



Extension of Tax Exemptions for Alternative Fuels and Natural Gas that will be Converted into Compressed Natural Gas

This memorandum summarizes the amendment enacted as part of the 2014-2015 New York State budget that extends the current tax exemptions for alternative fuels and the sales and use tax exemption for natural gas that will be converted into compressed natural gas (CNG) for use or consumption in motor vehicles.

Part V of Chapter 59 of the Laws of 2014 extends the current tax exemptions for the alternative fuels E85, compressed natural gas (CNG), hydrogen, and B20, and for natural gas that will be converted into CNG for use or consumption in motor vehicles. Liquefied natural gas (LNG) is considered CNG and the same exemptions apply. See [TSB-M-13\(1\)S](#), *Liquefied Natural Gas Treated the Same As Compressed Natural Gas*.

Chapter 59 extends through August 31, 2016, the full exemptions for E85, CNG, and hydrogen, and the partial exemption for B20, from the excise tax (Article 12-A), the petroleum business tax (Article 13-A), and the state and local sales and use taxes (Articles 28 and 29).

The amendment also extends through August 31, 2016, the exemption from state and local sales and use taxes for natural gas that is purchased in an uncompressed state and that will be converted into CNG and used or sold for use or consumption directly and exclusively in the engine of a motor vehicle. (For more information, see [TSB-M-13\(3\)S](#), *Sales and Use Tax Exemption for Natural Gas that will be Converted to Compressed Natural Gas for Use or Consumption in Motor Vehicles*.)

These exemptions were due to expire on August 31, 2014.

Prepaid sales tax

Chapter 59 continues the exemptions from the prepaid sales tax for CNG and hydrogen fuels. In addition, E85 fuel continues to be exempt from the prepaid sales tax provided it is delivered to and placed in the storage tank of a filling station to be dispensed directly into a motor vehicle for use in the operation of the motor vehicle. These exemptions from the prepaid sales tax continue through August 31, 2016. The exemption from the prepaid sales tax **does not apply** to sales of B20 fuel. Thus, the prepaid sales tax with respect to B20 must be computed at the full amount and may not be reduced by 20%.

State and local sales and use taxes

Chapter 59 also continues the full exemption from state and local sales and use taxes for retail sales of qualifying E85, CNG, hydrogen, and natural gas that will be converted into CNG, and the partial (20%) exemption for retail sales of qualifying B20 fuel. These exemptions will remain in effect through August 31, 2016.

Additional information

For additional information on how the sales tax exemptions apply to alternative fuels, including applicable definitions and situations where an exemption document may be required, see [TSB-M-06\(10\)S](#), *Sales Tax Exemptions and Reductions for Certain Alternative Fuels Beginning September 1, 2006*. Except as modified by [TSB-M-11\(13\)S](#), *Extension of Alternative Fuel Tax Exemptions and Modification of the Definition of E85 Fuel*, and this memorandum, all the information in TSB-M-06(10)S remains in effect.

For more information on how the exemption applies to the other taxes described above, see [TSB-M-12\(2\)M, \(6\)S](#), *Technical Amendments Related to Diesel Motor Fuel*.

(Chapter 109, Laws of 2006, Part W-1; Tax Law sections 1102, 1111(n), and 1115(a)(42))

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