



TaxNewsFlash

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IRS guidance for September 2018 deposits of oil spill liability tax

The IRS today posted information on its website concerning how to calculate deposits of the section 4611 oil spill liability tax for the second semi-monthly period in September 2018 under the modified safe harbor deposit rule (as provided by Notice 2018-21).

The [IRS announcement](#) (posted September 14, 2018) explains that the regulations require separate deposits for the second semi-monthly period in September—one for the period from September 16 through September 26, and a second for the period from September 27 through September 30.

Notice 2018-21 provides a modified safe harbor with regard to deposits of the oil spill liability tax during the third calendar quarter of 2018. Notice 2018-21 does not, however, address allocating the deposits for the “September rule” (which requires two separate deposits for the second semi-monthly period of the month) pursuant to the regulations.

Background

Due to the expiration of the oil spill tax on December 31, 2017, and its reinstatement effective March 1, 2018, the IRS issued guidance—Notice 2018-21—regarding application of the safe-harbor look-back rule for deposits of tax.

Section 9 of [Notice 2018-21](#) [PDF 57 KB] provides that for purposes of deposits of the oil spill liability tax during the third calendar quarter of 2018, persons will be considered to have met the semi-monthly deposit requirement for that quarter if:

- The deposit for each semi-monthly period in the quarter is not less than half of the net tax liability reported for the look-back quarter,
- Each deposit is made on time, and

- The amount of any underpayment is paid by the due date of the return.

Notice 2018-21 further provides that no affirmative election or other special filing is required in order for a person to use the modified safe harbor and that the modified safe harbor applies only with regard to deposits of the oil spill liability tax during the third calendar quarter of 2018. Notice 2018-21 does not, however, inform persons using the modified safe harbor how to calculate the special deposits required for the second semi-monthly period in September.

September deposit guidance

The IRS announcement provides that for purposes of calculating the amount of the deposits of the section 4611 oil spill liability tax for the periods September 16 through September 26 and September 27 through September 30, taxpayers using the modified safe harbor deposit rule under Notice 2018-21 may use any reasonable method to allocate the second semi-monthly deposit for September between these two periods, as long as the total deposit for the second semi-monthly period in September is not less than half of the net tax liability reported for the look-back quarter as described in Notice 2018-21.

The IRS announcement further reminds excise taxpayers making deposits that, in 2018, September 29 falls on a Saturday; thus, the deposit required for the period beginning September 16 must be made by Friday, September 28.

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

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