

Federal Laws and Incentives for Tax Incentives

The list below contains summaries of all Federal laws and incentives related to Tax Incentives.

Incentives

Alternative Fuel Infrastructure Tax Credit

This incentive expires December 31, 2013, but will remain posted until the federal tax filing deadline.

Fueling equipment for natural gas, liquefied petroleum gas (propane), electricity, E85, or diesel fuel blends containing a minimum of 20% biodiesel installed between January 1, 2006, and December 31, 2013, is eligible for a tax credit of 30% of the cost, not to exceed \$30,000. Permitting and inspection fees are not included in covered expenses. Fueling station owners who install qualified equipment at multiple sites are allowed to use the credit towards each location. Consumers who purchased qualified residential fueling equipment prior to December 31, 2013, may receive a tax credit of up to \$1,000. Unused credits that qualify as general business tax credits, as defined by the Internal Revenue Service (IRS), may be carried backward one year and carried forward 20 years. For more information about claiming the credit, see IRS Form 8911, which is available on the [IRS Forms and Publications](#) website. (Reference [Public Law](#) 112-240, 26 [U.S. Code](#) 30C and 38, and [IRS Notice 2007-43](#))

Point of Contact

U.S. Internal Revenue Service

Phone: (800) 829-1040

<http://www.irs.gov/>

Alternative Fuel Excise Tax Credit

This incentive expires December 31, 2013, but will remain posted until the federal tax filing deadline.

A tax incentive is available for alternative fuel that is sold for use or used as a fuel to operate a motor vehicle. A tax credit in the amount of \$0.50 per gallon is available for the following alternative fuels: compressed natural gas (based on 121 cubic feet), liquefied natural gas, liquefied petroleum gas, P-Series fuel, liquid fuel derived from coal through the Fischer-Tropsch process, and compressed or liquefied gas derived from biomass. For an entity to be eligible to claim the credit they must be liable for reporting and paying the federal excise tax on the sale or use of the fuel in a motor vehicle. Tax exempt entities such as state and local governments that dispense qualified fuel from an on-site fueling station for use in vehicles qualify for the incentive. Eligible entities must be registered with the Internal Revenue Service (IRS). The incentive must first be taken as a credit against the entity's alternative fuel tax liability; any excess over this fuel tax liability may be claimed as a direct payment from the IRS. The tax credit is not allowed if an incentive for the same alternative fuel is also determined under the rules for the ethanol or biodiesel tax credits. This tax credit is applicable to fuel sold or used between January 1, 2005, and December 31, 2013. For more information about claiming the credit, see [IRS Publication 510](#) and IRS Forms 637, 720, 4136, and 8849, which are available on the [IRS Forms and Publications](#) website. (Reference [Public Law](#) 112-240 and 26 [U.S. Code](#) 6426)

Point of Contact

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Phone: (202) 317-6855

<http://www.irs.gov/>

Alternative Fuel Mixture Excise Tax Credit

This incentive expires December 31, 2013, but will remain posted until the federal tax filing deadline.

An alternative fuel blender that is registered with the Internal Revenue Service (IRS) may be eligible for a tax incentive on

the sale or use of the alternative fuel blend (mixture) for use as a fuel in the blender's trade or business. The credit is in the amount of \$0.50 per gallon of alternative fuel used to produce a mixture containing at least 0.1% gasoline, diesel, or kerosene. Qualified alternative fuels are: compressed natural gas (based on 121 cubic feet), liquefied natural gas, liquefied petroleum gas, P-Series fuel, liquid fuel derived from coal through the Fischer-Tropsch process, and compressed or liquefied gas derived from biomass. The incentive must first be taken as a credit against the blender's alternative fuel tax liability; any excess over this fuel tax liability may be claimed as a direct payment from the IRS. The tax credit is not allowed if an incentive for the same alternative fuel is also determined under the rules for the ethanol or biodiesel tax credits. This tax credit is applicable to fuel sold or used between January 1, 2005, and December 31, 2013. For more information about claiming the credit, see [IRS Publication 510](#) and IRS Forms 637, 720, 4136, and 8849, which are available on the [IRS Forms and Publications](#) website. (Reference [Public Law](#) 112-240 and 26 [U.S. Code](#) 6426)

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Alternative Fuel Tax Exemption

Alternative fuels used in a manner that the Internal Revenue Service (IRS) deems as nontaxable are exempt from federal fuel taxes. Common nontaxable uses in a motor vehicle are: on a farm for farming purposes; in certain intercity and local buses; in a school bus; exclusive use by a nonprofit educational organization; and exclusive use by a state, political subdivision of a state, or the District of Columbia. This exemption is not available to tax exempt entities that are not liable for excise taxes on transportation fuel. For more information, see [IRS Publication 510](#).

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Biodiesel Income Tax Credit

This incentive expires December 31, 2013, but will remain posted until the federal tax filing deadline.

A taxpayer that delivers pure, unblended biodiesel (B100) into the tank of a vehicle or uses B100 as an on-road fuel in their trade or business may be eligible for an incentive in the amount of \$1.00 per gallon of biodiesel, agri-biodiesel, or renewable diesel. If the biodiesel was sold at retail, only the person that sold the fuel and placed it into the tank of the vehicle is eligible for the tax credit. The incentive is allowed as a credit against the taxpayer's income tax liability. Claims must include a copy of the certificate from the registered biodiesel producer or importer that: identifies the product; specifies the product's biodiesel, agri-biodiesel, and/or renewable diesel content; confirms that the product is properly registered as a fuel with the U.S. Environmental Protection Agency (EPA); and confirms that the product meets the requirements of ASTM specification D6751. Renewable diesel is defined as liquid fuel derived from biomass that meets EPA's fuel registration requirements and ASTM specifications D975 or D396; the definition of renewable diesel does not include any fuel derived from co-processing biomass with a feedstock that is not biomass. This tax credit is applicable to fuel delivered between January 1, 2005, and December 31, 2013. For more information about claiming the credit, see IRS Forms 637 and 8864, which are available on the [IRS Forms and Publications](#) website. For information about registering with the EPA, see the EPA [Forms for Registration and Reporting Fuels and Fuel Additives](#) website. (Reference [Public Law](#) 112-240 and 26 [U.S. Code](#) 40A)

Point of Contact

U.S. Internal Revenue Service

Phone: (800) 829-1040

<http://www.irs.gov/>

Biodiesel Mixture Excise Tax Credit

This incentive expires December 31, 2013, but will remain posted until the federal tax filing deadline.

A biodiesel blender that is registered with the Internal Revenue Service (IRS) may be eligible for a tax incentive in the amount of \$1.00 per gallon of pure biodiesel, agri-biodiesel, or renewable diesel blended with petroleum diesel to produce a mixture containing at least 0.1% diesel fuel. Only blenders that have produced and sold or used the qualified biodiesel mixture as a fuel in their trade or business are eligible for the tax credit. The incentive must first be taken as a credit against the blender's fuel tax liability; any excess over this tax liability may be claimed as a direct payment from the IRS. Claims must include a copy of the certificate from the registered biodiesel producer or importer that: identifies the product; specifies the product's biodiesel, agri-biodiesel, and/or renewable diesel content; confirms that the product is properly registered as a fuel with the U.S. Environmental Protection Agency; and confirms that the product meets the requirements of ASTM specification D6751. Renewable diesel is defined as liquid fuel derived from biomass that meets EPA's fuel registration requirements and ASTM specifications D975 or D396; the definition of renewable diesel does not include any fuel derived from co-processing biomass with a feedstock that is not biomass. This tax credit is applicable to fuel blended between January 1, 2005, and December 31, 2013. For more information about claiming the credit, see [IRS Publication 510](#) and IRS Forms 637, 720, 4136, 8849, and 8864, which are available on the [IRS Forms and Publications](#) website. For information about registering with the EPA, see the EPA [Forms for Registration and Reporting Fuels and Fuel Additives](#) website. (Reference [Public Law](#) 112-240 and 26 [U.S. Code](#) 6426)

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Hydrogen Fuel Infrastructure Tax Credit

A tax credit is available for the cost of hydrogen fueling equipment placed into service after December 31, 2005. The credit amount is up to 30% of the cost, not to exceed \$30,000. Fueling station owners who install qualified equipment at multiple sites are allowed to use the credit towards each location. Consumers who purchase qualified residential fueling equipment may receive a tax credit of up to \$1,000. Under current law, this credit expires December 31, 2014. Unused credits that qualify as general business tax credits, as defined by the Internal Revenue Service (IRS), may be carried backward one year and carried forward 20 years. For more information, see IRS Form 8911, which is available on the [IRS Forms and Publications](#) website. (Reference 26 [U.S. Code](#) 30C and 38)

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Fuel Cell Motor Vehicle Tax Credit

A tax credit of up to \$4,000 is available for the purchase of qualified light-duty fuel cell vehicles. Tax credits are also available for medium- and heavy-duty fuel cell vehicles; credit amounts are based on vehicle weight. Vehicle manufacturers must follow the procedures as published in [Notice 2008-33](#) to certify to the Internal Revenue Service that a vehicle meets certain requirements to claim the fuel cell vehicle credit. Notice 2008-33 also provides guidance to taxpayers about claiming the credit. Under current law, this tax credit expires on December 31, 2014. For more information about claiming the credit, see IRS Form 8910, which is available on the [IRS Forms and Publications](#) website. (Reference 26 [U.S. Code](#) 30B)

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Hydrogen Fuel Mixture Excise Tax Credit

A tax credit of \$0.50 per gallon is available for the sale or use of liquefied hydrogen used to produce a mixture containing a taxable fuel. To be eligible, an alternative fuel blender must be registered with the Internal Revenue Service (IRS). The incentive must be taken as a credit against the blender's alternative fuel tax liability. Any excess over this fuel tax liability may be claimed as a direct payment from the IRS. Under current law, the credit for liquefied hydrogen expires after September 30, 2014. For more information about claiming the credit, see [IRS Publication 510](#) and IRS Forms 637, 720, 4136, and 8849, which are available on the [IRS Forms and Publications](#) website. (Reference 26 [U.S. Code](#) 6426)

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Hydrogen Fuel Excise Tax Credit

A tax credit of \$0.50 per gallon is available for liquefied hydrogen that is sold for use or used as a fuel to operate a motor vehicle. For an entity to be eligible to claim the credit they must be liable for reporting and paying the federal excise tax on the sale or use of the fuel in a motor vehicle. Tax exempt entities such as state and local governments that dispense qualified fuel from an on-site fueling station for use in vehicles qualify for the incentive. Eligible entities must be registered with the Internal Revenue Service (IRS). The incentive must first be taken as a credit against the entity's alternative fuel tax liability; any excess over this fuel tax liability may be claimed as a direct payment from the IRS. Under current law, the credit for liquefied hydrogen expires after September 30, 2014. For more information about claiming the credit, see [IRS Publication 510](#) and IRS Forms 637, 720, 4136, and 8849, which are available on the [IRS Forms and Publications](#) website. (Reference 26 [U.S. Code](#) 6426)

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Qualified Plug-In Electric Drive Motor Vehicle Tax Credit

A tax credit is available for the purchase of a new qualified plug-in electric drive motor vehicle that draws propulsion using a traction battery that has at least five kilowatt hours (kWh) of capacity, uses an external source of energy to recharge the battery, has a gross vehicle weight rating of up to 14,000 pounds, and meets specified emission standards. The minimum credit amount is \$2,500, and the credit may be up to \$7,500, based on each vehicle's traction battery capacity and the gross vehicle weight rating. The credit will begin to be phased out for each manufacturer in the second quarter following the calendar quarter in which a minimum of 200,000 qualified plug-in electric drive vehicles have been sold by that manufacturer for use in the United States. This tax credit applies to vehicles acquired after December 31, 2009. For more information, see the Internal Revenue Service (IRS) [Plug-In Electric Vehicle Credit](#) website and IRS Form 8936, which is available via the [IRS Forms and Publications](#) website.

A credit is also available for the purchase of a new qualified two- or three-wheeled plug-in electric drive vehicle that draws propulsion using a traction battery that has at least 2.5 kWh of capacity, uses an external source of energy to recharge the battery, has a gross vehicle weight rating of up to 14,000 pounds, is manufactured primarily for use on public roadways, and can drive at least 45 miles per hour. The credit is for 10% of the cost of the qualified vehicle, up to \$2,500, and applies to vehicles acquired between January 1, 2012, and December 31, 2013. While this specific credit expires December 31, 2013, it will remain posted until the federal tax filing deadline.

(Reference [Public Law](#) 112-240, Section 403; and 26 [U.S. Code](#) 30D)

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Idle Reduction Equipment Excise Tax Exemption

Qualified on-board idle reduction devices and advanced insulation are exempt from the federal excise tax imposed on the retail sale of heavy-duty highway trucks and trailers. The exemption also applies to the installation of qualified equipment on vehicles after the vehicles have been placed into service. For a list of eligible products and additional information about product exemption eligibility criteria, see the U.S. Environmental Protection Agency's (EPA) [SmartWay Technology Program Federal Excise Tax Exemption](#) website. The exemption applies to equipment that was determined by the Administrator of the EPA, in consultation with the Secretary of Energy and the Secretary of Transportation, to reduce the idling of the tractor at a motor vehicle rest stop or other location where such vehicles are temporarily parked or remain stationary. Only equipment sold on or after October 4, 2008, is eligible. For more information, see [IRS Publication 510](#) and the instructions for IRS Form 720, which are available on the [IRS Forms and Publications](#) website. (Reference 26 [U.S. Code](#) 4053)

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Second Generation Producer Tax Credit

This incentive expires December 31, 2013, but will remain posted until the federal tax filing deadline.

A second generation biofuel producer that is registered with the Internal Revenue Service (IRS) may be eligible for a tax incentive in the amount of up to \$1.01 per gallon of second generation biofuel that is: sold and used by the purchaser in the purchaser's trade or business to produce a second generation biofuel mixture; sold and used by the purchaser as a fuel in a trade or business; sold at retail for use as a motor vehicle fuel; used by the producer in a trade or business to produce a second generation biofuel mixture; or used by the producer as a fuel in a trade or business. If the second generation biofuel also qualifies for alcohol fuel tax credits, the credit amount is reduced to \$0.46 per gallon for biofuel that is ethanol and \$0.41 per gallon if the biofuel is not ethanol. Second generation biofuel is defined as liquid fuel produced from any lignocellulosic or hemicellulosic matter that is available on a renewable basis or any cultivated algae, cyanobacteria, or lemna. To qualify, fuel must also meet the U.S. Environmental Protection Agency fuel and fuel additive registration requirements. Alcohol with a proof of less than 150, fuel with a water or sediment content of more than 4%, and fuel with an ash content of more than 1% are not considered second generation biofuels. The incentive is allowed as a credit against the producer's income tax liability. Under current law, only qualified fuel produced in the United States between January 1, 2009, and December 31, 2013, for use in the United States may be eligible. For more information about claiming the credit, see IRS Forms 637 and 6478, which are available on the [IRS Forms and Publications](#) website. (Reference [Public Law](#) 112-240 and 26 [U.S. Code](#) 40)

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The AFDC is a resource of the U.S. Department of Energy's Clean Cities program.

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