

TAXES: STATE FUEL TAXES

I. INTRODUCTION

In California, there are two State taxes specifically imposed on motor vehicle fuel: the Motor Vehicle Fuel License Tax and the Use Fuel Tax. In addition to these two specific taxes, the Sales and Use Tax usually applies to motor vehicle fuel, as explained in section II below. This chapter summarizes the effect of these taxes on the University.

II. SUMMARY OF TAXES ON FUEL

The Motor Vehicle Fuel License Tax primarily applies to gasoline and is imposed on the distributor, who passes the tax on to the user. A distributor is a person who produces or imports fuel for use in this State. The tax is due when the fuel is "distributed," i.e., produced or imported.

The Use Fuel Tax primarily applies to diesel fuel and liquified petroleum gas (LPG) and is imposed on the user. A user is defined as the person that places fuel into a vehicle fuel tank for highway use. This tax is imposed when the fuel is actually placed into the fuel tank of a vehicle.

Fuel taxes are administered by the State Board of Equalization (Board), which also administers the Sales and Use Tax law. These taxes and the related licensing requirements apply to the University to the same extent as they do to private organizations.

The following table summarizes the taxability of fuel according to use:

II. SUMMARY OF TAXES ON FUEL (Cont.)

<u>Type of Fuel</u>	<u>Type of Use</u>	<u>State and Local Sales or Use Tax</u>	<u>Subject to Fuel Taxes</u>	
			<u>Fuel License Tax ("Gasoline Tax")</u>	<u>Use Fuel Tax</u>
Gasoline	Highway	Yes / <u>1</u>	Yes / <u>2</u>	No
	Off-highway (e.g., farming, aviation)	Yes / <u>1</u>	No / <u>3</u>	No
Diesel	Highway	Yes / <u>4</u>	No	Yes / <u>5</u>
	Off-highway	Yes / <u>4</u>	No	No
LPG	Highway	No	No	No / <u>6</u>
	Off-highway	Yes / <u>7</u>	No	No

Notes:

Gasoline

- 1/ Sales and Use Tax is imposed on gasoline purchased for both highway and off-highway use.
- 2/ The Fuel License Tax is imposed on the distributor, who passes it on to the University at the time fuel is purchased by the University.
- 3/ Gasoline purchased for off-highway use is exempt from the Fuel License Tax. When a vendor sells gasoline, the vendor passes the tax on to the University. The University subsequently files a refund claim (each campus files separately) for off-highway use; the State Controller refunds the amount claimed.

Diesel Fuel

- 4/ The vendor passes the Sales and Use Tax for both highway and off-highway use on to the University at the time the fuel is purchased by the University.

- 5/ The Use Fuel Tax becomes due at the time fuel is placed in a University vehicle's fuel tank for highway use. The University pays the tax as follows:

Storage tank delivery. If diesel fuel delivered by a vendor is placed in the University's bulk storage tank, that vendor does not collect the Use Fuel Tax inasmuch as the tax is not imposed until the fuel is transferred to a vehicle fuel tank.

Most of the University's diesel fuel is in fact delivered for storage in bulk storage tanks, from which its vehicles are then fueled. Each campus consuming diesel fuel under these circumstances must hold a Use Fuel Tax Permit and file a User Use Fuel Tax Return as described in Section III below. The amount (gallons) of fuel transferred to highway vehicles is reported on the tax return; the tax on this fuel is remitted with the return.

Vehicle fuel tank delivery. A vendor normally charges the University for the Use Fuel Tax at the time the diesel fuel is delivered if it is placed directly in the fuel tank of a University vehicle. In order to avoid paying tax on fuel purchased in this manner, a campus must: (1) present a certificate to the vendor that the fuel is for off-highway use, (2) obtain permission from the Board to issue this type of certificate, and (3) hold a Use Fuel Tax Permit.

LPG

- 6/ LPG purchased for highway use is exempt from Use Fuel Tax, provided the vehicle which uses this type of fuel meets specified exhaust standards. At present, all University Highway vehicles meet these standards.

When a vendor delivers LPG that is placed in the fuel tank of a University vehicle, that vendor must collect Use Fuel Tax unless the University demonstrates its compliance with State emission standards. The University can demonstrate this compliance by obtaining special stickers from the Board to be displayed on each campus vehicle. However, these stickers are not required if the campus fuels its vehicles exclusively from its bulk storage tanks.

LPG is subject to Sales and Use Tax for off-highway use only.

Notes: (Cont.)

7/ The University pays the tax as follows:

Two separate bulk storage tanks are maintained--one for highway vehicles (which meet State emission standards) and another for off-highway vehicles and equipment. The campus pays no Sales Tax for LPG delivered to the highway vehicle bulk storage tank; it pays the vendor the Sales Tax for LPG delivered for storage in the off-highway vehicle bulk storage tank. (If only one bulk storage tank is available and is used to fuel both highway and off-highway vehicles, the campus should contact its local Board office in order to determine the most appropriate method of computing the Sales Tax due on the off-highway vehicles.)

III. PERMITS AND TAX RETURNS

A. FUEL LICENSE TAX (GASOLINE)

The University is not required to have any permit in connection with this tax. However, if a campus uses gasoline off the highway, a Claim for Refund of Motor Vehicle Fuel License Tax should be filed in order to obtain a refund of any tax paid to vendors.

There is no set period for filing this claim form. Under the law, it must be filed within 13 months of the oldest gasoline purchase covered by the claim; however, campuses should file at least annually in order that the refund will be credited to the University's accounts in the proper fiscal year.

B. USE FUEL TAX

1. Diesel

Campuses that "use" diesel fuel in highway vehicles, i.e., place fuel in vehicle tanks, must obtain a Use Fuel Tax Permit. After obtaining this permit, the campus must file monthly User Use Fuel Tax Returns on a form prescribed by the Board; this filing must be made on or before the 25th day of the month following the calendar month in which a taxable use of fuel occurred. Both taxable and non-taxable uses of fuel are reported on this return. Any tax due must be remitted with the return.

2. LPG

Use Fuel Tax Permit and monthly User Use Fuel Tax Return filing requirements for LPG are the same as the filing requirements for diesel fuel.

IV. REFERENCES

California State Board of Equalization, California Sales and Use Tax Law Revenue and Taxation Code: Part 1 of Division 2), Pamphlet No. 1, Office of State Printing, January 1993.

California State Board of Equalization, California Motor Vehicle Fuel License Tax Law (Revenue and Taxation Code: Part 2 of Division 2), Pamphlet No. 6, Office of State Printing, January 1993.

IV. REFERENCES (Cont.)

California State Board of Equalization, California Use Fuel Tax Law (Revenue and Taxation Code: Part 3 of Division 2), Pamphlet No. 3, Office of State Printing, January 1993.

Commerce Clearing House, Inc., California Tax Reporter, (Revenue and Taxation Code: Sales and Use Tax), Chap. 3.5, Chicago, IL, 1993.

Commerce Clearing House, Inc., California Tax Reporter, (Revenue and Taxation Code: Motor Vehicle Fuel License Tax), Chaps. 1-7, Chicago, IL, 1993.

Commerce Clearing House, Inc., California Tax Reporter, (Revenue and Taxation Code: Use Fuel Tax), Chaps. 1-6, Chicago, IL, 1993.

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