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New Law Changes Highway Use Tax Rules: Installment Payment Option Eliminated
WASHINGTON — The Internal Revenue Service today reminded truckers and other owners of heavy highway vehicles that the installment option for paying the federal highway use tax will no longer be available.

This change was included in the American Jobs Creation Act of 2004 and applies to filers of Form 2290, Heavy Highway Vehicle Use Tax Return.

Beginning with the Form 2290 for the tax year that begins on July 1, 2005 and ends on June 30, 2006, the balance due shown on the form must be paid in full by the due date of the return. In most cases, the deadline for filing the return and paying any tax due is August 31, 2005. Payment can be made by check, money order or electronically through the Electronic Federal Tax Payment System (EFTPS).

In previous years, taxpayers who timely filed Form 2290 could choose to pay the tax in up to four equal installments. Ordinarily, these installment payments were due on the last day of August, December, March and June. About 148,000 taxpayers chose this option last year, the IRS said. In general, the highway use tax applies to trucks, truck tractors and buses with a gross taxable weight of 55,000 pounds or more. Ordinarily, vans, pick-ups and panel trucks are not taxable because they fall below the 55,000-pound threshold.

For trucks and other taxable vehicles in use during July, the Form 2290 and payment are due on August 31. The tax is based on weight and normally ranges from \$100 to \$550 per vehicle. A variety of special rules, discussed in the instructions for Form 2290, apply to vehicles with minimal road use, logging or agricultural vehicles, vehicles transferred during the year and those first used on the road after July.

State governments are required to receive proof of payment of the federal highway use tax as a condition of vehicle registration. Schedule 1 of the Form 2290 is stamped and returned to filers for this purpose. This process remains unchanged.

The Jobs Act also eliminated reduced tax rates for vehicles registered in Canada and Mexico. For vehicles with a base registration in either country, the tax rate was 25% below the regular rate.

In addition, the Jobs Act made electronic filing mandatory for taxpayers who file highway use tax returns for 25 or more vehicles. The availability of electronic filing for Forms 2290 is pending. Taxpayers should continue to file paper returns. The IRS will notify taxpayers when the electronic filing program is available.

The electronic payment option continues to be available, and the IRS urges taxpayers to enroll in EFTPS and pay their tax obligations this way.

The new Form 2290 and its instructions are now available on irs.gov, the tax agency's Web site. The form and instructions will be mailed automatically to taxpayers who filed last year.

The form and instructions are available in Spanish and, for the first time this year, in French.