



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

This memorandum summarizes recent legislation 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 for use or consumption in motor vehicles.

Part U of Chapter 60 of the Laws of 2016 extends through **August 31, 2021**, 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. These exemptions were due to expire on August 31, 2016.

Part U extends through August 31, 2021:

- The **full exemptions** from the excise tax, the petroleum business tax, and the prepaid sales tax for E85 fuel that is delivered to the storage tank of a filling station to be dispensed directly into a motor vehicle for use in the operation of the vehicle.
- The **full exemptions** from the excise tax and the petroleum business tax for CNG and hydrogen.
- The **full exemption** from the state and local sales and use taxes for retail sales of:
 - E85 fuel,
 - CNG,
 - hydrogen, and
 - natural gas purchased and converted into CNG

for use or consumption directly and exclusively in the engine of a motor vehicle.

- The **partial (20%) exemption** from the excise tax, the petroleum business tax, and the state and local sales and use taxes for B20 fuel.
- The **full exemptions** from the prepaid sales tax for CNG and hydrogen.

Note: There is **no exemption** from the prepaid sales tax for B20 fuel. The prepaid sales tax for B20 fuel must be computed at the full amount and **may not** be reduced by 20%.

Additional information

For more information see:

- [TSB-M-06\(2\)M](#), *Excise Tax and Petroleum Business Tax Exemptions for Certain Alternative Fuels Beginning September 1, 2006*
- [TSB-M-06\(10\)S](#), *Sales Tax Exemptions and Reductions for Certain Alternative Fuels Beginning September 1, 2006*¹
- [TSB-M-12\(2\)M,\(6\)S](#), *Technical Amendments Related to Diesel Motor Fuel*
- [TSB-M-13\(1\)M, \(1\)S](#), *Liquefied Natural Gas Treated the Same as Compressed Natural Gas*
- [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*

Note: A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or department policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.

¹ 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 guidance in TSB-M-06(10)S remains in effect.