



California's Motor Vehicle Fuel and Diesel Fuel Tax Refunds



**CALIFORNIA IS A
RACK STATE FOR
MOTOR VEHICLE
FUEL AND DIESEL
FUEL TAXES**

Staffing Levels

- 22 Auditors in Refund Group
- 16 Auditor in Matching Group who spend part time verifying credits

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CALIFORNIA DIESEL and MVF FUEL REVENUE

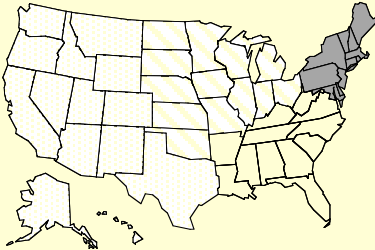
2002/2003

\$2.8 Billion in Motor Vehicle Fuel Tax collected.

\$450 million in Diesel Fuel Tax collected.

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FTA Motor Fuel Tax



Motor Vehicle Fuel Tax



Motor Vehicle Fuel Tax

- Moved to the rack on 1/1/02
 - Rate is \$0.18 per gallon

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Split Responsibility

State Controller

- Historical collector
- Maintains collections and user refund responsibilities

Board of Equalization

- Registers suppliers
- Administers tax returns and forwards payment to controller
- Audits/Refunds
- Hearing process

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Refunds and Credits Granted

- Controller refunds
- BOE refunds
- \$4.2 million
- \$1.3 million

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TAX PAID FUEL REFUNDS AND CREDITS

- ◆ SALES TO US ARMED FORCES FOR USE IN SHIPS OR AIRCRAFT OR OUTSIDE CALIFORNIA.
- ◆ USE IN VEHICLES USED FOR PUBLIC TRANSPORT
- ◆ OFF-ROAD USE
- ◆ EXPORTS
- ◆ FOREIGN CONSULATE BY CREDIT CARD
- ◆ TAX PAID TWICE (SECOND REMOVALS)
- ◆ SUPPLIER RETURN REPORTING ERRORS

Controller

Controller or BOE

BOE

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How To Get The Tax Back

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Controller Refunds

- Controller Forms
- Original Purchase Invoices
- “Proof of Exportation” required from receiving state
- Three Years to Claim
- Subject to Field Audit

→ Controller forms and instructions in packet

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BOE Credits in Lieu of Refund and Claims for Refund

- Tax-Paid Fuel credits taken by Suppliers Only
 - Credits limited to amount of tax due on a return.
 - Return errors claimed by letter or on BOE form.
- BOE supplier return and generic claim forms in packet.

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DIESEL FUEL TAX



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Diesel Fuel Tax

- Moved to the rack on 7/1/95
- Rate is \$0.18 per gallon

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Board of Equalization Handles
All Diesel Fuel Refunds and
Credits

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Available Credits and Refunds

- Sales
 - Ultimate Purchasers (farmer and bus)
 - Export
 - US Government
 - Train
 - Foreign Consulate by Credit Card
 - Tax Paid Twice (Second Removals)

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Available Credits and Refunds

- Uses
 - Own use off-highway
 - Vessels
 - Construction equipment
 - PTO

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DIESEL FUEL TAX REFUNDS GRANTED

2002/2003

5,600 claims were filed

\$70 Million in refunds

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Tax-Paid Fuel Claim Forms

- **Supplier of Diesel Fuel Return**
 - All exempt sales and uses of tax-paid fuel including second removals
 - Copies of forms in packet

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Tax-Paid Fuel Claim Forms

- Sales to Ultimate Purchasers (weekly)
 - Farmers
 - Exempt Bus
 - Purchasers cannot file direct claims



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Tax-Paid Fuel Claim Forms

- Ultimate Vendor Report/Claim for Refund
 - Exports
 - US Government
 - Farmer
 - Exempt Bus
 - Train
 - Own off-highway use
 - (Monthly)

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Tax-Paid Fuel Claim Forms

- Claim for Non-taxable Sales and Exports of Fuel
 - Exports
 - US Government
 - Train
 - Own Off-Highway
 - Annually or Quarterly if greater than \$750

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Tax-Paid Fuel Claim Forms

- Claim for Refund on Non-Taxable Uses
 - Vessels
 - Construction
 - Off-Highway
 - Power Take-off
 - Annually or Quarterly if greater than \$750

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Selected Topics

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BOE Claim Verification Process

- In the office
 - Math errors
 - Exports delivered in state
 - Missing data
 - Account history
 - Reasonableness
 - When needed look at a sample or all support



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Claim Verification Process

- When audit is recommended
 - In the office auditor selects for review
 - Random sample
 - If full field audit is already in process



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REPORTING OF ULTIMATE VENDOR CLAIMS



Exemption certificates

- ◆ Users give vendor an exemption certificate to support exempt sale.
- ◆ Certificates may be filed for all purchases or for an exempt percentage
- ◆ Vendors provide BOE with copy of a farmers exemption certificate when they begin business with each farmer
- ◆ BOE registers farmers based on information on certificate
- ◆ Exempt bus operators register with BOE

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PROCESSING OF ULTIMATE VENDOR CLAIMS



- Claims must be processed in 20 days
- If not processed in 20 days credit interest is paid
- Cash flow is an important issue
- Purchasers as well as vendors subject to audit

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CREDIT CARD SALES



Sales to the United States - Retailer making the sale.

Sales to Foreign Counsels - Supplier of the fuel

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DOCUMENTING INVOLUNTARY CONVERSIONS

(I put dyed fuel in my clear tank)

California will refund the tax on involuntary conversions

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NONTAXABLE USES – HIGHWAY VEHICLES

California Highway Vehicle Exempt Uses

- ➔ **move the vehicle off the highway**
- ➔ **idle the engine off-road to load and unload**
 - ➔ Includes claims by IFTA carriers
- ➔ **operate PTO**



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For more information or copies of the forms referenced in this presentation, please visit our website:

www.boe.ca.gov

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