Manufacturing

Tools for thought:

HOLBROOK & MANTER, CPAs
PROFESSIONAL SERVICES FIRM

Do you use propane ("LPG") to fuel non-highway used equipment/vehicles? If so, are you missing-out on a valuable income tax credit?

The idea of utilizing alternative fuels, especially in non-highway used equipment/vehicles ("Alternative-fuel Vehicles") has truly caught-on. There are many non-tax benefits attendant with utilizing LPG under these circumstances, but are you reaping all the available tax-benefits too?

The alternative fuel tax credit landscape—

We know that the tax credits associated with "qualified alternative fuel motor vehicles (as well as mixed-fuel vehicles)" expired at the end of calendar 2010. {notable - consider benefiting from "additional first year cost recovery" or "first year expensing", under IRC § 168(k) or IRC § 179, respectively}.

Moreover, with 2013 drawing to a close, "alternative fuel refueling infrastructure" tax credits are likewise becoming unavailable.

However, all such alternative fuel tax credits haven't become extinct. Enter the IRC § 4041 "excise tax" which may provide you with a previously overlooked tax benefit.

Let's examine this excise tax credit—

An excise tax is imposed on LPG at a current rate of $ 0.183 per gasoline gallon equivalent ("GGE") sold <u>or used by a taxpayer</u>. Please note these rates are subject to change, so contact your H&M advisor so the precise applicable credit can be determined.

So long as you are not an "alternative fueler" you may claim a credit equal to $ 0.183 per GGE first against your own "excise tax" obligation and to the extent that your credit exceeds your excise tax liability (more likely than not that will be true) the excess becomes a credit against your "***income tax liability***."

The credit is claimed on a specific IRS form. Please contact your H&M advisor so the appropriate credits are claimed first against you excise tax obligation and then against your regular income tax liability, as appropriate as well as have him / her determine whether or not you are an "alternative fueler".

Please note that if the "excise tax" on purchased LPG was deducted on your federal income tax return then you may still claim the credit; however, you must add to income the amount of the excise tax credit. Hence, the true tax benefit is likely the excess of the excise tax credit over the tax associated with including the tax credit amount in income.

Tax overpayments are frequently the result of missing available tax saving opportunities. Don't let the LPG excise tax credit claim you as a victim! To learn more about LPG Tax credits and how they may favorably impact your business, contact Stephen C. Smith or your Holbrook & Manter representative.