

# Ethanol/Biodiesel Overview

FTA Motor Fuel Tax Annual Meeting

Hartford, Connecticut

September 22, 2008

# Minnesota Ethanol Overview

- Minnesota only state to **mandate** 10% ethanol blend in all gasoline sold in state with an exception for 91 octane non-oxygenated for collector vehicles and all terrain vehicles.
- This mandate has been effect since 1997.
- The governor is proposing an increase to 20% by 2012.

# Minnesota Overview continued

- Since October 2006 state has **mandated** a 2% blend of biodiesel in all fuel for internal combustion engines.
- May 1, 2009 increases to 5%
- May 1, 2012 increases to 10%
- May 1, 2015 increases to 20%

# Biodiesel overview continued

- 5% of the feedstock must come from non-traditional biological resources
- The B10 & B20 increases are only in effect April 1 through October 3. B5 is used in the winter months
- Minnesota **does not have 12 months of winter.**

# Point of taxation

- The ethanol is considered a motor fuel and is taxed at the same level as gasoline.
- Biodiesel is taxed when blended with diesel or offered for sale as B-100.
- E-85 is taxed at a lower rate than gasohol.

# Audit Issues

- Since production plants are not considered terminals by the IRS there are issues in reporting the disbursements of the fuel.
- Grease fuel. People are using Waste Vegetable oil (WVO) as fuel. We have a system to track these people when we find them.

# Audit Issues continued

- Blender Pumps: there is an increasing number of pumps that are able to increase the amount of ethanol in blend. The issue is if the distributor is using E-85 as the alcohol source there is an issue in the E-85 credit since the product sold was not E-85.
- If the product is 99 proof ethanol then the proper tax would be collected.

- The other issue is who is the “blender” since the distributor is allowing the customer to make a decision of what type of fuel he or she wants.