



TaxNewsFlash

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Rev. Rul. 2018-02: No alternative fuel mixture credit for butane and gasoline mixture

The IRS today released an advance version of Rev. Rul. 2018-02 that addresses whether a mixture of butane (or other gasoline blendstock as defined in Reg. section 48.4081-1(c)(3)(i)) and gasoline is a mixture of two taxable fuels. The IRS ruled that a mixture of butane and gasoline is not an alternative fuel mixture and does not qualify for the alternative fuel mixture credit under section 6426(e).

Read [Rev. Rul. 2018-02](#) [PDF 21 KB]

Background

The facts considered in Rev. Rul. 2018-02 by the IRS are as follows:

- A claimant (producer) mixes gasoline and butane and sells it for use as a fuel.
- The producer claimed the alternative fuel mixture credit under section 6426(e) for an open tax period ending on or before December 31, 2016, on the premise that the gasoline in the mixture is a taxable fuel and the butane in the mixture is a form of liquefied petroleum gas (LPG), an alternative fuel.
- The producer indicated in its claim that the basis for its position that butane is a form of LPG is the language in Chapter One of IRS Publication 510, "Excise Taxes (Including Fuel Tax Credits and Refunds)," which provides, in the "Other Fuels (Including Alternative Fuels)" section, that "[l]iquefied petroleum gas includes propane, butane, pentane, or mixtures of those products."

IRS's conclusion

The IRS noted that butane is and has been a taxable fuel since before the enactment of section 6426(d) and (e) in 2005. A mixture of butane, a taxable fuel, with gasoline, a

taxable fuel, is a mixture of two taxable fuels, not a mixture of a taxable fuel and an alternative fuel, as required by section 6426(e)(2). Therefore, the IRS concluded that the producer may not claim the alternative fuel mixture credit under section 6426(e) for the mixture of butane and gasoline.

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