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Lower Refunds on Excise Tax for Propane Users

TAX, TRANSPORTATION & LOGISTICS
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On December 18, 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act (PATH), which made permanent certain tax provisions that have been extended in the past, and modified or extended other popular tax provisions. The alternative fuel credit, which is a credit against the excise tax imposed on the retail sale or use of alternative fuels, was extended for two years retroactively from the beginning of 2015. This credit includes the use of propane in forklifts and similar equipment. We see many of our manufacturing and transportation clients taking advantage of this refund opportunity. Taxpayers must register as an alternative fueler with the IRS by filing Form 637 to claim the credit.

The PATH Act also changed the rate of the alternative fuel tax credit. Previously, a registered alternative fueler would receive a credit of 50 cents per gallon on all types of alternative fuel sold by the taxpayer for use as fuel in a motor vehicle or motorboat, sold by the taxpayer for use as a fuel in aviation, or used by the taxpayer. The PATH Act lowered the rate of the tax credit available for liquefied natural gas and liquefied petroleum gas (propane) to their energy equivalents in gasoline. Starting January 1, 2016 a registered alternative fueler will only receive a credit of 29 cents per gallon for liquefied natural gas and 36 cents a gallon for propane. Taxpayers who utilize this credit should be cognizant of this modification and how it might impact their cash flow.

Contact us with questions about how you can utilize the alternative fuel credit and visit our Transportation and Logistics industry group page to learn about services that we offer.

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