



# Wisconsin Taxation of Ethanol and Biodiesel

Charles Zwettler

September 22, 2008

Hartford, Connecticut

# The New \$5.00 Bill



# Wisconsin Tax Rates

- Ethanol and undyed biodiesel are taxed at the same motor vehicle fuel tax rate as gasoline and diesel fuel of 30.9¢ per gallon with a 2¢ per gallon petroleum inspection fee.
- Dyed biodiesel is subject to the 2¢ per gallon petroleum inspection fee.

# Motor Vehicle Fuel defined

- **Sec. 78.005 (13), Wis. Stats.** “Motor vehicle fuel” means gasoline or diesel fuel.

# Ethanol falls under the definition of gasoline

- **Sec. 78.005 (7), Wis. Stats.** "Gasoline" means gasoline, casing head or natural gasoline, benzol, benzine, naphtha, and any blend stock or additive that is sold for blending with gasoline other than products typically sold in containers of less than 5 gallons. "Gasoline" includes a liquid prepared, advertised, offered for sale, sold for use as, or used in the generation of power for the propulsion of a motor vehicle, including a product obtained by blending together any one or more products of petroleum, with or without another product, and regardless of the original character of the petroleum products blended, if the product obtained by the blending is capable of use in the generation of power for the propulsion of a motor vehicle. "Gasoline" also includes transmix. "Gasoline" does not include diesel fuel, commercial or industrial naphthas or solvents manufactured, imported, received, stored, distributed or sold for exclusive use other than as a fuel for a motor vehicle. (Underlining added for emphasis.)

# Biodiesel falls under the definition of diesel fuel

- **Sec. 78.005 (5), Wis. Stats.** “Diesel fuel” means any liquid fuel capable of use in discrete form or as a blended component in the operation of diesel-type engines in motor vehicles including number one and number 2 fuel oils, except that kerosene is not “diesel fuel” unless it is blended with diesel fuel for use in motor vehicles that have a diesel-type engine. (Underlining added for emphasis.)

# Ethanol plants are registered using the IRS Terminal Control Number (TCN) methodology

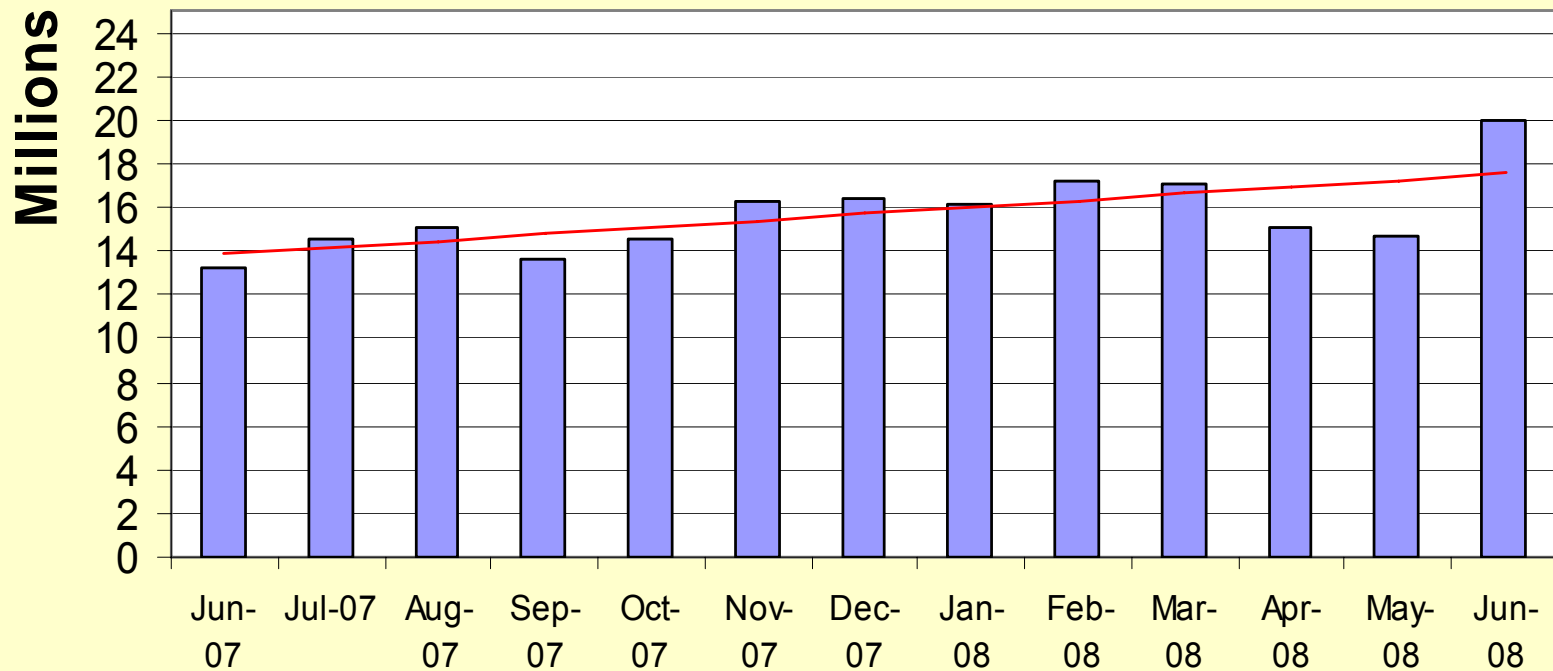
- T39WI0001 Stanley WI
- T39WI0002 Monroe WI
- T39WI0003 Oshkosh WI
- T39WI0004 Friesland WI
- T39WI0005 Milton WI
- T39WI0006 Boyceville WI
- T39WI0007 Cashton WI
- T39WI0008 Necedah WI

# Ethanol Delivered to Wisconsin Destinations in FY 2008

• July 2007	14,561,893
• August 2007	15,136,612
• September 2007	13,565,309
• October 2007	14,582,216
• November 2007	16,304,825
• December 2007	16,460,508
• January 2008	16,125,999
• February 2008	17,235,667
• March 2008	17,089,963
• April 2008	15,019,645
• May 2008	14,650,524
• June 2008	20,023,255
• <u>FY 2008 Total</u>	<u>190,756,416</u>
• Monthly Average	15,896,368

# Ethanol Sold in Wisconsin

## WI Ethanol



Trendline  
 $R^2 = 0.8823$

Ethanol Delivered In Wisconsin To IRS Terminals Or Other Locations.

# Tracking ethanol & biodiesel through the distribution chain

- Ethanol and biodiesel plants are registered as suppliers (MV) using form MF-100.
- The position holder is the one registered as a supplier (MV) which may be different than the broker of the ethanol or biodiesel.
- File monthly returns electronically either EDI or on-line web application.

# Tracking ethanol & biodiesel through the distribution chain

- On the monthly return, ethanol and biodiesel loads are reported as disbursements on Schedule OD.
- If ethanol and biodiesel loads are exported from Wisconsin, they are reported on Schedule 7. This is a credit schedule so therefore, it is a wash.

# Tracking ethanol & biodiesel through the distribution chain

- If an ethanol or a biodiesel load stays in Wisconsin and goes to an IRS terminal or to another ethanol or biodiesel plant, they are reported on Schedule 1F. This is a credit schedule which causes a wash entry.
- If an ethanol or a biodiesel load stays in Wisconsin and goes to somewhere other than an IRS terminal or an ethanol or biodiesel plant, then the motor vehicle fuel tax and petroleum inspection fee are due.
- Petroleum Carriers report ethanol and biodiesel loads on Schedule PD.

# Wisconsin Combined Monthly Fuel Summary Report

**REPORT DUE DATE:** Last day  
of the month following the  
month covered by this report.

**MAIL YOUR REPORT AND SCHEDULES TO:**  
Wisconsin Department of Revenue  
Mail Stop 5-107  
PO Box 8900  
Madison WI 53708-8900

*To be filed by motor vehicle fuel suppliers, restricted suppliers,  
petroleum products shippers, terminal operators, and fuel transporters.*

**ID No.**



*Please print or type and use BLACK ink.*

Type of change <input type="checkbox"/> Ownership <input type="checkbox"/> Name <input type="checkbox"/> Address	Date of change (MM DD YYYY)	Report for month ending (MM DD YYYY)
---	-----------------------------	--------------------------------------

## Motor Vehicle Fuel Suppliers Report

**NO ACTIVITY**

<b>Fuel Disbursements in Gross Gallons</b>	<i>Column 1</i> Gasoline	<i>Column 2</i> Undyed Diesel	<i>Column 3</i> Other Fuels
1 Fuel originating from IRS Registered Terminals (Sch. TD) .....	1		
2 Fuel originating from locations other than IRS Registered Terminals (Sch. OD).....	2		
3 SUBTOTAL (add lines 1 and 2 in each column) .....	3		
4 Tax and fee paid fuel delivered to IRS Registered Terminal (Sch. 1F).....	4		
5 Tax and fee paid fuel exported from Wisconsin (Sch. 7) .....	5		
6 Tax and fee paid fuel sold to the US Government (Sch. 8) .....	6		
7 SUBTOTAL (add lines 4, 5 and 6 in each column) .....	7		
8 GALLONS SUBJECT TO THE PETROLEUM INSPECTION FEE (line 3 less line 7)....	8		

# Biodiesel for Own Use

- If biodiesel is being produced for one's own use, they are registered as a blender on form MF-017.
- They are required to file and report if they have activity in a month.

# Blender's Fuel Report and Registration Form

**DUE DATE**  
15th day of the month following  
the month covered by this report

**MAIL YOUR REPORT AND  
CHECK PAYABLE TO:**  
Wisconsin Department of Revenue  
Mail Stop 5-107  
PO Box 8900  
Madison WI 53708-8900  
(608) 266-0064 or (608) 266-3223

**ID No.**



Please print or type and use BLACK ink.

Type of change <input type="checkbox"/> Ownership <input type="checkbox"/> Name <input type="checkbox"/> Address	Date of change (MM DD YYYY)	Report for month ending (MM DD YYYY)
---	-----------------------------	--------------------------------------

**■ Computation of Fuel Tax Due**

		<i>Column 1</i> Kerosene	<i>Column 2</i> Biodiesel	<i>Column 3</i> Other Products
<b>1</b> Total gallons of tax-exempt kerosene, biodiesel, or any product that is not a motor vehicle fuel, placed into the supply tank of a licensed motor vehicle by the fuel seller .....	<b>1</b>			
<b>2</b> Total gallons of tax-exempt kerosene, biodiesel, or any product that is not a motor vehicle fuel, blended or sold by the fuel seller for use in a licensed motor vehicle .....	<b>2</b>			
<b>3</b> Total gallons of kerosene, biodiesel, or any product that is not a motor vehicle fuel, purchased tax-exempt and placed into the supply tank of a licensed motor vehicle by the end user .....	<b>3</b>			
<b>4</b> Total gallons of kerosene, biodiesel, or any product that is not a motor vehicle fuel, purchased tax-exempt and blended by the end user for use in a licensed motor vehicle .....	<b>4</b>			
<b>5</b> TOTAL GALLONS (add lines 1 through 4) .....	<b>5</b>			
<b>Summary of Motor Vehicle Fuel Tax</b>				
<b>6</b> TOTAL THE GALLONS SUBJECT TO TAX (add line 5, columns 1, 2, and 3) .....	<b>6</b>			
<b>7</b> Motor Vehicle Fuel Tax Rate Per Gallon (for months after April 1, 2006) .....	<b>7</b>			<b>.309</b>
<b>8</b> Motor Vehicle Fuel Tax Due (multiply total gallons on line 6 by tax rate on line 7) .....	<b>8</b>			
<b>Summary of Petroleum Inspection Fee</b>				
<b>9</b> Enter the total taxable biodiesel gallons from line 5, Column 2 above .....	<b>9</b>			
<b>10</b> Total gallons of non-taxable biodiesel used, blended, or sold for non-highway use in mobile machinery and equipment not included above .....	<b>10</b>			
<b>11</b> TOTAL GALLONS SUBJECT TO FEE (add lines 9 and 10) .....	<b>11</b>			
<b>12</b> Petroleum Inspection Fee per Gallon (for months after April 1, 2006) .....	<b>12</b>		<b>x .02</b>	
<b>13</b> Petroleum Inspection Fee Due (multiply line 11 by 12) .....	<b>13</b>			
<b>14</b> Total Tax and Fee Due (add lines 8 and 13) .....	<b>14</b>			

**DECLARATION:** I declare under penalties of law that the above information is true, correct and complete to the best of my knowledge and belief.

Your Signature (do not print or type)	Date	Telephone Number of Preparer (    )
---------------------------------------	------	--

This publication explains how Wisconsin fuel tax applies to the production and sale of biodiesel and recycled vegetable oil used as motor vehicle fuel.

1. Q. What is biodiesel?
  - A. Biodiesel is an alternative to petroleum diesel that is made from vegetable oils and animal fats through a process called "transesterification". Biodiesel can be used as a pure fuel or blended with petroleum and can be used in any diesel engine with little or no engine modifications. Biodiesel is most often blended with petroleum diesel in ratios of 2 percent (B2), 5 percent (B5), or 20 percent (B20). It can also be used in more pure biodiesel form (B99 or B100).
2. Q. Is biodiesel an "alternate fuel" for Wisconsin excise tax purposes? (B100 is considered an alternative fuel to the federal government, but lower level blends are not.)
  - A. No, biodiesel is a motor vehicle fuel under Wisconsin law since it falls under the definition of diesel as "a liquid fuel capable of use in discrete form or as a blended component in the operation of diesel-type engines in motor vehicles..."
3. Q. Is biodiesel subject to the motor vehicle fuel tax? Does it matter what blend?
  - A. Yes, sec. 78.01, Wis. Stats., imposes the tax on all motor vehicle fuel received by a supplier for sale in this state, for sale for export to this state, or for export to this state unless an exemption applies.
4. Q. Is recycled vegetable oil the same thing as biodiesel?
  - A. No, raw vegetable oil cannot meet biodiesel specifications and it is not registered with the Environmental Protection Agency as a legal motor fuel. For further information on biodiesel fuel see the National Biodiesel Board's web site at [www.biodiesel.org](http://www.biodiesel.org).

5. Q. Is recycled vegetable oil and/or straight vegetable oil (SVO) sold or used in powering a motor vehicle subject to Wisconsin excise tax?

- A. Yes, recycled vegetable oil and SVO used to power a motor vehicle, and blended with diesel fuel at the terminal or refinery rack is subject to the motor vehicle fuel tax at that time. If biodiesel or vegetable oil is not withdrawn or metered at a terminal or refinery rack, the questions are who reports the tax and how is it reported.

**Example 1:** Individual A obtains used vegetable oil from restaurants or purchases SVO. Individual A puts the oil through a filtering process. Individual A uses the recycled vegetable oil or SVO in powering Individual A's licensed motor vehicle. Individual A would report and remit the Wisconsin motor vehicle fuel tax on **Form MF-017**, line 3, Column 2, based on the number of gallons of recycled vegetable oil or SVO placed in the licensed motor vehicle.

**Example 2:** Company B obtains used vegetable oil from restaurants. Company B puts the oil through a filtering process. Company B dispenses the recycled oil into Individual A's licensed motor vehicle for use in powering it. Company B would report and remit the Wisconsin motor vehicle fuel tax on **Form MF-017**, line 1, Column 2, based on the number of gallons of recycled vegetable oil dispensed.

**Example 3:** Same facts as Example 2, except that rather than dispensing the oil into Individual A's licensed motor vehicle, Company B sells the oil in 55-gallon drums to Individual A. Individual A dumps the oil from the drum into Individual A's undyed diesel fuel bulk storage tank for use in powering Individual A's motor vehicle. Individual A would report and remit the Wisconsin motor vehicle fuel tax on **Form MF-017**, line 4, Column 2, based on the number of gallons of recycled vegetable oil blended

**Example 4:** Farmer C operates a mashing unit to manufacture biodiesel from Farmer C's harvested soybeans. Farmer C uses some of the biodiesel in powering Farmer C's licensed motor vehicles. Farmer C would report and remit the Wisconsin motor vehicle fuel tax on **Form MF-017**, line 3, Column 2, based on the number of gallons of biodiesel placed in the licensed motor vehicles. Farmer C also uses some of the biodiesel in Farmer C's farm tractors. Farmer C should report these gallons on **Form MF-017**, line 10, Column 2.

**Note:** Biodiesel and recycled vegetable oil used in powering mobile machinery and equipment (e.g., a farm tractor) is not subject to the motor vehicle fuel tax. It is, however, subject to the petroleum inspection fee and reported on **Form MF-017**, line 10, Column 2.

**Form MF-017** is available from the Department's website at [www.revenue.wi.gov](http://www.revenue.wi.gov). To print the form, click on "Forms," go to "Excise Tax," click on "Fuel," and select **Form MF-017**. The instructions are on the reverse side of the form.

6. Q. What sales of motor vehicle fuel are exempt from the tax?
  - a. Gasoline and undyed diesel fuel sold to the United States government or its agencies.
  - b. Gasoline sold for off-road use in mobile machinery and equipment providing the gasoline is delivered directly into a customer's bulk storage tank in an amount not less than 100 gallons.
  - c. Gasoline and undyed diesel fuel sold to a common carrier for urban mass transportation of passengers.
  - d. Gasoline and undyed diesel fuel exported from Wisconsin.

- e. Gasoline sold for use in aircraft providing the gasoline is delivered directly into the user's bulk storage tank in an amount not less than 100 gallons.
- f. Undyed diesel fuel sold as heating oil.
- g. Undyed diesel fuel sold for use in trains.
- h. Gasoline and undyed diesel fuel sold on a Tribal Reservation to Native Americans.
- i. Dyed diesel fuel used for off-road purposes.

7. Q. What is the tax rate?
- A. The Wisconsin excise tax on motor vehicle fuel as of April 1, 2006, is 30.9 cents per gallon.
- The petroleum inspection fee as of April 1, 2006, is 2 cents per gallon.

8. Q. Who pays the tax?
- A. Licensed motor vehicle fuel suppliers pay the tax based on (1) terminal receipts (withdrawals by suppliers from a Wisconsin pipeline terminal or (2) imports of motor vehicle fuel into Wisconsin by means other than pipeline and marine vessel destined for terminal storage [sec. 78.07, Wis. Stats.]. These persons are also required to remit the petroleum inspection fee owing on petroleum products they handle in Wisconsin. Also, any person not licensed as a supplier who either uses any motor vehicle fuel in this state or has possession of any motor vehicle fuel upon which the tax has not been paid shall be subject to the same reporting and tax payment rules as is provided for licensees.

9. Q. Do I need a motor vehicle fuel tax license?
- A. Producers of biodiesel must obtain a motor vehicle fuel tax license from the Department of Revenue if acting as a "supplier" or "restricted supplier" of motor vehicle fuel in Wisconsin. Suppliers

include persons who import, manufacture or refine gasoline, biodiesel or undyed diesel fuel within Wisconsin.

To obtain a Motor Vehicle Fuel Tax License file the MF-100 *Application for Fuel License* with the Department of Revenue.

If you are using untaxed fuel products (for example, kerosene, B100 biodiesel, waste oil, heavy oil, naphthas, or solvents) in a licensed motor vehicle or blending the untaxed fuel product with taxed products (undyed diesel fuel or gasoline), register as a "blender" and report the fuel being used to power a motor vehicle on the MF-017 *Blender's Fuel Report And Registration Form*.

10. Q. Do I need a Business Tax Registration Certificate?

- A. Yes, persons applying for a motor vehicle fuel license must hold a Business Tax Registration (BTR) Certificate. There is a one-time \$20 charge for the BTR certificate. The certificate is renewable every two years for \$10. There is no charge for the fuel license.

11. Q. Can I file a claim for refund of tax paid on biodiesel used off-highway?

- A. Yes, Wisconsin law provides that motor vehicle fuel is not subject to the Wisconsin motor vehicle fuel tax when it is used for off-road purposes in mobile machinery and equipment. Farmers, construction companies, and logging operations often have off-road usage of motor vehicle fuel in nonlicensed mobile machinery and equipment. Waste management, ready-mix, liquid waste (e.g., septic service), and utility companies have licensed vehicles with power take-off units that share the same fuel supply tank used to power the vehicle. These companies can receive a refund of the motor vehicle fuel tax paid on fuel placed into the vehicles and used by power take-off units.

12. Q. How do I obtain a refund?
- A. Agricultural users should file the MF-003W *Off-Road Fuel Tax Refund Claim* with the Wisconsin Department of Revenue. Claims can be filed at any time during the year, but must be filed within 12 months from the date the fuel is purchased. Refund claims submitted must be for 100 gallons or more.

Non-agricultural users should file the MF-023W *Off-Road Fuel Tax Refund Claim*. Claims can be filed at any time during the year, but must be filed within 12 months from the date the fuel is purchased. Refund claims submitted must be for 100 gallons or more.

**Exceptions** – Refunds may NOT be claimed on fuel purchased for use in the following vehicles:

- a. Snowmobiles
- b. Recreational motorboats
- c. All-terrain vehicles unless registered for private use
- d. Aircraft

13. Q. How do I obtain additional copies of the forms

- A. Contact the following Department of Revenue offices to receive more information or forms.

To register your business:

Registration Unit  
 Wisconsin Department of Revenue  
 P. O. Box 8902  
 Madison, WI 53708-8902

608-261-6435  
 FAX: 608-267-1030  
[Sales10@revenue.wi.gov](mailto:Sales10@revenue.wi.gov)

To file tax returns, pay taxes, and claim refunds:

Excise Tax Section  
 Wisconsin Department of Revenue  
 P. O. Box 8900  
 Madison, WI 53708-8900

608-266-8242 Tax Returns  
 608-266-6701 Refund claims

FAX: 608-261-7049  
[excise@revenue.wi.gov](mailto:excise@revenue.wi.gov)

**For More Information**

See the Wisconsin Department of Revenue website at: [www.revenue.wi.gov](http://www.revenue.wi.gov) for electronic versions of all the forms and publications referenced in this fact sheet or to order printed copies.

Other helpful information regarding biodiesel can be found in the "Wisconsin Guide to Building Biofuels Facilities" at: <http://power.wisconsin.gov>.

Information on federal biodiesel tax regulations can be found at: <http://www.irs.gov/oua/irs-pdf/p510.pdf>

**CAUTION**

The information in this publication reflects the position of the Wisconsin Department of Revenue of laws enacted by the Wisconsin Legislature as of September 1, 2007. Laws enacted after this date, administrative rules, and court decisions may change the interpretations in this publication.

# Vendor Refund – Undyed Biodiesel

- If a fuel vendor purchases undyed biodiesel on which they have paid the Wisconsin motor vehicle fuel tax, and now blends it with dyed diesel fuel for exempt sale to their customers , how do they get their tax back?
- On Vendor Refund Claim (Form MF-012) Line 9 – Other, they report these gallons of undyed biodiesel they sold tax-exempt to customers after blending it with dyed diesel fuel.

**Vendor's Claim for Motor Vehicle Fuel Tax Refund (including Petroleum Inspection Fee)**

Correct information printed below in BLACK ink.

**FILING REMINDER**  
 Claims must be filed within 4 years from the date exempt fuel is sold.

**FILE THIS CLAIM WITH:**  
 Wisconsin Department of Revenue  
 Mail Stop 5-107  
 PO Box 8900  
 Madison WI 53708-8900  
 (608) 266-7363 or 266-6701

**ID No.**

Type of organization (check one) 1. <input type="checkbox"/> Individual      3. <input type="checkbox"/> Wisconsin corporation <input type="checkbox"/> LLC - Taxed as partnership 2. <input type="checkbox"/> Partnership      4. <input type="checkbox"/> Out-of-state corporation <input type="checkbox"/> LLC - Taxed as corporation 5. <input type="checkbox"/> Other (describe) _____ <input type="checkbox"/> LLC - Single member LLC only	Wisconsin County of Business Location _____ _____
--	---

**■ DATES OF EXEMPT SALES COVERED BY THIS REFUND CLAIM**

Date of FIRST exempt sale (MM DD YYYY)	Date of LAST exempt sale (MM DD YYYY)

**Use a SEPARATE CLAIM FORM for Each Fuel Tax Rate Period**

**MOTOR VEHICLE FUEL TAX RATES and PETROLEUM INSPECTION FEE (PI fee)**

Period Covered by Your Exempt Sales	Fuel Tax Rate	PI Fee
April 1, 2005 through March 31, 2006 .....	29.9¢ per gallon .....	3¢ per gallon
For periods after April 1, 2006 .....	30.9¢ per gallon .....	2¢ per gallon



**■ REFUND COMPUTATION SCHEDULE**

(Enter whole gallons only)

	Column 1 Tax-Paid Gasoline	Column 2 Tax-Paid Undyed Diesel	Column 3 Other Fuels
<b>1</b> Motor vehicle fuel tax rate per gallon (enter only one rate from above) .....	<b>1</b>		
<b>2</b> Petroleum inspection fee per gallon (enter only one rate from above) .....	<b>2</b>		
<b>3</b> Sales to US Government or its agencies (do not include sales to the State of Wisconsin, local municipalities in Wisconsin or school districts) .....	<b>3</b>		
Enter names of purchasers _____			
Enter type of fuel for column 3 _____			
<b>4</b> Sales of gasoline for off-road agricultural use (100 gal. minimum per sale) .....	<b>4</b>		
<b>5</b> Sales of gasoline for off-road nonagricultural use (100 gal. min. per sale) .....	<b>5</b>		
<b>6</b> Sales to common motor carriers for the urban mass transportation of passengers .....	<b>6</b>		
<b>7</b> Sales of gasoline (for aircraft use) to general aviation fuel dealers or users licensed with the Wisconsin Dept. of Revenue (100 gal. min. per sale) .....	<b>7</b>		
<b>8</b> Sales of undyed diesel fuel for use as heating oil .....	<b>8</b>		
<b>9</b> Other - please explain: _____	<b>9</b>		
<b>10</b> TOTAL GALLONS SOLD EXEMPT (add lines 3 through 9 in each column) .....	<b>10</b>		
<b>11</b> Add gallons on line 10, columns 1 and 2 .....	<b>11</b>		
<b>12</b> Fuel tax refund (multiply total gallons on line 11 by fuel tax rate on line 1) .....	<b>12</b>		
<b>13</b> Add gallons on line 3, columns 1, 2 and 3 .....	<b>13</b>		
<b>14</b> Petroleum inspection fee refund (multiply total gallons on line 13 by PI Fee on line 2) .....	<b>14</b>		
<b>15</b> TOTAL REFUND CLAIMED (add lines 12 and 14) .....	<b>15</b>		\$

**DECLARATION:** I declare that I have examined this claim and to the best of my knowledge and belief, it is true, correct and complete.

Signature (do not print or type)	Business Telephone (      )	Date
----------------------------------	--------------------------------	------

# QUESTIONS?

Website: [www.revenue.wi.gov](http://www.revenue.wi.gov) for links to  
FAQs, Forms and Publications

Charles Zwettler  
Wisconsin Department of Revenue  
Excise Tax Section Chief  
(608) 261-8985  
[charles.zwettler@revenue.wi.gov](mailto:charles.zwettler@revenue.wi.gov)