

# Dairy Keeper News & Information Notice

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13430 Wood Road, Bath, Michigan 48808



## **Credit Allowed for Diesel Fuel Used in Mobile Machinery Vehicles**

For tax years beginning after October 22<sup>nd</sup>, 2004, mobile machinery operators may claim an excise tax fuel credit for taxed **undyed** diesel fuel they use in their mobile machinery vehicle if the operators meet design based and use based tests.

For tax years beginning after October 22<sup>nd</sup>, 2004, mobile machinery operators cannot use **dyed** diesel fuel in their mobile machinery vehicles.

A taxpayer will satisfy the design-based test if:

1. The chassis has permanently mounted to it machinery or equipment used to perform certain operations (construction, manufacturing, drilling, mining, timbering, processing, farming, or similar operations) if the operation of the machinery or equipment is unrelated to transportation on or off the public highways;
2. The chassis has been specially designed to serve only as a mobile carriage and mount (and power source, if allocable) for the machinery or equipment, whether or not the machinery or equipment is in operation; and
3. The chassis could not, because of its special design, and without substantial structural modification, be used as part of a vehicle designed to carry any other load.

An example of a mobile machinery vehicle is a crane mounted on a truck chassis that meets the forgoing factors.

A taxpayer meets the use-based test if the taxpayer uses the vehicle on public highways less for than 7,500 miles during the taxpayer's taxable year.

A taxpayer may claim a credit for taxed diesel fuel only on their tax return, using [Form 4136](#), *Credit for Federal Tax Paid on Fuels*.

Reference: IRS Publications, Excise Tax, official web site.