



Special Notice

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New Tax Rates for Diesel Fuel Effective July 1, 2011

As it pertains to diesel fuel, Assembly Bill 105 (Statutes 2011, chapter 6) (AB 105) reenacts Revenue and Taxation Code (RTC) sections 6051.8, 6201.8, and 6357.3 of the Sales and Use Tax Law and section 60050 of the Diesel Fuel Tax Law. These statutes provide for a diesel fuel excise tax rate decrease and a sales and use tax rate increase on sales of diesel fuel effective July 1, 2011.

Excise Tax Rate Decrease for Diesel Fuel

Effective July 1, 2011, the excise tax rate on diesel fuel will decrease from 18.0 cents (\$0.18) to 13.0 cents (\$0.13) per gallon.

Sales and Use Tax Rate Increase on Sales of Diesel Fuel

Effective July 1, 2011, the statewide sales and use tax rate imposed on sales of diesel fuel will increase 1.87 percent.* It is important to remember that the current statewide sales and use tax rate (8.25 percent) applicable to sales of *all* tangible personal property is scheduled to decrease by one percent, to 7.25 percent, on July 1, 2011. Therefore, beginning July 1, 2011, the sales and use tax rate applicable to sales of diesel fuel will be 9.12 percent (7.25 percent + 1.87 percent), plus any applicable district taxes. Please refer to our website for up-to-date sales and use tax rates.

Exemption from the Sales and Use Tax Rate Increase

RTC section 6357.3 provides an exemption from the sales and use tax rate increase for diesel fuel that is purchased for use or is used in a manner that is exempt under the Diesel Fuel Tax Law (for example, exempt off-highway use). The exemption also applies to diesel fuel that is used in exempt bus operations (RTC section 60039), which are subject to the payment requirement specified in RTC section 60502.2. To claim the exemption from the additional sales tax, the purchaser must furnish the seller with a valid exemption certificate. A sample exemption certificate will be available soon on our website under the [Frequently Asked Questions](#) for this topic.

What Does This Mean to You?

Government Entity-Diesel Fuel Tax

For the period from July 1, 2011, to June 30, 2012, the diesel fuel excise tax rate will be 13.0 cents (\$0.13) per gallon, and the sales and use tax rate will increase 1.87 percent for the diesel fuel that you use to operate motor vehicles on the highway.

- **Undyed (clear) fuel purchases for highway use (taxable)**, Your supplier will collect the 13.0 cents (\$0.13) per gallon diesel fuel excise tax and the 1.87 percent sales and use tax increase on your purchases. You will continue to report your gallons purchased, sold, and used on a [BOE-501-DG](#), *Government Entity Diesel Fuel Tax Return*.

* The sales and use tax rate increase changes to 2.17 percent effective July 1, 2012; to 1.94 percent effective July 1, 2013; and to 1.75 percent effective July 1, 2014, and thereafter. (Legislation enacted in 2010 increased the sales and use tax rate on sales of diesel fuel by 1.75 percent, effective July 1, 2011, but AB 105 replaced that legislation and increased the rate further to 1.87 percent.)

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- **Undyed (clear) fuel purchases for exempt use** (*for example, off-highway*), Your supplier will collect the 13.0 cents (\$0.13) per gallon diesel fuel excise tax. You will claim your tax-paid purchases and request a credit or refund for your tax-paid gallons used for nontaxable purposes on a [BOE-501-DG, Government Entity Diesel Fuel Tax Return](#). Gallons that are exempt from the diesel fuel excise tax are also exempt from the additional 1.87 percent sales and use tax rate increase. To claim the exemption from the additional 1.87 percent sales and use tax, you must furnish the seller with a valid exemption certificate at the time of purchase. A sample exemption certificate will be available soon on our website under the [Frequently Asked Questions](#) for this topic.
- **Ex-tax (dyed) fuel purchases for highway use** (*taxable use*), Your supplier will not collect the diesel fuel excise tax; however, they should collect the applicable sales and use tax (including the 1.87 percent sales and use tax rate increase). You will continue to file a [BOE-501-DG, Government Entity Diesel Fuel Tax Return](#), to pay the 13.0 cents (\$0.13) per gallon diesel fuel excise tax on your taxable gallons.
- **Ex-tax (dyed) fuel purchases for exempt use** (*for example, off-highway*), Your supplier will not collect the 13.0 cents (\$0.13) per gallon diesel fuel excise tax. You will report your ex-tax fuel purchases used for nontaxable purposes on the [BOE-501-DG, Government Entity Diesel Fuel Tax Return](#). Gallons that are exempt from the diesel fuel excise tax are also exempt from the 1.87 percent sales and use tax rate increase. To claim the exemption from the additional 1.87 percent sales and use tax, you must furnish the seller with a valid exemption certificate at the time of purchase. A sample exemption certificate will be available soon on our website under the [Frequently Asked Questions](#) for this topic.

Exempt Bus Operator-Diesel Fuel Tax

You are not required to pay the 13.0 cents (\$0.13) per gallon diesel fuel excise tax on the gallons purchased for your qualifying exempt bus operations. To claim the exemption, you must provide a [BOE-231-DB, Certificate of Exempt Bus Operation](#), to your supplier at the time of purchase. The gallons purchased ex-tax and used in your exempt bus operations are still subject to the 1.0 cent (\$0.01) per gallon tax, as provided by RTC section 60502.2. You will continue to report and pay the 1.0 cent (\$0.01) per gallon tax on a [BOE-501-DB, Exempt Bus Operator Diesel Fuel Tax Return](#).

In addition, the gallons that are exempt from the diesel fuel excise tax are also exempt from the 1.87 percent sales and use tax rate increase. To claim the sales and use tax exemption, you must furnish the seller with an exemption certificate, separate from a [BOE-231-DB, Certificate of Exempt Bus Operation](#). A sample sales and use tax exemption certificate will be available soon on our website under the [Frequently Asked Questions](#) for this topic.

International Fuel Tax Agreement (IFTA) or Interstate User Diesel Fuel Tax (DI)

For the period from July 1, 2011, to December 31, 2011, the tax that you report and pay with your quarterly IFTA or DI return for diesel fuel used in California will decrease to 34.7 cents (\$0.347) per gallon. This interstate user diesel fuel tax rate includes the reduced diesel fuel excise tax rate of 13.0 cents (\$0.13) per gallon plus the additional excise tax of 21.7 cents (\$0.217) per gallon. This additional excise tax is based on the average retail price of motor fuels sold in California and the state sales tax rate. This rate is calculated each September for the next calendar year.

For Additional Information

For more information, visit the [Frequently Asked Questions](#) available at www.boe.ca.gov or call our Taxpayer Information Section at 800-400-7115 (TTY: 711). Customer service representatives are available to assist you weekdays from 8:00 a.m. to 5:00 p.m., Pacific time, except state holidays.