

# Low Sulfur Diesel Fuel Production Credit

OMB No. 1545-1914

► **Attach to your tax return.**

► **Information about Form 8896 and its instructions is at [www.irs.gov/form8896](http://www.irs.gov/form8896).**

Attachment  
Sequence No. **142**

Name(s) shown on return

Identifying number

<b>1</b>	Low sulfur diesel fuel produced (in gallons) . . . . .	<b>1</b>		
<b>2</b>	Multiply line 1 by \$.05 . . . . .	<b>2</b>		
<b>3</b>	Qualified costs limitation (see instructions) . . . . .	<b>3</b>		
<b>4</b>	Total low sulfur diesel fuel production credits allowed for all prior tax years . . . . .	<b>4</b>		
<b>5</b>	Subtract line 4 from line 3 . . . . .	<b>5</b>		
<b>6</b>	Enter the smaller of line 5 or line 2 . . . . .	<b>6</b>		
<b>7</b>	Low sulfur diesel fuel production credit from partnerships, S corporations, and cooperatives (see instructions) . . . . .	<b>7</b>		
<b>8</b>	Add lines 6 and 7. Cooperatives, go to line 9. Partnerships and S corporations, stop here and report this amount on Schedule K. All others, stop here and report this amount on Form 3800, Part III, line 1m . . . . .	<b>8</b>		
<b>9</b>	Amount allocated to patrons of the cooperative (see instructions) . . . . .	<b>9</b>		
<b>10</b>	Cooperatives, subtract line 9 from line 8. Report this amount on Form 3800, Part III, line 1m . . . . .	<b>10</b>		

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

## Future Developments

For the latest information about developments related to Form 8896 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form8896](http://www.irs.gov/form8896).

## Purpose of Form

Use Form 8896 to claim the low sulfur diesel fuel production credit.

The credit generally is 5 cents for every gallon of low sulfur diesel fuel produced by a qualified small business refiner during the tax year. However, the total credits allowed for all tax years cannot be more than the refiner's qualified costs limitation on line 3. This credit is part of the general business credit.

Partnerships, S corporations, and cooperatives must file this form to claim the credit. All other taxpayers are not required to complete or file this form if their only source for this credit is a partnership, S corporation, or cooperative. Instead, they can report this credit directly on line 1m in Part III of Form 3800, General Business Credit.

## Definitions

### Low Sulfur Diesel Fuel

This is diesel fuel with a sulfur content of 15 parts per million or less.

### Small Business Refiner

A small business refiner generally is a refiner of crude oil with an average daily domestic refinery run or average retained production for all facilities that did not exceed 205,000 barrels for the 1-year period ending on December 31, 2002. To figure the average daily domestic refinery run or retained production, only include refineries that were refineries of the refiner or a related person (within the meaning of section 613A(d)(3)) on April 1, 2003. However, a refiner is not a small business refiner for a tax year if more than 1,500 individuals are engaged in the refinery operations of the business on any day during the tax year.

## Qualified Costs

For each facility, qualified costs are costs paid or incurred to comply with the highway diesel fuel sulfur control requirements of the Environmental Protection Agency (EPA) during the period beginning January 1, 2003, and ending on the earlier of:

- The date 1 year after the date on which the refiner must comply with these EPA requirements with respect to such facility; or
- December 31, 2009.

Qualified costs include costs for the construction of new process operation units or the dismantling and reconstruction of existing process units to be used in the production of low sulfur diesel fuel, associated adjacent or offsite equipment (including tankage, catalyst, and power supply), engineering, construction period interest, and site work.

In addition, the small business refiner must obtain certification from the IRS (which will consult with the EPA) that the taxpayer's qualified costs will result in compliance with the applicable EPA regulations. This certification must be obtained not later than June 29, 2008, or, if later, the date that is 30 months after the first day of the first tax year in which the credit is determined. For details, see Rev. Proc. 2007-69, 2007-49 I.R.B. 1137, available at [www.irs.gov/irb/2007-49\\_IRB/ar14.html](http://www.irs.gov/irb/2007-49_IRB/ar14.html).



*Unless you elect not to take this credit, your deductions will be reduced by the amount of your credit. For details, see section 280C(d).*

## Additional Information

For more information, see section 45H.

## Specific Instructions

Use lines 1 through 6 to figure any low sulfur diesel fuel production credit from your own trade or business.

### Line 1

Enter the number of gallons of diesel fuel produced with a sulfur content of 15 parts per million or less.

**Line 3**

On line 3, enter 25% of the qualified costs (defined earlier) for the facility that produced the fuel reported on line 1 if your average daily domestic refinery runs were not more than 155,000 barrels for the 1-year period ending on December 31, 2002. If your average daily domestic refinery runs were more than 155,000 barrels, the 25% is reduced (but not below zero) by multiplying it by 1 minus your excess over 155,000 barrels divided by 50,000 barrels.

**Example.** Your average daily domestic refinery runs were 165,000 barrels for the 1-year period ending on December 31, 2002. First divide 10,000 (your excess over 155,000 barrels) by 50,000 to get .2. Next subtract .2 from 1 to get .8. Then multiply 25% by .8 to get 20%. On line 3, enter 20% of the qualified costs for the facility that produced the fuel reported on line 1.

**Line 4**

Enter the total low sulfur diesel fuel production credits allowed for all prior tax years (as determined for line 6).

**Line 7**

Enter total low sulfur diesel fuel production credits from:

- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., box 15 (code P);
- Schedule K-1 (Form 1120S), Shareholder's Share of Income, Deductions, Credits, etc., box 13 (code P); and
- Form 1099-PATR, Taxable Distributions Received From Cooperatives, box 10, or other notice of credit allocation.

Partnerships, S corporations, and cooperatives must always report the above credits on line 7. All other filers figuring a separate credit on earlier lines must also report the above credits on line 7. All others not using earlier lines to figure a separate credit can report the above credits directly on Form 3800, Part III, line 1m.

**Line 9**

**Cooperative election to allocate credit to patrons.** A cooperative described in section 1381(a) can elect to allocate any part of the low sulfur diesel fuel production 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.

If the cooperative is subject to the passive activity rules, include on line 7 any Form 8896 credits from passive activities disallowed for prior years and carried forward to this year. Complete Form 8810, Corporate Passive Activity Loss and Credit Limitations, to determine the allowed credits that can be allocated to patrons. For details, see the Instructions for Form 8810.

The cooperative is deemed to have made the election by completing line 9. However, the election is not effective unless:

- It is made on a timely filed return (including extensions), and
- The cooperative designates the apportionment in a written notice or on Form 1099-PATR mailed to its patrons during the payment period described in section 1382(d).

If you timely file 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 extensions). Write "Filed pursuant to section 301.9100-2" on the amended return.

Once made, the election cannot be revoked.

**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** . . . . . 2 hr., 52 min.

**Learning about the law or the form** . . . . . 30 min.

**Preparing and sending the form to the IRS** . . . . . 34 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.