



Special Notice

**STATE BOARD
OF EQUALIZATION**

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Important Notice Regarding Fuel Inventory and Multiple Tax Rates

A review of claims for refund of tax paid on diesel fuel since the July 1, 2011 diesel fuel tax rate decrease identified inconsistent treatment in the inventory method used to account for exempt sales of diesel fuel. Claimants need to properly account for fungible diesel fuel inventory purchased at different tax rates. This notice is to clarify the generally accepted inventory method that should be used when claiming a refund of tax paid on diesel fuel purchased at a tax rate other than the tax rate applicable at the time of the exempt sale.

The State Board of Equalization's (BOE) automated fuel tracking system is designed to operate on the FIFO (first-in, first-out) inventory valuation method. This reporting method presumes that all tax-paid diesel fuel held in inventory at the time of a tax rate change was distributed or used before tax-paid diesel fuel that was acquired after the rate change. If you use an inventory method other than FIFO and want to file a claim for refund at the prior tax rate, you must contact the BOE at BOEMFefile@boe.ca.gov or the BOE staff person with whom you regularly work to obtain approval to use an alternative method.

To claim a refund at the prior diesel fuel tax rate of \$0.18 after the June 2011 claim period, you must accurately report your diesel fuel ending inventory at each tax rate on Schedule 12C. You must also account for all of your below-the-rack activity on Schedules 12A and 12B for the June claim period and subsequent periods. In some instances, amended or supplemental returns may be required to meet the below-the-rack reporting requirements.

If you have any questions or require additional information or assistance, please contact the BOE staff person with whom you regularly work for refund claims or return processing or email us at BOEMFefile@boe.ca.gov.

