



Special Notice to Ultimate Vendors

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**Board website and
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www.boe.ca.gov

**Taxpayer's Rights
Advocate:** 888-324-2798

Federal Excise Tax Will Apply to Your Sales of Clear Diesel Fuel to Farmers Starting October 1, 2005

We are sending you this notice to inform you of a change in the federal fuel tax law that will take effect October 1, 2005. *Only the federal law will change.* The change is part of the Safe, Accountable, Flexible and Efficient Transportation Equity Act (SAFETEA) passed by Congress in August 2005. California diesel fuel tax law that applies to ultimate vendors and farmers is *not* affected by this change.

Does the change in the federal law affect my sales of clear diesel fuel?

Yes. Starting October 1, 2005, you may no longer obtain an ultimate vendor refund from the Internal Revenue Service for your sales of tax-paid clear diesel fuel to your farming customers. You must charge or pass on the *federal* excise tax of 24.4 cents per gallon when you sell clear diesel fuel to a farming customer. If your farming customer uses the tax-paid clear diesel fuel in a nontaxable way (off-highway), your customer may file a claim for refund with the IRS. For more information, visit the IRS website at www.irs.gov.

You may continue to claim a refund of *California* diesel fuel tax paid on clear diesel fuel sold to your farming customers. In order to claim a refund, the fuel must be sold without charging your customer California excise tax, and you must have a properly completed *Certificate of Farming Use* (Form BOE-608) from your customer on file. Please note that your farming customer may issue a farming certificate to you only for the quantity of fuel that will be used on a farm for farming purposes. Farmers must pay tax for any fuel they use on the road.

Can I sell dyed diesel fuel to farmers without charging the federal excise tax?

Yes. You may sell dyed diesel fuel to a farmer for use on a farm without charging federal or state excise tax. However, you should not place dyed diesel fuel in any registered vehicle or sell the fuel if you know it will be used on a road. The penalty for illegal use or sale of dyed diesel fuel is \$10 per gallon, or \$1,000 multiplied by the number of violations, whichever is greater. The penalty is imposed by both state and federal law.

For more information

If you have questions about this notice, please call our Fuel Taxes Division at 916-322-9669 or toll-free at 800-400-7115 (follow the prompts to fuel taxes). Staff are available to help you weekdays from 8:00 a.m. to 5:00 p.m., except state holidays.