

Form BBSC General Instructions

What is “biodiesel”?

Biodiesel is a fuel produced from monoalkyl esters of long-chain fatty acids derived from vegetable oils, renewable lipids, animal fats, or any combination of these ingredients. This fuel must meet the requirements of ASTM D6751, also known as the Standard Specification for Biodiesel Fuel (B-100) Blend Stock for Distillate Fuels, as adopted by the American Society for Testing and Materials.

I purchased equipment to begin blending biodiesel with petroleum diesel in a prior year but I have just begun blending the fuel for sale this year. Am I eligible for the biodiesel blending and storage credit?

Yes, you are. The credit is available in any year that you blend biodiesel with petroleum diesel for the purpose of resale. If you purchased the equipment in the two tax years before you began blending the biodiesel and the petroleum diesel, you can use the costs from those years to calculate your current tax year biodiesel blending and storage credit.

What costs do I use to calculate my biodiesel blending and storage credit?

The costs used to calculate your credit are the amounts that you have invested in depreciable property that is used for storing or blending biodiesel with petroleum diesel for sale.

If I am claiming the biodiesel blending and storage credit, can I also deduct the annual depreciation on my investment?

Yes, you can. This credit is not in lieu of any depreciation or amortization deduction that you are allowed for your investment.

What requirements do I have to meet in order to qualify for the biodiesel blending and storage credit?

In order for you to qualify for this credit, the following requirements have to be met:

- Your investment is for depreciable property that is used primarily to blend biodiesel that is made entirely from Montana-produced feedstocks.
- You blended biodiesel with petroleum diesel for sale during the current tax year.
- Your storage and blending equipment purchased is used in Montana primarily to blend biodiesel for sale.
- You anticipate that your sales of biodiesel will be at least 2% of your total diesel sales by the end of the third year following the initial year you claim the credit.
- You are an owner, contract purchaser, or lessee who has a beneficial interest in a business that blends biodiesel.

If the credit exceeds my tax liability, can I carry any excess credit to another tax year?

Yes, you can carry forward unused credit for up to seven years. However, if you are not blending or storing biodiesel

for blending during a tax year, no credit can be claimed for the tax year.

Am I required to recapture my credit that I previously received if I cease operating my business?

Yes, you are. If you cease blending biodiesel with petroleum diesel for sale for 12 continuous months, within five years from the year that you initially claimed the credit, or if your blended biodiesel sales were less than 2% of your total diesel sales by the end of your third year, you are required to recapture your credit in the year you cease blending or at the end of your third year if your sales were less than 2% of total diesel sales.

How do I claim my credit when I am a partner or shareholder in a partnership or an S corporation that invested in the depreciable property used for storing or blending biodiesel with petroleum diesel?

Your partnership or S corporation will report the credit on its informational tax return and provide you with your share of the credit on Montana Schedule K-1.

If you are a partner, your share of the credit is based on the same proportion used by you to report your income or loss from the partnership for Montana tax purposes unless the partners have an agreement providing for a different allocation. If you are a shareholder, your share of the credit is based on the pro rata share of the corporation's cost of investing in the biodiesel blending facility.

For example, if your business is an S corporation with four shareholders with equal ownership interest, each shareholder would be entitled to 25% of the total credit.

What information do I have to include with my tax return when I claim this credit?

Individuals and C corporations filing paper returns must include a completed Form BBSC. Partnerships and S corporations filing paper information returns must include a separate statement identifying each owner and his or her proportionate share, in addition to a completed Form BBSC.

Questions? Please call us toll free at (866) 859-2254 (in Helena, 444-6900).