

Changes to Excise Taxes

Announcement 97-91

Purpose To announce additional excise tax changes made by the Taxpayer Relief Act of 1997 (P.L. 105-34). These changes affect taxes on:

- Fuels
- Communications
- Air transportation
- Heavy highway vehicles
- Luxury automobiles
- Arrow components

Note: *Announcement 97-78, 1997-34 I.R.B. 11, released on August 14, 1997, covered certain changes made by the Act that took effect during August of 1997. Those changes affect the tax on the use of international air travel facilities, the date for deposits of air transportation taxes, and the tax on vaccines.*

Fuel tax rates The changes listed below apply after September 30, 1997.

- The table below shows the new rates for fuels (other than those included under IRS No. 79) due to the reinstatement of the Leaking Underground Storage Tank Trust Fund tax (generally \$.001 per gallon).
- The rate on liquefied petroleum gas has decreased; this fuel will be identified separately as **IRS No. 61**.
- Other special fuels and alcohol fuels (other than gasohol) will be identified under **IRS No. 79**. (See the Instructions for Form 720 for this list.)

IRS No.	Type of fuel	Tax rate per gallon
62	Gasoline	\$.184
59	Gasohol containing at least 10% alcohol	\$.130
75	Gasohol containing at least 7.7% alcohol	\$.14242
76	Gasohol containing at least 5.7% alcohol	\$.15322
58	Gasoline removed or entered for gasohol production, at least 10% alcohol	\$.14444
73	Gasoline removed or entered for gasohol production, at least 7.7% alcohol	\$.1543
74	Gasoline removed or entered for gasohol production, at least 5.7% alcohol	\$.16248
60	Diesel fuel	\$.244
71	Dyed diesel fuel used in trains	\$.0565
78	Dyed diesel fuel used in certain buses	\$.074
61	Liquefied petroleum gas (LPG)	\$.136
14	Aviation gasoline	\$.194
69	Aviation fuel (other than gasoline)	\$.219
77	Aviation fuel (commercial)	\$.044
64	Inland waterways fuel use	\$.244

Communications tax In the case of communications services acquired by means of a prepaid telephone card, the 3% excise tax is imposed on the face amount of the card when the card is transferred by a telecommunications carrier to any person who is not a carrier. The provision will be effective after October 31, 1997.

Transportation of persons by air For amounts paid after September 30, 1997, for transportation beginning after September 30, 1997, the following changes apply:

- The tax is 9% (7.5% for segments to or from rural airports), plus \$1.00 for each domestic segment (excluding segments to or from rural airports).
- Amounts paid to an air carrier for the right to provide mileage awards or other reductions in the cost of any transportation of persons are treated as amounts paid for taxable transportation.

Retail tax on heavy highway vehicles The following changes apply after December 31, 1997, except as noted:

- The repair or modification of a vehicle will not be treated as manufacture for excise tax purposes unless

the repair or modification costs exceed 75% of the retail price of a comparable new vehicle. This rule does not apply if the vehicle as repaired or modified would, if new, be taxable, and the vehicle when new was not taxable.

- The registration requirement applicable to certain sales of trucks, tractors, and trailers will be replaced with a certification requirement.
- Parts or accessories added to a heavy truck within six months of the initial purchase will be taxable only if the aggregate price of the additions is more than \$1,000. (This change is effective for vehicles sold after August 5, 1997.)
- A credit against the retail tax on heavy highway vehicles will be allowed for excise tax imposed on tires sold on or in connection with the vehicle. This replaces the exclusion from the amount subject to the heavy vehicle tax allowed for tire value.

Luxury tax

Effective after August 5, 1997, the luxury tax threshold is raised for electric and clean-fuel motor vehicles.

- The electric vehicle threshold is 150 percent of the luxury tax threshold.
- The clean-fuel motor vehicle threshold is the luxury tax threshold plus an amount equal to the increase in the price of the vehicle attributable to the retrofit parts and components installed that permit the vehicle to be clean burning.

Also effective for vehicles sold after August 5, 1997, parts or accessories added to a luxury automobile within six months of the initial purchase are only taxable if the aggregate price of the additions is more than \$1,000.

Arrow components

Effective after September 30, 1997, a 12.4% tax will be imposed on the price for which the manufacturer sells any point,nock, vane, or shaft of the type used in the manufacture of any arrow. This replaces the tax on arrows. The tax will be reported under new **IRS No. 102.**
