

Department of the Treasury  
Internal Revenue Service

▶ Attach to your tax return.

Name(s) shown on return

Identifying number

**Part I Current Year Credit**

1	Low sulfur diesel fuel produced (in gallons)	1									
2	Multiply line 1 by \$.05	2									
3	Qualified capital costs limitation (see instructions)	3									
4	Total low sulfur diesel fuel production credits allowed for all prior tax years	4									
5	Subtract line 4 from line 3	5									
6	Enter the smaller of line 5 or line 2	6									
7	Low sulfur diesel fuel production credits from pass-through entities: <table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td>If you are a—</td> <td>Then enter the credit(s) from—</td> </tr> <tr> <td>a Shareholder</td> <td>Schedule K-1 (Form 1120S), box 13, code F, G, or U</td> </tr> <tr> <td>b Partner</td> <td>Schedule K-1 (Form 1065), box 15, code F, G, or U</td> </tr> <tr> <td>c Patron</td> <td>Written statement from cooperative</td> </tr> </table>	If you are a—	Then enter the credit(s) from—	a Shareholder	Schedule K-1 (Form 1120S), box 13, code F, G, or U	b Partner	Schedule K-1 (Form 1065), box 15, code F, G, or U	c Patron	Written statement from cooperative	7	
If you are a—	Then enter the credit(s) from—										
a Shareholder	Schedule K-1 (Form 1120S), box 13, code F, G, or U										
b Partner	Schedule K-1 (Form 1065), box 15, code F, G, or U										
c Patron	Written statement from cooperative										
8	<b>Current year credit.</b> Add lines 6 and 7	8									

**Part II Allowable Credit (See Who must file Form 3800 to find out if you complete Part II or file Form 3800.)**

9	Regular tax before credits: <ul style="list-style-type: none"> <li>Individuals. Enter the amount from Form 1040, line 44</li> <li>Corporations. Enter the amount from Form 1120, Schedule J, line 3; Form 1120-A, Part I, line 1; or the applicable line of your return</li> <li>Estates and trusts. Enter the sum of the amounts from Form 1041, Schedule G, lines 1a and 1b, or the amount from the applicable line of your return</li> </ul>	9	
10	Alternative minimum tax: <ul style="list-style-type: none"> <li>Individuals. Enter the amount from Form 6251, line 35</li> <li>Corporations. Enter the amount from Form 4626, line 14</li> <li>Estates and trusts. Enter the amount from Form 1041, Schedule I, line 56</li> </ul>	10	
11	Add lines 9 and 10	11	
12a	Foreign tax credit	12a	
b	Credits from Form 1040, lines 48 through 54	12b	
c	Possessions tax credit (Form 5735, line 17 or 27)	12c	
d	Nonconventional source fuel credit (Form 8907, line 23)	12d	
e	Other specified credits (see instructions)	12e	
f	Add lines 12a through 12e	12f	
13	Net income tax. Subtract line 12f from line 11. If zero, skip lines 14 through 17 and enter -0- on line 18	13	
14	Net regular tax. Subtract line 12f from line 9. If zero or less, enter -0-	14	
15	Enter 25% (.25) of the excess, if any, of line 14 over \$25,000 (see instructions)	15	
16	Tentative minimum tax (see instructions): <ul style="list-style-type: none"> <li>Individuals. Enter the amount from Form 6251, line 33</li> <li>Corporations. Enter the amount from Form 4626, line 12</li> <li>Estates and trusts. Enter the amount from Form 1041, Schedule I, line 54</li> </ul>	16	
17	Enter the greater of line 15 or line 16	17	
18	Subtract line 17 from line 13. If zero or less, enter -0-	18	
19	<b>Credit allowed for the current year.</b> Enter the <b>smaller</b> of line 8 or line 18 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 18 is smaller than line 8, see instructions	19	

**General Instructions**

Section references are to the Internal Revenue Code.

**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 capital costs limitation on line 3. This credit is part of the 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 Capital Costs

For each facility, qualified capital 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 capital 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 capital costs will result in compliance with the applicable EPA regulations. This certification must be obtained not later than the date that is 30 months after the first day of the first tax year in which the credit is determined.

### Additional Information

For more details, including basis reduction, see section 45H.

## Specific Instructions

### Part I

#### Current Year Credit

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

Skip lines 1 through 6 if you are claiming only a credit that was allocated to you from a pass-through entity (that is, an S corporation, partnership, or cooperative).

#### 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 among the 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 such 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 on lines 1 through 6 of Form 8896 without an election, the amounts you are electing to allocate to patrons, and any amounts that will not be allocated.

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). Enter "Filed pursuant to section 301.9100-2" on the amended return.

Once made, the election cannot be revoked.

### S Corporations and Partnerships

Figure the total credit on lines 1 through 6. Then, allocate the line 6 credit to each shareholder or partner in the same way that income and loss are divided. Electing large partnerships include this credit in "general credits."

#### 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 capital costs (defined above) 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 capital 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).

### 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 unless you must file Form 3800, General Business Credit.

**Who must file Form 3800.** You must file Form 3800 if you have:

- A low sulfur diesel fuel production credit from a passive activity,
- More than one credit included in the general business credit (other than a credit from Form 8844, Form 6478, or Section B of Form 8835), or
- A carryback or carryforward of any of those credits.

See the instructions for Form 3800 to find out which credits are included in the general business credit.

### Line 12e

Include on line 12e 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 15

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 16

Although you may not owe alternative minimum tax (AMT), you generally must still compute the tentative minimum tax (TMT) to figure your credit. For a small corporation exempt from the AMT under section 55(e), enter -0-. Otherwise, complete and attach the AMT form or schedule and enter the TMT on line 16.

### Line 19

If you cannot use all of your credit because of the tax liability limit (line 18 is smaller than line 8), carry the unused credit back 1 year and then forward up to 20 years. See the instructions for Form 3800 for details.

**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, 6 hr., 13 min.; Learning about the law or the form, 45 min.; Preparing and sending the form to the IRS, 2 hr., 5 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.

