



Extension of Sales and Use Tax Exemptions for Alternative Fuels

This memorandum summarizes the amendment to the Tax Law that extends the current state and local sales and use tax (sales tax) exemptions for alternative fuels.

Chapter 59 of the Laws of 2012 amended the Tax Law to extend the current tax exemptions for the alternative fuels E85, compressed natural gas (CNG), hydrogen, and B20. This amendment extends, through August 31, 2014, the full exemptions for E85, CNG, and hydrogen, and the partial exemption for B20, from the motor fuel taxes (Article 12-A), the petroleum business taxes (Article 13-A), and the state and local sales and compensating use taxes (Articles 28 and 29). The exemptions were due to expire on August 31, 2012. This TSB-M summarizes the exemption from sales tax.

Prepaid sales tax

Chapter 59 continues the exemptions from prepaid sales tax for CNG and hydrogen fuels. In addition, E85 fuel will be exempt from the prepaid tax, provided it is delivered to and placed in a storage tank of a filling station to be dispensed directly into a motor vehicle for use in the operation of the motor vehicle. This exemption from the prepaid sales tax continues to apply to CNG, hydrogen, and E85 fuels through August 31, 2014. The exemption from the prepaid sales tax does not apply to sales of B20. 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 taxes

Chapter 59 also continues the current full exemption from state and local sales taxes for retail sales of qualified E85, CNG, and hydrogen, and the 20% exemption for retail sales of qualifying B20 fuel. This exemption will remain in effect through August 31, 2014.

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 TSB-M, 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*.

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.