



Special Notice

CALIFORNIA DEPARTMENT
OF TAX AND FEE
ADMINISTRATION
450 N STREET
SACRAMENTO, CA 95814

New Tax Rates and Storage Tax Requirement for Motor Vehicle and Diesel Fuels Effective November 1, 2017

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CDTFA WEBSITE
www.cdtfa.ca.gov

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1-800-400-7115

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711

The Governor signed Senate Bill (SB) 1 (Stats. 2017, Ch. 5), *The Road Repair and Accountability Act of 2017*, which increases the excise tax rates on motor vehicle fuel (MVF) and diesel fuel, and the sales and use tax rate on retail sales of diesel fuel effective November 1, 2017. In addition to the fuel tax rate increase, retailers, wholesalers, and suppliers who hold in inventory tax paid MVF or diesel fuel on November 1, 2017, at 12:01 a.m., will need to file a storage tax return and pay a storage tax. The storage tax return and payment is due no later than January 1, 2018.

Tax rates - motor vehicle fuel, diesel fuel, and sales and use tax

The excise tax rate for MVF will increase from \$0.297 to \$0.417 per gallon (an increase of \$0.12 per gallon), the excise tax rate for diesel fuel will increase from \$0.16 to \$0.36 per gallon (an increase of \$0.20 per gallon), and the additional statewide sales and use tax rate imposed on retail sales of diesel fuel will increase from 1.75 percent to 5.75 percent (an increase of 4.00 percent). The tax rates are as follows:

Excise Tax Rates Per Gallon		
Type of Fuel	Through October 31, 2017	Effective November 1, 2017
Gasoline (Motor vehicle fuel)	29.7 cents (\$0.297)	41.7 cents (\$0.417)
Aircraft jet fuel ¹	2 cents (\$0.02)	2 cents (\$0.02)
Diesel fuel	16 cents (\$0.16)	36 cents (\$0.36)
Aviation Gasoline ¹	18 cents (\$0.18)	18 cents (\$0.18)

¹ Excise taxes on aircraft jet fuel and aviation gasoline are not subject to SB 1 rate increase.

Sales and Use Tax Rates				
Type of Fuel	Prepayment per Gallon		Sales and Use Tax Rates*	
	Through October 31, 2017	Effective November 1, 2017	Through October 31, 2017	Effective November 1, 2017
Gasoline ¹ (Motor vehicle fuel)	5 cents (\$0.05)	5 cents (\$0.05)	2.25%	2.25%
Aircraft jet fuel ¹	8.5 cents (\$0.085)	8.5 cents (\$0.085)	7.25%	7.25%
Diesel fuel	18 cents (\$0.18)	25 cents (\$0.25)	9.00%	13.00%
Aviation Gasoline ¹	Not Applicable	Not Applicable	Not Applicable	Not Applicable

* You must add district taxes where applicable. District tax rates for your area are available on our website at www.cdtfa.ca.gov.

¹ SB 1 only increases the sales and use tax rate on retail sales of diesel fuel.

Storage tax requirement – retailers, wholesalers, and suppliers

The storage tax will be due on a per-gallon basis on MVF and diesel fuel that has not been subject to the tax increase. Retailers, wholesalers, and suppliers will be required to file a return and pay the storage tax by January 1, 2018. We will provide additional information about filing the storage tax return in a future notice.

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Motor Vehicle
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Effective
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Partial exemption from the sales and use tax rate – diesel fuel sales

There are two types of partial exemptions from the sales and use tax on diesel sales. Below are the sales and use tax rates on diesel fuel sold under an exemption certificate for qualified farming activities and food processing, and for other off-highway uses, including exempt bus operations. *These partially exempt rates are not impacted by the SB 1 rate increases:*

Type of Activity	Partial Sales and Use Tax Rate on Diesel Fuel ¹	Exempt From	Sales and Use Tax Regulation
Qualified Farming Activities and Food Processing	2.25%	The State General Fund portion of the sales and use tax rate (10.75%)	Regulation 1533.2 , <i>Diesel Fuel Used in Farming Activities or Food Processing</i>
Off-Highway, including Exempt Bus Operations	7.25%	The additional state sales and use tax imposed under RTC 6051.8 and 6201.8	Regulation 1598 , <i>Motor Vehicle and Aircraft Fuels</i>

¹ You must add district taxes where applicable. District tax rates for your area are available on our website at www.cdtfa.ca.gov.

Mid-period sales and use tax rate increase

Fuel retailers will be reporting sales of diesel fuel at two different rates for the fourth quarter 2017. Diesel fuel sales from November 1 through December 31 will be subject to an additional 4 percent tax. Our online filing system will be updated to reflect these changes so that users may allocate sales to the proper periods and report sales at the correct rate.

Reminder – sales tax included diesel fuel prices

In general, the retail sales price of diesel fuel includes sales tax, as well as federal and state excise taxes. Therefore, it is important that you remember to apply the correct sales and use tax rate when calculating the tax collected on sales of diesel fuel sold at retail on or after November 1, 2017, and when computing and reporting the sales tax included deduction. Additionally, it is important that you remember that the 36 cents per gallon diesel fuel tax (state) is excluded from the gross receipts subject to sales tax. A tax-included price for diesel fuel is computed as follows. Please note, applicable district tax rate(s) would be added in addition to the sales tax rate:

Price per gallon of diesel fuel before state and federal taxes	\$2.574
Federal excise tax	<u>+0.244</u>
Amount subject to sales tax	2.818
Sales tax [\$2.818 x 13.0%]	0.366
State diesel fuel excise tax	<u>+0.360</u>
Tax-included selling price	<u>\$3.544</u>

Sales of fuel to Native American Indian retailers on an Indian reservation

As a general reminder, MVF and diesel fuel sold to Native American Indian retailers on an Indian reservation are subject to the state excise tax (MVF tax or diesel fuel tax) and the requirement to collect prepaid sales tax. Current law does not provide an exemption for collecting prepaid sales tax on sales of fuel to an Indian retailer on an Indian reservation. Although sales tax may not apply to retail sales of fuel by Indian retailers, the Indian retailer is generally required to collect use tax on sales of fuel to non-Indians and Indians not residing on a reservation.

For more information

If you have additional questions regarding this notice, you may call our Customer Service Center at 1-800-400-7115 (TTY:711). Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. For additional resources, please see the *Tax Guide for Gas Station Operators* on our website at www.cdtfa.ca.gov. You may also view current and previous rates on our website.