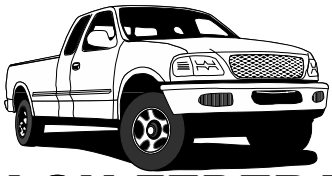

50¢ PER GALLON FEDERAL TAX CREDIT
for Propane or Natural Gas Used in Motor Vehicles

The American Taxpayer Relief Act of 2012 extends the 50-cent-per-gallon federal alternative motor fuel tax credit through December 31, 2013. The Alternative Energy Division--AFRED has prepared the following Q&A for alternative fuel distributors and operators of alternative-fueled on-road vehicles.

1. Who is eligible for the tax credit?
Private individuals, natural gas or propane retailers or suppliers, private companies, non-profit agencies and state and local government entities.

2. Does propane or natural gas used in a bi-fuel vehicle qualify?
Yes. Propane or natural gas used in an on-road, bi-fuel motor vehicle is eligible for the credit.

3. Who files for the tax credit?
The Alternative Fueler claims the credit.
Example A. A propane or natural gas retailer refuels a privately owned or government vehicle at his/her retail outlet. The retailer is the Alternative Fueler.

Example B. A propane or natural gas retailer sells bulk fuel to a motor fuel customer. The customer gives the retailer a written statement saying that all the fuel purchased will be used for a taxable use.

The propane or natural gas retailer is the Alternative Fueler. With no written statement, the customer is the Alternative Fueler.

Example C. A propane or natural gas retailer sells bulk fuel to a state or local government motor-fuel customer. The customer refuels its own vehicles. The customer is the Alternative Fueler.

4. What IRS forms are needed to claim the credit?
Each entity wishing to claim the credit must register by filing IRS Form 637. A sample Form 637 is available at http://altenergy.rrc.state.tx.us. Once approved, the IRS will issue a 637 number with "AL" at the end, indicating IRS authorization to file as an alternative fueler.

Private entities claim the tax refund on their income tax return using IRS Form 4136, "Credit for Federal Tax Paid on Fuels" or Schedule 3 (Form 8849).

State and local government entities submit Form 8849 "Claim for Refund of Excise Taxes".

Fuel suppliers: the alternative fuel credit must first be taken on Form 720 as a credit against your alternative fuel or compressed natural gas (CNG) tax liability. If you have these tax liabilities and you did not make the claim on Schedule C (Form 720) as a credit against those liabilities, you must first file Form 720X, Amended Quarterly Federal Excise Tax Return, before Form 8849, Schedule 3, can be used for the refund.

5. Where do I obtain the forms?
You can download the forms and instructions at www.irs.gov. You can view a sample completed Form 637 and Form 8849 on AFRED's web site, http://altenergy.rrc.state.tx.us.

6. What happens if my tax credit is higher than my income tax owed?
If your business doesn't have enough tax liability, the remainder of the credit is issued as a refund.
If your entity is a nonprofit or governmental unit, the entire amount is issued as a refund.

7. How long do I have to file for the credit?
Up to three years, if you file an amended return. NOTE: the claim period for 2010 has closed.

8. Is there a limit to the amount I can claim?
No. You must have on file proper documentation of the propane or natural gas purchased and used in the vehicle during the period of the claim. The claim must be for an alternative fuel sold or used during a period that is at least 1 week. The amount of the claim must be at least $200 unless the claim is filed electronically. To meet the minimum, amounts from lines 2 and 3 may be combined.

9. What records do I need?
If you are 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.
- Maintain records at least 4 years after you filed claim.

You may also call the Internal Revenue Service business and specialty tax line at 1-800-829-4933 or go to http://www.irs.gov/uac/Fuel-Tax-Credit-Extensions-Frequently-Asked-Questions with your excise tax questions.

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