

# Fuel Taxes Newsletter

## Underground Storage Tank Maintenance Fee Program

Fee provides money for Cleanup Trust Fund ..... 13

## Use Fuel Tax Program

Are you a use fuel vendor? ..... 14

## All Fuel Tax and Fee Programs

### 1. Annual Taxpayers' Bill of Rights Hearings

Do you have suggestions for improving our services? Do you want us to look more closely at a tax or fee issue? Come share your ideas and concerns with the elected Members of the Board of Equalization at the annual Taxpayers' Bill of Rights Business and Property Taxes Hearings. You can present your proposal orally or in writing.

The 2007 hearings will be held in

- Culver City on February 27, 2007
- Sacramento on March 20, 2007

Both will start at approximately 1:30 p.m.

Although you are not required to make advance arrangements to speak, it would help us to prepare if you contact the Taxpayers' Rights Advocate Office before the hearing to let them know your topic. You can call the office staff toll-free at 888-324-2798.

If your proposal is complex or extensive, we encourage you to submit it in advance and then summarize it in your oral presentation. For more details, please call the number above or visit us online at [www.boe.ca.gov/tra/tra.htm](http://www.boe.ca.gov/tra/tra.htm). For more information on the hearings, see [www.boe.ca.gov/meetings/heartra.htm](http://www.boe.ca.gov/meetings/heartra.htm).

### 2. New legislation takes effect

A new bill affecting fuel tax law, Assembly Bill 3076 (Stats. 2006, ch. 364), was enacted during the 2006 legislative session. The changes

## In This Issue . . .

### Article Number

### All Fuel Tax and Fee Programs

Annual Taxpayers' Bill of Rights Hearings 1	
New legislation takes effect . . . . .	2
Fuel Taxes Division receives national awards . . . . .	3
Civil behavior in trying times . . . . .	4
Thanking our staff—no gifts, please . . . .	5

### Motor Vehicle Fuel and Diesel Fuel Tax Programs

#### Diesel Fuel Tax Program

Biodiesel taxed like petroleum diesel . . .	6
Renew your IFTA credentials to avoid penalty charges. . . . .	7
Interstate user tax rate to increase . . . . .	8
Diesel fuel emulsion fully taxable as of January 1 . . . . .	9
Reporting tips for ultimate vendors and diesel fuel users. . . . .	10

#### Both Programs

Terminal operators: Make sure position holders are properly licensed. . . . .	11
Two-party exchanges allowed starting January 1 . . . . .	12

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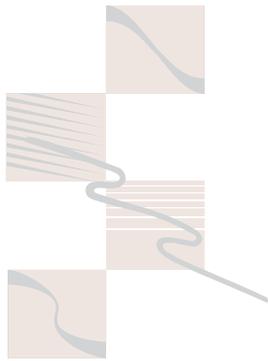
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December 2006  
Fuel Taxes Newsletter

described in this article are effective January 1, 2007.

**Settlement reductions.** Allows our executive director and chief counsel to jointly approve settlement agreements that reduce special tax and fee liabilities by up to \$5,000. Affects the Use Fuel Tax Law; Hazardous Substances Tax Law; Oil Spill Response, Prevention, and Administration Fees Law; Underground Storage Tank Maintenance Fee Law; Fee Collection Procedures Law; and Diesel Fuel Tax Law.

**Overpayments from levies or liens.** Allows us to grant refunds of overpayments of tax, fee, interest, or penalty we collected using levies, liens, or other enforcement procedures if the affected party files a claim for refund within three years of the date of overpayment. Affects the Use Fuel Tax Law; Hazardous Substances Tax Law, Oil Spill Response, Prevention, and Administration Fees Law; Underground Storage Tank Maintenance Fee Law; Fee Collection Procedures Law; and Diesel Fuel Tax Law.

**Offers in compromise.** Allows us to accept an offer in compromise that will reduce a final liability up to \$7,500. Affects the Hazardous Substances Tax Law; Oil Spill Response, Prevention, and Administration Fees Law; Fee Collection Procedures Law; and Diesel Fuel Tax Law.

**Motor vehicle fuel tax.** Allows a supplier to take a credit on a tax return instead of filing a claim for refund for tax-paid motor vehicle fuel sold to the U.S. armed forces for use (1) in ships or aircraft or (2) outside the state. Also amends Revenue and Taxation Code section 8106 to clarify that a supplier may take a credit on a tax return instead of filing a claim for refund for tax-paid fuel removed, entered, or sold, provided the supplier is otherwise entitled to claim a refund.

**Diesel fuel tax.** Amends section 60101 to delete the definition of “intercity bus operator.” The definition became obsolete when changes in federal law prohibited these buses from using dyed diesel fuel.

### 3. Fuel Taxes Division receives national awards

Our Fuel Taxes Division and staff received two national awards at the October 2006 annual meeting of the Federation of Tax Administrators Motor Fuel Section.

The division received the 2006 Uniformity Committee national award for its continued efforts in improving uniform reporting and combating fuel tax evasion.

Lou Feletto, Administrator of our Fuel Industry Section, received the National Chair’s Award for his dedication and contributions to the Federation’s Fuel Tax Section Training.

### 4. Civil behavior in trying times

Some observers have noted that civility is decreasing in our society as our lives become more complex. We know that you may find yourself frustrated with the difficulties of the tax law or pressed for time when dealing with our staff. Still, we ask that you treat our employees just as you would like to be treated in a business situation. Any statement made to a Board of Equalization employee that seems remotely like a threat—even a statement made in jest—will be referred to our Internal Security and Audit Division for investigation.

### 5. Thanking our staff—no gifts, please

We’d like to remind you that Board of Equalization policy prevents our employees from accepting gifts of any type. So if you’re grateful to someone for going the extra mile to help you with a complicated issue, please consider using our online form to say so: [www.boe.ca.gov/info/survey.htm](http://www.boe.ca.gov/info/survey.htm). You can also use the form to comment if you have a customer service complaint.

## ■ Motor Vehicle Fuel and Diesel Fuel Tax Programs

### Diesel Fuel

#### 6. Biodiesel taxed like petroleum diesel

In general, California sales tax and fuel taxes apply to biodiesel the same way they apply to petroleum diesel.

#### Tax due on imported fuel

You must be a licensed diesel fuel supplier to import diesel fuel into California, including biodiesel. If you import biodiesel by truck or rail, you are liable for the diesel fuel tax at the time of importation. You must report the tax on your *Diesel Fuel Supplier Tax Return* for the month in which you import the fuel.

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Need more information?  
Give us a call or go online. See the back page for telephone numbers and website addresses.

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## **No refunds available for tax-paid fuel you dye and sell**

Dyed biodiesel is exempt from diesel fuel tax when used for exempt purposes, just like dyed petroleum diesel. If you collect diesel fuel tax from your customers on sales of dyed biodiesel, you must pay it to us with your diesel fuel tax return. The law does not allow us to refund taxes you pay on tax-paid biodiesel you convert to dyed biodiesel.

### **More information on biodiesel and tax**

For more information regarding the application of taxes to biodiesel, please see publication 96, *Biodiesel and California Tax*. You can view or download and print a copy from our website at [www.boe.ca.gov/pdf/pub96.pdf](http://www.boe.ca.gov/pdf/pub96.pdf).

If you have any questions, call 916-322-9669.

## **7. Renew your IFTA credentials to avoid penalty charges**

If you haven't yet applied for your 2007 IFTA credentials, be sure to apply soon. Your current credentials will expire on December 31, 2006 (unless they are revoked, canceled, or suspended before then). As explained below, you are subject to a penalty charge if you enter California on or after January 1, 2007, without proper IFTA credentials (see grace period information) or a California Fuel Trip Permit.

### **Grace period for carriers who have applied and paid for 2007 credentials**

You have until February 28, 2007, to display your 2007 decals if you have filed all of your IFTA returns, paid all tax amounts you owe, and filed and paid your credential renewal by December 31, 2006. Many IFTA jurisdictions, including California, step up their IFTA credential enforcement beginning on March 1 each year.

### **Penalty charge**

If you're not covered by the grace period or otherwise do not have credentials, you will be charged a penalty if you enter California without valid IFTA credentials or a California Fuel Trip Permit. The penalty can be calculated two different ways:

- If we determine that you owe a specific amount of tax, the penalty will be 25 percent of the tax amount due or \$500, whichever is more.
- Otherwise, the penalty will be \$100. The penalty for later violations increases by \$100 per violation until it reaches the

\$500 maximum. For example, the minimum penalty is \$200 for a second violation and \$300 for a third violation.

In addition to paying a penalty, you will also be required to purchase a California Fuel Trip Permit to travel in California. The current cost of a permit is \$30 per vehicle for a consecutive four-day period.

## **8. Interstate user tax rate to increase**

For calendar year 2007, California's interstate user tax rate will increase from 33.0 cents per gallon to 36.7 cents per gallon. The rate is a combination of two amounts:

- 18 cents per gallon—the same as the per gallon rate for diesel fuel tax, plus
- 18.7 cents per gallon—equal to 7.25 percent of the average retail price of diesel fuel sold in California (known as the "component b" rate).

Most interstate users who travel on California highways pay the tax through the International Fuel Tax Agreement (IFTA). Interstate users who travel only between California and Mexico (DI licensees) also pay the interstate user tax.

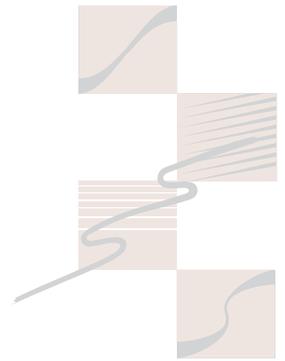
## **9. Diesel fuel emulsion fully taxable as of January 1**

Starting January 1, 2007, you must pay the diesel fuel tax on the full volume of any diesel fuel and water emulsion you make and sell or use to power a highway vehicle. The water portion of the emulsion was previously exempt from the diesel fuel tax.

## **10. Reporting tips for ultimate vendors and diesel fuel users**

Have we contacted you about the format of your Receipts and Disbursements Schedules? Many filers create their own version of their tax form schedules instead of filling out photocopies of the form we mail to them. This is acceptable only if the version you create is identical to our form. That is, you must

- Use letter-size (8 1/2" by 11") paper.
- Enter the text on paper that is in the "landscape" orientation.
- Include the correct form number.
- Print the schedule on only one side.
- Use column headings identical to those on the forms we provide.
- Include no more than 25 transactions per page. ▶

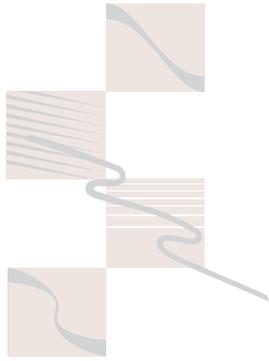


December 2006  
Fuel Taxes Newsletter

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**Need more information?**  
Give us a call or go online. See the back page for telephone numbers and website addresses.

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Whether you use your own schedules or those we provide, please follow these guidelines:

- Use computer font style Arial and a font point size of 10. (You may adjust column widths as needed.)
- Complete and label all columns for each receipt or disbursement transaction unless otherwise noted on the claim form instructions. Do not use ditto marks for repeat entries.
- Use MM/DD/YY format for the document date.
- Use MM/YYYY format for the schedule period date.
- Calculate and enter the total on each page. We will not accept running balances.

## Motor Vehicle Fuel and Diesel Fuel

### 11. Terminal operators: Make sure position holders are properly licensed

Please remember: if you're a terminal operator, you should make sure all of your position holders are properly licensed. Position holders in a terminal whose activities meet the definition of a supplier in either the Motor Vehicle Fuel Tax Law or Diesel Fuel Tax Law must hold a supplier's license. If they do not, you may be jointly liable for any taxes they owe. Please see Revenue and Taxation Code sections 7370, 7371, 60059, and 60060 for details.

### 12. Two-party exchanges allowed starting January 1

We will allow two-party exchange reporting starting January 1, 2007. The change comes about due to Board of Equalization approval of changes to Regulations 1123 and 1420 and new Regulations 1125 and 1423. Copies of the revised regulations are on our website at [www.boe.ca.gov/sptaxprog/sptaxregs.htm](http://www.boe.ca.gov/sptaxprog/sptaxregs.htm).

To participate in a two-party exchange, all three participants—the delivering supplier, receiving supplier, and terminal operator—must meet certain requirements. These include filing electronic tax forms with our Fuel Taxes Division and submitting a current Trading Partner Agreement (see below).

### Participants need to file new trading partner agreements

To participate in two-party exchange transactions,

suppliers and terminal operators who now file their tax forms electronically need to submit new Trading Partner Agreements. The agreement has been revised to enable information providers who intend to participate in a two-party exchange to identify themselves.

The revised document is available on our website at: [www.boe.ca.gov/pdf/boe400tpa.pdf](http://www.boe.ca.gov/pdf/boe400tpa.pdf).

## Underground Storage Tank Maintenance Fee Program

### 13. Fee provides money for Cleanup Trust Fund

Did you know that revenues from the Underground Storage Tank Maintenance Fee are used, in part, to support a Cleanup Trust Fund?

The fund is used to reimburse eligible tank owners and operators for costs associated with an accidental petroleum leak or spill from an underground storage tank or residential tank. It is administered by the State Water Resources Control Board.

To learn more about eligibility requirements and fund requirements, please call the State Water Resources Control Board at 916-341-5700.

## Use Fuel Tax Program

### 14. Are you a use fuel vendor?

If you sell fuels other than gasoline or diesel, you may be a "use fuel" vendor. You are considered a vendor if you sell any of the following fuels and place them into the fuel tank of a motor vehicle:

- Alcohol fuel (ethanol, methanol, and blended alcohol fuel with less than 15 percent gasoline)
- Liquefied petroleum gas (LPG)
- Liquid natural gas (LNG)
- Compressed natural gas (CNG)

Vendors must obtain a vendor use fuel tax permit and file returns with us.

More information is available for use fuel vendors and users in publication 12, *California Use Fuel Tax*. You may download a copy from our website at [www.boe.ca.gov/pdf/pub12.pdf](http://www.boe.ca.gov/pdf/pub12.pdf) or order a copy using our online ordering system. Or you can call our Information Center at 800-400-7115 (TDD/TTY: 800-735-2929) and ask them to mail you a copy.

#### Fuel Taxes Division

916-322-9669

Board of Equalization, MIC:30  
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#### Board website and Member contact information:

[www.boe.ca.gov](http://www.boe.ca.gov)

#### Tax Evasion Hotline

888-334-3300

#### Legislation

[www.leginfo.ca.gov](http://www.leginfo.ca.gov)

#### Taxpayers' Rights Advocate

888-324-2798

[www.boe.ca.gov/tra/tra.htm](http://www.boe.ca.gov/tra/tra.htm)

