

## Tax Credit Opportunity for Business Use of Propane in Off-Highway Motor Vehicles

Current economic conditions have everyone looking for cost saving opportunities. Gross Mendelsohn's Manufacturing & Wholesale Distribution Consulting Group is pleased to pass along an opportunity that could offset your tax liability.

The IRS recently clarified that businesses using propane in off-highway motor vehicles — such as **forklifts** — can claim a \$0.50 per gallon tax credit. This means that a warehouse operator using 3,000 gallons of propane each year, for example, is eligible for a \$1,500 tax credit. This represents an outstanding cost savings opportunity for many of the region's manufacturers, distributors and contractors.

The credit can be reported on the business' federal tax return or on Internal Revenue Form 720. The credit is calculated on Form 4136. Businesses claiming the credit must keep detailed records of propane use, including but not limited to the number of propane gallons purchased and used, dates of purchases, and the non-taxable use for which the company used the fuel.

To qualify for the credit, the business must first register as an "alternative fueler" with the IRS by filing Form 637, *Application for Registration for Certain Excise Tax Activities*. Once approved, the IRS will issue a letter of registration that includes the business' registration number. Approval typically takes 6-12 weeks. Once registered, the business can start claiming the credit. The forms and process are somewhat complicated. Gross Mendelsohn can help you, if needed.

This credit came as a result of the federal government initiating numerous programs aimed at reducing the nation's reliance on imported oil and natural gas. This particular program is part of the Safe, Accountable, Flexible and Efficient Transportation Equity Act (SAFETEA) and rewards those using propane, an "alternative fuel."

Contact Gross Mendelsohn's **Manufacturing & Wholesale Distribution Consulting Group** at 410.685.5512 or [EPaszkievicz@gma-cpa.com](mailto:EPaszkievicz@gma-cpa.com) if you have questions about this tax credit, or would like our help in completing the forms or claiming the credit. This notice is for information purposes. We urge users of propane to consult their tax advisors regarding claims for credits or refunds.