

Credit for Alcohol Used as Fuel

▶ Attach to your tax return.

Name(s) shown on return

Identifying number

Caution:

- See What's New on page 2 for important changes to this credit.
- You cannot claim any amounts on Form 6478 that you claimed (or will claim) on Schedule C (Form 720), Form 8849, or Form 4136.

Part I Current Year Credit

Type of Alcohol Fuel	(a) Number of Gallons of Alcohol Sold or Used	(b) * Rate *	(c) Column (a) x Column (b)
1 Qualified ethanol fuel production (in gallons) (see instructions for election)	1	\$.10	
2 Alcohol 190 proof or greater and alcohol 190 proof or greater in fuel mixtures	2	\$.51	
3 Alcohol less than 190 proof but at least 150 proof and alcohol less than 190 proof but at least 150 proof in fuel mixtures	3	\$.3778	
4 Alcohol fuel credit(s) from a partnership, S corporation, estate, trust, or cooperative (see instructions)			4
5 Add lines 1 through 4, column (c)			5
6 Alcohol fuel credit included on line 5 from passive activities (see instructions)			6
7 Subtract line 6 from line 5			7
8 Alcohol fuel credit allowed for 2005 from a passive activity (see instructions)			8
9 Carryback of alcohol fuel credit from 2006 (see instructions)			9
10 Current year credit. Add lines 7 through 9			10

*Only the rate for ethanol is shown. See instructions for lines 2 and 3 for rates for alcohol other than ethanol.

Part II Allowable Credit **Caution:** If you have both an alcohol fuel credit and a credit from section B of Form 8835, do not complete Part II below. Instead, go to Form 8835 (see instructions).

11 Regular tax before credits (see instructions)			11	
12 Alternative minimum tax (see instructions)			12	
13 Add lines 11 and 12			13	
14a Foreign tax credit	14a			
b Credits from Form 1040, lines 48 through 54	14b			
c Possessions tax credit (Form 5735, line 17 or 27)	14c			
d Nonconventional source fuel credit (Form 8907, line 23)	14d			
e Other specified credits (see instructions)	14e			
f Add lines 14a through 14e.			14f	
15 Net income tax. Subtract line 14f from line 13. If zero, skip lines 16 through 19 and enter -0- on line 20			15	
16 Net regular tax. Subtract line 14f from line 11. If zero or less, enter -0-	16			
17 Enter 25% (.25) of the excess, if any, of line 16 over \$25,000 (see instructions)			17	
18 Subtract line 17 from line 15. If zero or less, enter -0-.			18	
19 General business credit (see instructions)			19	
20 Subtract line 19 from line 18. If zero or less, enter -0-.			20	
21 Credit allowed for the current year. Enter the smaller of line 10 or line 20 here and on Form 1040, line 55; Form 1120, Schedule J, line 6d; Form 1120-A, Part I, line 2; Form 1041, Schedule G, line 2c; or the applicable line of your return. If line 20 is smaller than line 10, see instructions			21	

General Instructions

Section references are to the Internal Revenue Code.

What's New

- The American Jobs Creation Act of 2004 requires the application of the alternative minimum tax rules to the credit so Form 6478 is no longer filed with Form 3800, General Business Credit. This means lines 6 through 9 are now made to accommodate the passive activity rules and the carryback of any unused credit allowed that previously would have been reported on Form 3800. Also, this means any carryforward of the credit from tax years beginning before 2005 cannot be shown on the Form 6478 currently. Such carryforwards must be shown on Form 3800.

Purpose of Form

Use Form 6478 to figure your credit for alcohol used as fuel. You claim the credit for the tax year in which the sale or use occurs. This credit consists of the:

- Alcohol mixture credit,
- Alcohol credit, and
- Small ethanol producer credit.

You may claim or elect not to claim the alcohol fuel credit at any time within 3 years from the due date of your return (determined without regard to extensions) on either an original or an amended return for the tax year of the sale or use.

Caution: *Before claiming a credit on Form 6478, the alcohol fuel mixture credit must be taken against any section 4081 liability on Form 720. Any credit in excess of the section 4081 liability can be taken as a claim for payment on Form 8849 or an income tax credit on Form 4136.*

Definitions and Special Rules

Qualified Ethanol Fuel Production

This is ethanol produced by an eligible small ethanol producer (defined below) which during the tax year:

1. Does not exceed 15 million gallons;
2. Is sold by the producer to another person—
 - For use by the buyer in the buyer's trade or business to produce a qualified mixture (other than casual off-farm production),
 - For use by the buyer as a fuel in a trade or business, or
 - Who sells the ethanol at retail to another person and puts the ethanol in the retail buyer's fuel tank; or
3. Is used or sold by the producer for any purpose described in **2** above.

Eligible Small Ethanol Producer

This is a person who, at all times during the tax year, has a productive capacity for alcohol of 30 million gallons or less (60 million gallons or less for tax years ending after August 8, 2005). This capacity includes alcohol made from petroleum, natural gas, coal, peat, and alcohol of less than 150 proof.

Alcohol

Alcohol, for credit purposes, includes ethanol and methanol but does not include the following.

- Alcohol produced from petroleum, natural gas, or coal (including peat). Methanol produced from methane gas formed in waste disposal sites is not alcohol produced from natural gas, and is included for credit purposes.
- Alcohol of less than 150 proof. In figuring the proof of any alcohol, disregard any denaturants (additives that make the alcohol unfit for human consumption). The volume of alcohol

includes any denaturant up to 5% of the volume of the alcohol and denaturant combined.

The alcohol must not be a mixture with gasoline or special fuel (other than as a denaturant). The credit is for alcohol which during the tax year you:

- Used as a fuel in a trade or business, or
- Sold at retail to another person and put in the fuel tank of that person's vehicle.

However, no credit is allowed for alcohol you used as a fuel in a trade or business if that alcohol was sold in a retail sale described above.

Alcohol Fuel Mixture

The alcohol must be used to make a qualified mixture. A qualified mixture combines alcohol with gasoline or special fuel. The producer of the mixture either:

- Used it as fuel, or
- Sold it as fuel to another person.

The credit is available only to the producer who blends the mixture. The producer must use or sell the mixture in a trade or business and the credit is available only for the year the mixture is sold or used. The credit is not allowed for casual off-farm production of a qualified mixture.

Registration

All producers and importers of alcohol with a proof of at least 190 must be registered with the IRS. See Form 637, Application for Registration (For Certain Excise Tax Activities).

Coordination With Excise Tax Credit

Only one credit may be taken with respect to any gallon of alcohol in a mixture reported on line 2. If any amount is claimed (or will be claimed) with respect to any gallon of alcohol on Form 720, Quarterly Federal Excise Tax Return, Form 8849, Claim for Refund of Excise Taxes, or Form 4136, Credit for Federal Tax Paid on Fuels, then a claim cannot be made on Form 6478 for that gallon of alcohol.

Recapture of Credit

You must pay a tax on each gallon of alcohol (or the alcohol in the mixture) at the rate you used to figure the credit if you:

- Separate the alcohol from the mixture,
- Use the mixture other than as a fuel,
- Mix alcohol on which the credit was allowed for the retail sale,
- Use the alcohol other than as a fuel, or
- Do not use the fuel for the purposes described under *Qualified Ethanol Fuel Production*.

Report the tax on Form 720.

Specific Instructions

Part I. Current Year Credit

Use lines 1 through 3 to figure any alcohol fuel credit from your own trade or business.

The total credit shown in column (c) on lines 1, 2, and 3, must be included in income under "other income" on the applicable line of your income tax return, even if you cannot use all of the credit because of the tax liability limit. However, if you are subject to the alternative minimum tax (AMT), this amount is not income in computing AMT and must be subtracted when figuring your alternative minimum taxable income. Do this by including this amount on line 26 of Form 6251, line 23 of Schedule I, Form 1041, or line 2o of Form 4626.

Note. We have shown in column (b) the rate for ethanol only. If you have a credit for alcohol other than ethanol, enter in column (b) the applicable rate shown in the instructions for lines 2 and 3.

Skip lines 1 through 3 if you are claiming only a credit that was allocated to you from a pass-through entity (that is, an S corporation, partnership, estate, trust, or cooperative).

Line 1

Enter the number of gallons of ethanol, up to 15 million gallons, that meet the conditions listed under *Qualified Ethanol Fuel Production* on page 2. Cooperatives enter any amount of the small ethanol producer credit not allocated to patrons. Multiply by the rate of 10 cents per gallon.

Cooperative Election to Allocate the Small Ethanol

Producer Credit to Patrons. A cooperative described in section 1381(a) can elect to allocate any part of the small ethanol producer credit to patrons of the cooperative. The credit is allocated among the patrons eligible to share in patronage dividends on the basis of the quantity or value of business done with or for the patrons for the tax year.

To make an election, attach a statement to your timely filed return (including extensions) indicating the amounts you would report in columns (a) and (c) on line 1 of Form 6478 without an election, the amounts you are electing to allocate to patrons, and the amounts that will not be allocated.

If you timely filed your return without making an election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding elections). Write "Filed pursuant to section 301.9100-2" on the amended return.

Once made, the election cannot be revoked.

Important: The amount of the credit determined for lines 2 and 3 below with respect to alcohol in qualified mixtures must be reduced by the excise tax benefit for qualified methanol or ethanol fuel reflected on Form 720. See sections 40(c) and 4041(b)(2).

Line 2

Enter the number of gallons of alcohol that is 190 proof or greater **and** alcohol that is 190 proof or greater in qualified mixtures (mixtures of alcohol and gasoline or alcohol and special fuels). For alcohol other than ethanol, the rate is 60 cents per gallon.

Line 3

Enter the number of gallons of alcohol that is less than 190 proof but at least 150 proof **and** alcohol that is less than 190 proof but at least 150 proof in qualified mixtures (mixtures of alcohol and gasoline or alcohol and special fuels). For alcohol other than ethanol, the rate is 45 cents per gallon.

Line 4

Enter the amount of credit that was allocated to you as a shareholder, partner, beneficiary, or patron.

If your credit from a pass-through entity includes the small ethanol producer credit, you, as a shareholder, partner, beneficiary, or patron, are subject to the 15-million-gallon limitation for line 1 and the 30-million-gallon (60-million-gallon for tax years ending after August 8, 2005) productive capacity limitation for an eligible small ethanol producer. If you receive a small ethanol producer credit from more than one entity, your credit may be limited.

Line 5

S corporations and partnerships do not complete lines 6 through 10. Instead, S corporations and partnerships allocate the line 5 credit to the shareholders or partners. Attach Form 6478 to the S corporation or partnership return and show on Schedule K-1 each shareholder's or partner's credit. Electing large partnerships include this credit in "general credits."

If the credit includes the small ethanol producer credit, the S corporation or partnership (other than an electing large partnership) must provide the following additional information:

- The amount of the small ethanol producer credit included as part of the pass-through credit;
- The number of gallons claimed at the entity level for the small ethanol producer credit; and
- The productive capacity of the entity.

Line 6

Enter the amount included on line 5 that is from a passive activity. Generally, a passive activity is a trade or business in which you did not materially participate. Rental activities are generally considered passive activities, whether or not you materially participate. For details, see Form 8582-CR, Passive Activity Credit Limitations (for individuals, trusts, and estates), or Form 8810, Corporate Passive Activity Loss and Credit Limitations (for corporations).

Line 8

Enter the passive activity credit allowed for the 2005 credit for alcohol used as fuel from Form 8582-CR or Form 8810.

Line 9

Use only if you amend your 2005 return to carry back an unused credit from 2006.

Line 10

For an estate or trust, the credit on line 10 is allocated between the estate or trust and the beneficiaries in proportion to the income allocable to each. In the margin to the right of line 10, the estate or trust should enter its part of the total credit. Label it "1041 Portion" and use this amount in Part II to figure the credit to claim on Form 1041. Also, enter and identify the beneficiaries' share of the credit to the right of line 10 and attach a schedule showing how the total credit was divided.

If the credit includes the small ethanol producer credit, the estate or trust must provide the following additional information:

- The amount of the small ethanol producer credit included as part of the pass-through credit;
- The number of gallons claimed by the estate or trust for the small ethanol producer credit; and
- The productive capacity of the estate or trust.

Part II. Allowable Credit

The credit allowed for the current year may be limited based on your tax liability. Use Part II to figure the allowable credit. However, if you have a current year credit and a credit from Section B of Form 8835, Renewable Electricity and Refined Coal Production Credit, do not complete Part II. Instead, go to Form 8835 to compute the allowable combined credit.

Line 11

Enter the regular tax before credits from the following line of the appropriate form or schedule.

- Individuals: Form 1040, line 44.
- Corporations: Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return.
- Estates and trusts: The sum of the amounts from Form 1041, Schedule G, lines 1a and 1b; or the amount from the applicable line of your return.

Line 12

Enter the alternative minimum tax (AMT) from the following line of the appropriate form or schedule.

- Individuals: Form 6251, line 35.
- Corporations: Form 4626, line 14.
- Estates and trusts: Form 1041, Schedule I, line 56.

Line 14e

Include on line 14e any amounts claimed on:

- Form 8834, Qualified Electric Vehicle Credit, line 20;
- Form 8910, Alternative Motor Vehicle Credit, line 18; and
- Form 8911, Alternative Fuel Vehicle Refueling Property Credit, line 19.

Line 17

See section 38(c)(5) for special rules that apply to married couples filing separate returns, controlled corporate groups, regulated investment companies, real estate investment trusts, and estates and trusts.

Line 19

Enter the amount of all other allowed credits for the current year included in the general business credit. If you are filing Form 3800, enter the amount from line 19 of that form plus the following.

- Form 8844, line 24.
- The amount from the last line of any single separate general business credit form.

Line 21

If you cannot use all of the credit because of the tax liability limit (line 20 is smaller than line 10), you cannot carry the unused credit back. You can carry the unused credit forward up to 20 years.

Paperwork Reduction Act Notice. We ask for the information on this form 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 this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

- Recordkeeping** 7 hr., 10 min.
- Learning about the law or the form** 35 min.
- Preparing and sending the form to the IRS** 44 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.