

IFTA Reporting Requirements for the Consumption of B20 in New York State

On June 23, 2006, Governor Pataki signed Chapter 109 of the Laws of 2006. Chapter 109 amended the Tax Law, in part, to provide a partial exemption from the excise tax, petroleum business tax, and sales and use taxes for B20 biodiesel sold in New York State (see definitions on page 4). The exemption is equal to 20% of the taxes imposed. As a result of this partial exemption, beginning September 1, 2006, B20 purchased in New York State is taxed at 80% of the rate applicable to diesel motor fuel.

B20 is not reported separately but is included as a *Diesel* fuel on the IFTA tax return. Accordingly, beginning with the third quarter of 2006, carriers that purchase and consume B20 in New York State may be required to make an adjustment to their IFTA tax returns to account for the reduced tax rate. The adjustment is only required when the amount of B20 purchased in New York State is greater than the total taxable gallons of diesel computed for the New York jurisdiction on the IFTA tax return. Carriers that purchase B20 outside New York State will not adjust their IFTA tax returns, but may be eligible for a refund if they can show that the B20 was consumed in New York State.

Carriers that purchase B20 in New York State

New York State presumes that B20 is consumed in the jurisdiction where the B20 is purchased. Accordingly, carriers that purchase B20 in New York State are presumed to consume it in New York State. Each carrier that purchases B20 in New York State should follow the steps below to adjust the IFTA tax return, if necessary.

Step 1

Begin by completing the IFTA return as usual to compute *Taxable Gallons* for New York as follows:

- 1) Add *Total IFTA miles* to *Total Non-IFTA miles* to compute *Total Miles*.
- 2) Compute *Total Gallons* of diesel. Include all gallons of regular diesel and B20 for all IFTA and Non-IFTA jurisdictions during the quarter.
- 3) Divide *Total Miles* by *Total Gallons* of diesel to arrive at the *Average Fleet Miles per Gallon (Average Fleet MPG)*.
- 4) Determine your *Taxable miles* in New York for the quarter and divide that amount by the *Average Fleet MPG* to compute *Taxable gallons* for New York. **Go to step 2.**

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Step 2

Determine if B20 purchased in New York during the quarter (on or after September 1, 2006) is greater than *Taxable gallons* for New York.

A. Gallons of B20 purchased in New York for the quarter (Include only B20 purchased on or after September 1, 2006.)	
B. <i>Taxable Gallons</i> for New York from IFTA tax return	-
C. Determine if there is excess B20 (subtract line B from line A)	

If the result on line C is negative or zero, no adjustment is necessary. Complete and file the IFTA tax return as usual. **If the result on line C is greater than zero, go to step 3.**

Step 3

Compute *Tax-paid Gallons* for New York.

D. Excess B20 (from Step 2, line C)	
E. B20 adjustment percentage	80%
F. Adjusted B20 gallons (multiply line D by line E)	
G. Other diesel gallons purchased in New York	
H. <i>Taxable Gallons</i> for New York (from Step 2, line B)	
I. <i>Tax-paid Gallons</i> to be entered on your IFTA tax return for New York (add lines F, G, and H)	

Enter the result from line I as *Tax-paid Gallons* on your IFTA tax return for New York. Complete and file the IFTA tax return as usual.

Example

Assume:

<i>Gallons of B20 purchased in New York State during the quarter (on or after September 1, 2006)</i>	<i>1,000</i>
<i>Gallons of diesel purchased in New York State other than B20</i>	<i>18,000</i>
<i>Gallons of diesel purchased outside New York State</i>	<i><u>21,000</u></i>
<i>Total gallons of diesel</i>	<i>40,000</i>
<i>Total IFTA miles</i>	<i>200,000</i>
<i>Total Non-IFTA miles</i>	<i><u>0</u></i>
<i>Total miles</i>	<i>200,000</i>
<i>Taxable miles in New York</i>	<i>3,000</i>

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Step 1

Total miles	200,000
Divide by Total gallons of diesel	<u>40,000</u>
Average Fleet MPG for diesel	5
Taxable miles in New York	3,000
Divide by Average Fleet MPG for diesel	<u>5</u>
Taxable gallons	600

Step 2

Determine if B20 purchased in New York during the quarter (on or after September 1, 2006) is greater than Taxable gallons.

A. Gallons of B20 purchased in New York for the quarter (Include only B20 purchased on or after September 1, 2006.)	1,000
B. Taxable Gallons from IFTA tax return for New York	- 600
C. Determine if there is excess B20 (subtract line B from line A)	400

Since the result on line C is greater than zero, go to step 3.

Step 3

Compute Tax-paid Gallons for New York.

D. Excess B20 (from Step 2, line C)	400
E. B20 adjustment percentage	80%
F. Adjusted B20 gallons (multiply line D by line E)	320
G. Other diesel gallons purchased in New York	18,000
H. Taxable Gallons (from Step 2, line B)	600
I. Tax-paid Gallons to be entered on your IFTA tax return for New York (add lines F, G, and H)	18,920

Enter the result from line I (18,920) as Tax-paid Gallons on your IFTA tax return for New York. Complete and file the IFTA tax return as usual.

Carriers that purchase B20 outside New York State

Since it is presumed that B20 is consumed in the jurisdiction where the B20 is purchased, the IFTA tax return should not be adjusted for B20 that is purchased outside New York State. However, if a carrier can show that the B20 was actually consumed in qualified motor vehicles within New York State, a refund may be requested on form IFTA-116, *Fuel Use Tax Refund for B20 Fuel, International Fuel Tax Agreement (IFTA)*. The carrier must show that the total

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gallons of B20 purchased in the other jurisdiction are greater than the amount of *Diesel* fuel consumed in that jurisdiction by all diesel-powered motor vehicles operated during the quarter. A copy of the IFTA tax return and a copy of the invoices for purchases of B20 must be submitted and the claim for refund must be filed within 49 months following the end of the applicable reporting period. Form IFTA-116 will be available by October 1, 2006.

Effective Dates

The adjustments outlined in this TSB-M apply to B20 purchased on or after September 1, 2006, and on or before August 31, 2011.

Definitions

B20 means a mixture consisting by volume of 20% biodiesel and the remainder of which is diesel motor fuel.

Biodiesel means a diesel motor fuel substitute produced from nonpetroleum renewable resources that meets the registration requirements for fuels and fuel additives established by the Environmental Protection Agency under section 211 of the Clean Air Act (42 U.S.C. 7545) and that meets the American Society for Testing and Materials D6751-02a Standard Specification for Biodiesel Fuel (B100) Blend Stock for Distillate Fuels.