



Special Notice

STATE BOARD OF EQUALIZATION

450 N STREET
SACRAMENTO, CA 95814

Refund of Motor Vehicle Fuel Tax for Producers of Blended Motor Fuel Taxed under the Use Fuel Tax Law

*This Special Notice supersedes the October 2011 Special Notice,
"Important Information for Producers of E85 Fuel"*

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A refund of the Motor Vehicle Fuel (MVF) tax is allowed to any person who buys and uses tax-paid gasoline for the purpose of producing a blended fuel, provided that the resulting blended fuel is taxed as a use fuel and is used to operate a motor vehicle on the state's highways. For more information on the legislation creating the change to allow a refund of the MVF tax, download Senate Bill 1485 (Stats. 2012, Ch. 493) at www.leginfo.ca.gov/billinfo.html. "Blended fuel" means blends of tax-paid MVF and a fuel defined as, and taxed as, use fuel, containing 15 percent or less MVF by volume measured at 60 degrees Fahrenheit. The most common blended fuel is E85.

What is E85?

E85 is an alcohol fuel blend that technically contains denatured ethanol and no more than 15 percent gasoline by volume. Denatured ethanol is created by adding approximately one to two percent hydrocarbon (usually gasoline) to ethanol for the purpose of making it unfit for human consumption. The amount of denaturant (gasoline) is not included when calculating the percentage of gasoline contained in the blend. Alcohol fuels are taxed as a use fuel, a MVF, or a diesel fuel depending on the volume of alcohol in the fuel blend and the type of fuel that is blended with the alcohol. Alcohol fuel containing no more than 15 percent gasoline or diesel fuel is subject to the use fuel tax. Fuel blends containing more than 15 percent gasoline or diesel fuel are taxed as MVF or diesel fuel, respectively. The law only permits a refund of the MVF tax for blends of alcohol fuels that contains at least 85 percent alcohol, even though other blend ratios may be legally marketed as E85.

To qualify for a refund, you must be able to prove the following:

- 1) You owned the gasoline at the time of blending;
- 2) You paid the MVF tax on the gasoline;
- 3) The resulting blended fuel is taxable as a use fuel; and
- 4) A claim for refund must have been filed on or after January 1, 2011, with the California State Controller's Office (SCO).

How should we invoice blended fuel to our customers?

The blended fuel should be invoiced as the blended fuel, for example, E85, and not by its component products. The invoice must not include any charge for the MVF tax.

Do I have to be the physical blender to claim a refund of the MVF tax?

No, but you must own the gasoline at the time of blending in order to claim a refund of the MVF tax. You also must have in your possession purchase invoices that separately identify the gasoline and alcohol components and reflect the MVF tax charge you paid on the gasoline. You may hire a third party to blend the fuel components on your behalf. *Note:* If the third party blender is also the supplier of the gasoline and ethanol components to be blended, then title to the products must clearly pass to you prior to the blending in order for you to be able to claim the MVF refund.

***Refund of Motor
Vehicle Fuel Tax
for Producers of
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Fuel Taxed under
the Use Fuel Tax
Law***

Use Fuel Tax Law Application

E85 and other alcohol fuels containing **no more** than 15 percent gasoline or diesel fuel for use in or as a fuel to propel a motor vehicle are subject to the use fuel tax. The tax imposed on alcohol fuels under Revenue and Taxation Code (R&TC) section 8651.8 is one-half the base use fuel tax rate (currently \$0.18 per gallon, so the half-rate is nine cents per gallon) prescribed per R&TC section 8651.

Registration Requirements

A Vendor Use Fuel Tax Permit is required if you sell use fuel to a consumer from a retail location. The vendor is required to collect and remit to the State Board of Equalization (BOE) the use fuel tax on the full volume of use fuel sold or dispensed from a retail pump.

A User Use Fuel Tax Permit is required if you are a user of a use fuel who maintains your own storage tank from which your use fuel-powered motor vehicles are fueled. A user is required to remit the use fuel tax directly to the BOE.

You can register online at www.boe.ca.gov. Below the “Log In” button, click the “New Registration” link.

A vendor or user permit is not required if you only produce and deliver use fuel into your customers’ (retail vendors or users) bulk storage containers. However, if you are selling to a registered vendor of use fuel, you should obtain a copy of the purchaser’s Vendor Use Fuel Tax Permit number for your records so you can support that the sale was an exempt sale for resale.

How do I file a claim for refund?

The SCO administers refunds of the MVF tax for gasoline used for purposes other than operating motor vehicles upon the public highways of the state, and other exempt uses. This includes refunds of the MVF tax paid on gasoline used to produce blended fuel taxed under the Use Fuel Tax Law. Only the MVF tax paid on the gasoline portion of the blended fuel is subject to a refund. Visit the SCO website at www.sco.ca.gov/ardtax_gas_tax.html for more information and to obtain claim form SCGR-1, *Gasoline Tax Refund Claim*.

Refunds of the MVF tax are handled by the SCO and must be submitted to the SCO on Form SCGR-1, available for download at the SCO’s website at www.sco.ca.gov/ardtax_gas_tax.html.

Instead of filing a refund claim with the SCO, a licensed motor vehicle fuel supplier may claim a credit for tax-paid MVF used to produce a blended fuel (for example, E85) that is taxed as a use fuel. You may claim a credit only to the extent that the amount offsets reported taxable gallons on the return. Any unused credit must be filed with the SCO as a claim for refund.

To claim the credit on form **BOE-501-PS**, *Supplier of Motor Vehicle Fuel Tax Return*, suppliers should use Disbursement Schedule 13N, *Tax-Paid Fuel Used to Manufacture Other Products*, to claim gallons of tax-paid MVF used to produce E85. On the schedule, transactions may be summarized by day, week, or month.

You need to maintain records to support the gasoline gallons claimed as being used to produce blended fuel. You may be asked to supply supporting documentation for your claim for refund or credit. Supporting documentation may include, but is not limited to:

- Purchase invoice(s) showing the tax-paid MVF
- Proof that a blended fuel (for example, E85) was produced, whether sold or in inventory, to a volume that equals or exceeds the volume necessary to support the MVF refund
- Records supporting the disposition of the fuel produced

If you have any questions regarding blended fuel, you may contact the BOE through our website at www.boe.ca.gov/info/email.html. You can also call our Customer Service Center at 1-800-400-7115 (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.