



# Fuel Taxes Newsletter

State  
Board of  
Equalization

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## ■ All Fuel Tax and Fee Programs

### 1. Share your ideas and concerns at our October public hearings

Have suggestions for improving our services? 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 hearings.

You do not need to schedule a time to speak, but it would help us to prepare if you contact us beforehand to let us know your topic. If your proposal is complex or extensive, we encourage you to submit a written explanation in advance and then present an oral summary at the hearing.

#### Sacramento

Wednesday, October 15, 2003, 1:30 p.m.  
Capitol Square Building  
450 N Street, 1<sup>st</sup> Floor Board Room

#### Culver City

Wednesday, October 29, 2003, 1:30 p.m.  
Board of Equalization District Office  
5901 Green Valley Circle, Suite 207

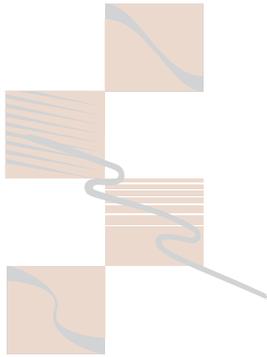
To notify us of a topic you wish to discuss or to send written material in advance, please contact the

Taxpayers' Rights Advocate MIC:70  
State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0070

Call toll-free: 888-324-2798

Fax: 916-323-3319

E-mail: [www.boe.ca.gov/info/email.html](http://www.boe.ca.gov/info/email.html)



## ■ Motor Vehicle Fuel and Diesel Fuel Tax Programs

### 2. Progress in e-filing

E-filing is now available in multiple electronic formats for the tax forms listed below. Download the Trading Partner Agreement (application) and sign up today! ([www.boe.ca.gov/electsrv/efiling/efilefueltaxguide.htm](http://www.boe.ca.gov/electsrv/efiling/efilefueltaxguide.htm))

In addition to the EDI v. 4030 format in use since January 2002, filers can now use EDI v. 4010 and will soon be able to use flat files to submit the motor fuels tax forms listed below. EDI v. 4010 is the same format Terminal Operators and Vessel/Pipeline Operators use to file with the IRS through ExSTARS. A flat file is a file format that can be made using a programming language, database, word processing, or spreadsheet application. The Fuel Taxes Division will have example Excel templates available on the e-filing website for the tax forms listed. The following e-file formats are available for the tax forms listed below:

Form Number	Form Name	File Formats		
		EDI 4010	EDI 4030	Flat File
BOE-501-DD	Supplier of Diesel Fuel Tax Return		x	x
BOE-501-PS	Supplier of Motor Vehicle Fuel Tax Return		x	x
BOE-501-DB	Exempt Bus Operator Diesel Fuel Tax Return			x
BOE-506-PO	Terminal Operator Information Report	x	x	x
BOE-506-PC	Vessel/Pipeline Operator Information Report	x	x	x
BOE-770-DU	Diesel Fuel Claim for Refund on Nontaxable Uses			x
BOE-770-DV	Diesel Fuel Ultimate Vendor Report/Claim for Refund			x
BOE-770-DZ	Claim for Refund on Nontaxable Sales and Exports of Diesel Fuel			x

If you are interested in participating in e-filing, call us at 916-322-9669 or e-mail us at [efile@boe.ca.gov](mailto:efile@boe.ca.gov). For more information on e-filing requirements and formats, please visit our website at [www.boe.ca.gov/electsrv/efiling/taxpcont.htm](http://www.boe.ca.gov/electsrv/efiling/taxpcont.htm).

### 3. New schedule codes for suppliers of diesel fuel and motor vehicle fuel

Some of the schedule codes that we previously listed on our supplier returns are being replaced by new codes. The chart below shows indicates which codes have been changed. We recommend that suppliers use the new codes as soon as possible, but we will continue to accept the old schedule codes for the near future. Future publications will only refer to the new schedule codes.

Form Number	Form Name	Old Code	New Code	Old Code	New Code
		BOE-501-DD	Supplier of Diesel Fuel Tax Return	5T 6H	5W 6F
BOE-501-PS	Supplier of Motor Vehicle Fuel Tax Return	5T 5S	5W 5V	8E	8

## ■ Diesel Fuel Tax

### 4. Exempt bus operators updates

#### Correction regarding diesel fuel tax exemption certificate

Article 8 in the December 2002 *Fuel Taxes Newsletter* shows the *Diesel Fuel Tax Exemption Certificate for Exempt Bus Operators* as form BOE-213-DB. The correct number is BOE-231-DB. We apologize for any confusion this may have caused.

#### To purchase diesel fuel without paying tax, you must issue an exemption certificate – no refunds permitted on tax return.

As an exempt bus operator, you are not required to pay diesel fuel tax on fuel purchased for exempt bus operations. You must, however, claim the exemption at the time of purchase. You *cannot* take a

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

credit on your *Exempt Bus Operator Diesel Fuel Tax Return* for tax paid on fuel used in exempt bus operations.

To make an exempt purchase, you must provide your supplier with form BOE-231-DB, *Diesel Fuel Tax Exemption Certificate for Exempt Bus Operator*. Your supplier will not charge diesel fuel tax on the portion of the fuel that will be used for exempt bus operations. If some of your bus operations do not qualify as exempt, you must indicate the exempt percentage on your exemption certificate. You may only buy clear diesel fuel without payment of tax to the extent of your exempt operations. Diesel fuel purchases for nonexempt operations should be purchased with the tax paid to your supplier.

If you have overstated your exempt percentage on your exemption certificate, you must report the ex-tax gallons used in nonexempt operations on your return and pay the tax. If you purchase tax-paid fuel that is used in exempt operations, you must ask your supplier to issue you a credit or refund. Your supplier, in turn, must file a claim for refund (form BOE-777-DV) with the Board to recover the tax.

A limited alternative to issuing a partial exemption certificate would be to purchase dyed diesel fuel, rather than clear diesel fuel, for your bus operations. Please note, however, you must be licensed to be able to purchase dyed diesel fuel for use on the highway, and you must remit the one cent per gallon tax or the 18 cents per gallon tax due, as appropriate, on any dyed fuel used on highways. Improper use of dyed diesel fuel on the highway would result in very large penalties. To learn more about this option, please call us at 916-322-9669.

## 5. Biodiesel—a closer look

### What is biodiesel?

Biodiesel is a cleaner-burning diesel replacement fuel made from natural, renewable sources such as new and used vegetable oils and animal fats. Fats and oils are chemically reacted with an alcohol to produce chemical compounds known as fatty acid alkyl esters. Biodiesel is the name given to these esters when they are intended for use as fuel.

Blends of up to 20 percent biodiesel (mixed with petroleum diesel fuels) can be used in nearly all diesel equipment and are compatible with most storage and distribution equipment. Higher blends, even pure biodiesel (100% biodiesel, or B100), can be used in many engines built since 1994 with little or no modification.

The American Society of Testing and Materials (ASTM) issued Specification D 6751, "Standard Specification for Biodiesel Fuel (B100) Blend Stock for Distillate Fuels," for all biodiesel fuel bought and sold in the U.S. Biodiesel can be used in any diesel engine, usually with no modifications to the engine necessary. It performs comparably to diesel, with similar BTU content and higher cetane. ASTM D 6751 covers the blending of pure biodiesel (B100) into conventional diesel fuel up to 20 percent by volume (B20). Biodiesel is registered with the Environmental Protection Agency as a fuel and fuel additive.

As mentioned in our December 2002 issue, biodiesel is taxed like petroleum diesel. However, because the sale and production of biodiesel and biodiesel blends normally occurs below the rack, the points of taxation are at the time of entry (import) into the state or upon the conversion and/or blending of a liquid into "diesel fuel." The entry of biodiesel is taxable to the owner upon entry. If you import biodiesel, or convert or blend biodiesel, you must be registered with the Board as a Supplier of Diesel Fuel. If you purchase B100 from a supplier in California, you must pay the diesel fuel tax to your supplier, unless the purchase is otherwise exempt.

If you import or deal in soy bean oil or soy methyl esters or other organic oils, please contact us for more information.

### How do I report biodiesel?

When filing your *Supplier of Diesel Fuel Tax Return*, use the following schedules to report imports and blends of biodiesel:

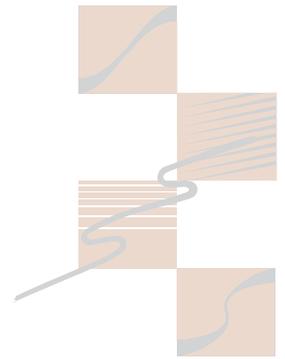
- **Imports of biodiesel.** Use Schedule 3X, *Imports Below the Terminal Rack*.
- **Biodiesel blends.** Use Schedule 5W (previously 5T), *Untaxed Products Blended With, or Added to Fuel, Resulting in a Product Which is Used as, or is Usable as a Taxable Fuel*, to report all gallons of organic oils, soy oils, soy methyl esters, or B100 that you purchased without the diesel fuel tax for blending with tax-paid diesel fuel in the production of a biodiesel blend.

Currently, the following product codes are available for biodiesel:

- 284 - Biodiesel Undyed (B100)
- 290 - Biodiesel Dyed (B-100)

### Call us if you have questions

Call us at 916-322-9669 to see if your specific circumstances require you to hold a Supplier of Diesel Fuel License and to collect and report tax on your sales or uses of biodiesel.

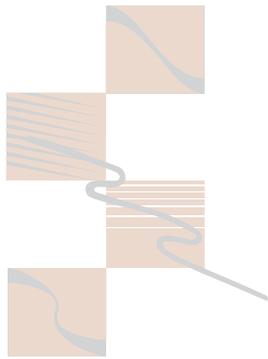


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**Need more information?**  
Give us a call or go online. See the back page for telephone numbers and website addresses.

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## 6. Refunds are not allowed for tax-paid diesel fuel converted to dyed diesel fuel

The law does not allow for refunds of tax paid on diesel fuel converted to dyed diesel fuel. Therefore, wholesalers who voluntarily convert tax-paid products, including diesel and biodiesel, to dyed diesel fuel may not claim a credit or refund of the taxes paid on the clear diesel fuel. Even though you cannot file a claim for refund for the tax-paid portion of the blended product, you may pass the tax on to your customer. The end user who makes an exempt use of tax-paid dyed diesel fuel may file a claim for refund with the Board.

## ■ Underground Storage Tank Maintenance (UST) Fee

### 7. Cleanup Trust Fund

Many underground storage tank owners and operators do not 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 a UST or residential tank. The fund is administered by the State Water Resources Control Board. To learn more about eligibility requirements and how the funds can be used, please call the State Water Resources Control Board at 916-341-5700.

## ■ Aircraft Jet Fuel Tax

### 8. Attention aircraft jet fuel dealers—exempt sales to air common carriers

Sales of aircraft jet fuel to qualified air common carriers are exempt from the aircraft jet fuel tax. As a jet fuel dealer, you should obtain documentation that establishes the purchaser is a qualified air common carrier. Otherwise, you may be liable for tax on your sales to that purchaser.

If your account is audited, the auditor will look for the following documents:

- A copy of an exemption certificate, which includes the statement the air common carrier has a Certificate of Convenience and Necessity issued by the U.S. Department of Transportation (DOT), or
- A copy of the purchaser's Certificate of Convenience and Necessity issued by DOT.

## Importance of the DOT Certificate

To be exempt from liability for the tax, the fuel purchaser must be excluded from the definition of "aircraft jet fuel user." To be excluded from the definition of aircraft jet fuel user as an air common carrier, the purchaser must hold the DOT *Certificate of Public Convenience and Necessity*. The DOT Certificate is not the same as the *Air Carrier Certificate* issued by the Federal Aviation Administration (FAA). The FAA certificate does *not* qualify to exclude an aircraft common carrier from the definition of an aircraft jet fuel user.

### Exemption Certificate

Board Regulation 1137, *Exempt Sales of Jet Fuel*, provides that an aircraft jet fuel dealer may accept an exemption certificate from the purchaser, stating that the jet fuel purchased from the dealer is exempt from aircraft jet fuel tax as a sale to an air common carrier holding a Certificate of Convenience and Necessity, issued by the U.S. Department of Transportation.

Regulation 1137 contains a model exemption certificate which air carriers may complete to obtain the exemption. To read Regulation 1137, go online to [www.boe.ca.gov/sptaxprog/sptaxregs.htm](http://www.boe.ca.gov/sptaxprog/sptaxregs.htm).

An aircraft jet fuel dealer may accept a purchaser's written certification that the fuel purchased is exempt from taxes as a sale to an air common carrier holding a DOT Certificate. The certification is valid and may be relied upon by the aircraft jet fuel dealer until revoked in writing by the purchaser. An aircraft jet fuel dealer who relies on the purchaser's certification in good faith is relieved of liability for the tax if the certification is erroneous.

### Certificate of Public Convenience and Necessity

In place of the exemption certificate described above, you may keep on file a copy of the purchaser's *Certificate of Public Convenience and Necessity* issued to domestic carriers by the U.S. Department of Transportation.

### Verification of the DOT certificate

Even though you have a copy of the DOT certificate, you should verify that it is valid. You can check by going online. The DOT maintains a list of certificated domestic air carriers at <http://ostpxweb.dot.gov/aviation/certific/certlist.pdf>.

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#### Fuel Taxes Division

916-322-9669

Board of Equalization, MIC:30  
P.O. Box 942879  
Sacramento, CA 94279-0030

#### Internet

[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)