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Notice 2019-10: Comments requested, fuel excise tax regulations related to power take-off

The IRS today released an advance version of Notice 2019-10 that requests comments on possible changes to the rules governing the excise tax treatment of fuel used in a motor vehicle to operate “auxiliary equipment.”

Notice 2019-10 [PDF 50 KB] states that the IRS and Treasury Department are considering “revisiting the treatment of fuel used in a motor vehicle to operate special or auxiliary equipment unrelated to the propulsion of the vehicle by means of a power take-off or power transfer....” Comments are requested as to whether the excise tax exemption available for the off-highway business use of fuel should be applied to fuel used by a vehicle’s propulsion motor to power auxiliary equipment that is unrelated to the propulsion of the vehicle. Comments are requested concerning:

- How the exemption could be applied equitably across different industries and categories of highway motor vehicles
- How highway motor vehicle operators could effectively document and support an exemption with respect to the various categories of highway motor vehicles and auxiliary equipment

A specific request for comments is included in Notice 2019-10, and comments are due by July 23, 2019.

Background

In general, a federal excise tax credit may be claimed for taxed fuel used in an off-highway business use. This includes a credit for fuel used in a highway motor vehicle to power auxiliary equipment through a separate motor if certain requirements are met. However, fuel used to operate equipment on the vehicle by means of power take-off or power transfer is not eligible for the credit under existing excise tax regulations.

Notice 2019-10 states that industry groups have requested a change to these regulations based on technological advances that now allow highway motor vehicles to quantify the fuel used to power

auxiliary equipment via a power take-off or power transfer, and that also provide greater fuel efficiency than separate motors when used to power the equipment.

For more information, contact a tax professional with KPMG's Excise Tax Practice group:

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