesn't apply to amounts paid for mileage awards where the mileage awards can't, under any circumstances, be redeemed for air transportation that is subject to the tax. Until regulations are issued, the following rules apply to mileage awards.

- Amounts paid for mileage awards that can't be redeemed for taxable transportation beginning and ending in the United States aren't subject to the tax. For this rule, mileage awards issued by a foreign air carrier are considered to be usable only on that foreign air carrier and not redeemable for taxable transportation beginning and ending in the United States. Therefore, amounts paid to a foreign air carrier for mileage awards aren't subject to the tax.

- Amounts paid by an air carrier to a domestic air carrier for mileage awards that can be redeemed for taxable transportation aren't subject to the tax to the extent those miles will be awarded in connection with the purchase of taxable transportation.
- Amounts paid by an air carrier to a domestic air carrier for mileage awards that can be redeemed for taxable transportation are subject to the tax to the extent those miles won't be awarded in connection with the purchase of taxable transportation.

Domestic-segment tax. The domestic-segment tax is a flat dollar amount for each segment of taxable transportation for which an amount is paid. However, see [*Rural airports*](#), later. A segment is a single takeoff and a single landing.

Note. Generally, the tax on each domestic-segment of taxable air transportation

increases annually based on adjustments for inflation. See the Instructions for Form 720 for the tax rate.

Charter flights. If an aircraft is chartered, the domestic-segment tax for each segment of taxable transportation is figured by multiplying the tax by the number of passengers transported on the aircraft.

Rural airports. The domestic-segment tax doesn't apply to a segment to or from a rural airport. An airport is a rural airport for a calendar year if fewer than 100,000 commercial passengers departed from the airport by air during the second preceding calendar year (the 100,000 passenger rule), and one of the following is true:

1. The airport isn't located within 75 miles of another airport from which 100,000 or more commercial passengers departed during the second preceding calendar year,

2. The airport was receiving essential air service subsidies as of August 5, 1997, or
3. The airport isn't connected by paved roads to another airport.

To apply the 100,000 passenger rule to any airport described in (3) above, only count commercial passengers departing from the airport by air on flight segments of at least 100 miles.

An updated list of rural airports can be found on the Department of Transportation website at www.dot.gov and enter the phrase "Essential Air Service" in the search box.

Taxable transportation. Taxable transportation is transportation by air that meets either of the following tests.

- It begins and ends either in the United States or at any place in Canada or Mexico not more than 225 miles from the nearest

point on the continental U.S. boundary (this is the 225mile zone).

- It's directly or indirectly from one port or station in the United States to another port or station in the United States, but only if it isn't a part of uninterrupted international air transportation.

Round trip. A round trip is considered two separate trips. The first trip is from the point of departure to the destination. The second trip is the return trip from that destination.

Uninterrupted international air transportation. This means transportation entirely by air that doesn't begin and end in the United States or in the 225mile zone if there isn't more than a 12hour scheduled interval between arrival and departure at any station in the United States. For a special rule that applies to military personnel, see [Exemptions](#), later.

Transportation between the continental United States and Alaska or Hawaii. This transportation is partially exempt from the tax on transportation of persons by air. The tax doesn't apply to the part of the trip between the point at which the route of transportation leaves or enters the continental United States (or a port or station in the 225mile zone) and the point at which it enters or leaves Hawaii or Alaska. Leaving or entering occurs when the route of the transportation passes over either the U.S. border or a point 3 nautical miles (3.45 statute miles) from low tide on the coastline, or when it leaves a port or station in the 225mile zone. Therefore, this transportation is subject to the percentage tax on the part of the trip in U.S. airspace, the domestic-segment tax for each domestic segment, and the tax on the use of international air travel facilities.

Transportation within Alaska or Hawaii.

The tax on transportation of persons by air applies to the entire fare paid in the case of flights between any of the Hawaiian Islands, and between any ports or stations in the Aleutian Islands or other ports or stations elsewhere in Alaska. The tax applies even though parts of the flights may be over international waters or over Canada, if no point on the direct line of transportation between the ports or stations is more than 225 miles from the United States (Hawaii or Alaska).

Package tours. The air transportation taxes apply to “complimentary” air transportation furnished solely to participants in package holiday tours. The amount paid for these package tours includes a charge for air transportation even though it may be advertised as “free.” This rule also applies to the tax on the use of international air travel facilities.

Liability for tax. The person paying for taxable transportation is liable for the tax and, ordinarily, the person receiving the payment collects the tax, files the returns, and pays the tax over to the government. However, if payment is made outside the United States for a prepaid order, exchange order, or similar order, the person furnishing the initial transportation provided for under that order must collect the tax.

A travel agency that is an independent broker and sells tours on aircraft that it charters must collect the transportation tax, file the returns, and pay the tax over to the government. However, a travel agency that sells tours as the agent of an airline must collect the tax and remit it to the airline for the filing of returns and for the payment of the tax over to the government. An independent third party that isn't under the airline's supervision or control, but is acting on behalf of, and receiving compensation

from, a passenger, isn't required to collect the tax and pay it to the government. For more information on resellers of air transportation, see Revenue Ruling 2006-52 at [IRS.gov/PUB/IRB/IRB2006-43#RR2006-52](https://www.irs.gov/PUB/IRB/IRB2006-43#RR2006-52).

The fact that the aircraft doesn't use public or commercial airports in taking off and landing has no effect on the tax. But see [Certain helicopter uses](#), later.

For taxable transportation that begins and ends in the United States, the tax applies regardless of whether the payment is made in or outside the United States.

If the tax isn't paid when payment for the transportation is made, the air carrier providing the initial segment of the transportation that begins or ends in the United States becomes liable for the tax.

Exemptions. The tax on transportation of persons by air doesn't apply in the following

situations. See [Special Rules on Transportation Taxes](#), later.

Military personnel on international trips.

When traveling in uniform at their own expense, U.S. military personnel on authorized leave are deemed to be traveling in uninterrupted international air transportation even if the scheduled interval between arrival and departure at any station in the United States is actually more than 12 hours. However, such personnel must buy their tickets within 12 hours after landing at the first domestic airport and accept the first available accommodation of the type called for by their tickets. The trip must begin or end outside the United States and the 225-mile zone.

Certain helicopter uses. The tax doesn't apply to air transportation by helicopter if the helicopter is used for any of the following purposes.

1. Transporting individuals, equipment, or supplies in the exploration for, or the development or removal of, hard minerals, oil, or gas.
2. Planting, cultivating, cutting, transporting, or caring for trees (including logging operations).
3. Providing emergency medical transportation.

However, during a use described in items (1) or (2), the tax applies if the helicopter takes off from, or lands at, a facility eligible for assistance under the Airport and Airway Development Act of 1970, or otherwise uses services provided under section 44509 or 44913(b) or subchapter I of chapter 471 of title 49, United States Code. For item (1), treat each flight segment as a separate flight.

Fixed-wing aircraft uses. The tax doesn't apply to air transportation by fixed-wing

aircraft if the fixed-wing aircraft is used for any of the following purposes.

1. Planting, cultivating, cutting, transporting, or caring for trees (including logging operations).
2. Providing emergency medical transportation. The aircraft must be equipped for, and exclusively dedicated on that flight to, acute care emergency medical services.
3. Providing emergency medical transportation if the fixed-wing aircraft is equipped for, and exclusively dedicated on that flight to, acute care emergency medical services.

However, during a use described in item (1), the tax applies if the fixed-wing aircraft takes off from, or lands at, a facility eligible for assistance under the Airport and Airway Development Act of 1970, or otherwise uses services provided under section 44509 or

44913(b) or subchapter I of chapter 471 of title 49, United States Code.

Skydiving. The tax doesn't apply to any air transportation exclusively for the purpose of skydiving.

Seaplanes. The tax doesn't apply to any air transportation by seaplane for any segment consisting of a takeoff from, and a landing on, water if the places where the takeoff and landing occur aren't receiving financial assistance from the Airport and Airways Trust Fund.

Bonus tickets. The tax doesn't apply to free bonus tickets issued by an airline company to its customers who have satisfied all requirements to qualify for the bonus tickets. However, the tax applies to amounts paid by customers for advance bonus tickets when customers have traveled insufficient mileage to fully qualify for the free advance bonus tickets.

International Air Travel Facilities

A tax per person is imposed (whether in or outside the United States) for international flights that begin **or** end in the United States. However, for a domestic segment that begins or ends in Alaska or Hawaii, a reduced tax per person applies only to departures. This tax doesn't apply if all the transportation is subject to the percentage tax. It also doesn't apply if the surtax on fuel used in a fractional ownership program aircraft is imposed. See the Instructions for Form 720 for the tax rates.

Note. Generally, both the tax on the use of international air travel facilities for any international air transportation, if the transportation begins or ends in the United States, and the tax per person for domestic segments that begins or ends in Alaska or Hawaii (applies to departures only), are increased annually based on inflation

adjustments. See the Instructions for Form 720 for the tax rate.

Transportation of Property by Air

A tax of 6.25% is imposed on amounts paid (whether in or outside the United States) for transportation of property by air. The fact that the aircraft may not use public or commercial airports in taking off and landing has no effect on the tax. The tax applies only to amounts paid to a person engaged in the business of transporting property by air for hire.

The tax applies only to transportation (including layover time and movement of aircraft in deadhead service) that begins and ends in the United States. Thus, the tax doesn't apply to transportation of property by air that begins or ends outside the United States.

Exemptions. The tax on transportation of property by air doesn't apply in the following

situations. See [Special Rules on Transportation Taxes](#), later.

Cropdusting and firefighting service. The tax doesn't apply to amounts paid for cropdusting or aerial firefighting service.

Exportation. The tax doesn't apply to payments for transportation of property by air in the course of exportation (including to U.S. possessions) by continuous movement, as evidenced by the execution of Form 1363, Export Exemption Certificate. See Form 1363 for more information.

Certain helicopter and fixed-wing air ambulance uses. The tax doesn't apply to amounts paid for the use of helicopters in construction to set heating and air conditioning units on roofs of buildings, to dismantle tower cranes, and to aid in construction of power lines and ski lifts.

The tax also doesn't apply to air transportation by helicopter or fixed-wing

aircraft for the purpose of providing emergency medical services. The fixed-wing aircraft must be equipped for, and exclusively dedicated on that flight to, acute care emergency medical services.

Skydiving. The tax doesn't apply to any air transportation exclusively for the purpose of skydiving.

Excess baggage. The tax doesn't apply to excess baggage accompanying a passenger on an aircraft operated on an established line.

Surtax on fuel used in a fractional ownership program aircraft. The tax doesn't apply if the surtax on fuel used in a fractional ownership program aircraft is imposed.

Alaska and Hawaii. For transportation of property to and from Alaska and Hawaii, the tax in general doesn't apply to the portion of the transportation that is entirely outside the continental United States (or the 225-mile

zone if the aircraft departs from or arrives at an airport in the 225-mile zone). But the tax applies to flights between ports or stations in Alaska and the Aleutian Islands, as well as between ports or stations in Hawaii. The tax applies even though parts of the flights may be over international waters or over Canada, if no point on a line drawn from where the route of transportation leaves the United States (Alaska) to where it reenters the United States (Alaska) is more than 225 miles from the United States.

Seaplanes. The tax doesn't apply to any air transportation by seaplane for any segment consisting of a take off from, and a landing on, water if the places where the take off and landing occur aren't receiving financial assistance from the Airport and Airways Trust Fund.

Liability for tax. The person paying for taxable transportation is liable for the tax and, ordinarily, the person engaged in the

business of transporting property by air for hire receives the payment, collects the tax, files the returns, and pays the tax over to the government.

If tax isn't paid when a payment is made outside the United States, the person furnishing the last segment of taxable transportation collects the tax from the person to whom the property is delivered in the United States.

Special Rules on Transportation Taxes

Aircraft used by affiliated corporations.

The taxes don't apply to payments received by one member of an affiliated group of corporations from another member for services furnished in connection with the use of an aircraft. However, the aircraft must be owned or leased by a member of the affiliated group and can't be available for hire by a nonmember of the affiliated group. Determine

whether an aircraft is available for hire by a nonmember of an affiliated group on a flight-by-flight basis.

For this rule, an affiliated group of corporations is any group of corporations connected with a common parent corporation through 80% or more of stock ownership.

Small aircraft. The taxes don't apply to transportation furnished by an aircraft having a maximum certificated takeoff weight of 6,000 pounds or less. However, the taxes do apply if the aircraft is operated on an established line. Operated on an established line means the aircraft operates with some degree of regularity between definite points. However, it doesn't include any time an aircraft is being operated on a flight that is solely for sightseeing.

Consider an aircraft to be operated on an established line if it's operated on a charter basis between two cities also served by that carrier on a regularly scheduled basis.

Also, the taxes apply if the aircraft is jet-powered, regardless of its maximum certificated takeoff weight or whether or not it's operated on an established line.

Mixed load of persons and property. If a single amount is paid for air transportation of persons and property, the payment must be allocated between the amount subject to the tax on transportation of persons and the amount subject to the tax on transportation of property. The allocation must be reasonable and supported by adequate records.

Credits or refunds. If tax is collected and paid over for air transportation that isn't taxable air transportation, the collector may claim a credit or refund if it has repaid the tax to the person from whom the tax was collected or obtained the consent of that person to the allowance of the credit or refund. Alternatively, the person who paid the tax may claim a refund. For information on how to file for credits or refunds, see the Instructions for Forms 720 or 8849.