

SPECIAL NOTICE

June 24, 2003

For further information contact:
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1-800-647-7706 or (360) 486-2345

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Biofuel Sellers

Tax Benefits for Sellers of Biodiesel Fuel, Alcohol Fuel, Wood Biomass Fuel and Biodiesel, Alcohol, and Wood Biomass Fuel Blends

Effective July 1, 2003, 2SHB 1241, Chapter 63, Laws of 2003 and EHB 2146, Chapter 339, Laws of 2003, provide significant tax benefits for persons who distribute and/or make retail sales of biodiesel fuel, or alcohol fuel, wood biomass fuel.

The laws also provide benefits for persons who invest in machinery and equipment, including delivery vehicles, used directly for the retail sale of biodiesel, alcohol, and wood biomass fuel *blends*.

For purposes of the deduction and exemptions described below, the following definitions apply:

Biodiesel Fuel means a mono alkyl ester of long chain fatty acids derived from vegetable oils or animal fats for use in compression-ignition engines and meets the American Society of Testing and Materials specification D 6751. *Taxpayers must maintain certification from a testing lab that their biodiesel meets the ASTM standard.*

Alcohol Fuel means any alcohol made from a product other than petroleum or natural gas that is used in combination with gasoline or other petroleum products for use as a fuel in motor vehicles or farm implements.

Wood Biomass Fuel means any pyrolytic liquid fuel or synthesis gas-derived liquid fuel, used in internal combustion engines, and produced from wood, forest, or field residue, or from dedicated energy crops, and does not include any wood pieces that contain chemical preservatives.

Biodiesel Fuel Blend and **Wood Biomass Fuel Blend** mean fuel that contain at least **20%** biodiesel fuel or wood biomass fuel by volume.

Alcohol Fuel Blend means fuel that contains at least 85% alcohol fuel by volume.

Distribution means any of the activities specified in RCW 82.36.020(2).

(more)



B&O Tax Deduction

- ◆ Income received from the distribution or retail sale of biodiesel fuel, wood biomass fuel, or alcohol fuel that contains at least 85% alcohol by volume may be deducted from the measure of B&O tax.
- ◆ Only income attributable to the pure biodiesel fuel, wood biomass fuel, or alcohol fuel portion of the product sold may be deducted. This amount may be computed based on the percentage of the product by volume that is pure biodiesel, wood biomass, or alcohol fuel multiplied by the price of the product by volume. Thus, for example, if fuel is 50% biodiesel and sells for \$1.50 per gallon, the vendor may deduct \$0.75 from gross income for each gallon sold. Alcohol fuel must be at least 85% alcohol for any portion of sale to qualify for the deduction.

Please note that such fuels remain subject to the Special Fuels tax, RCW 82.38 when sold for the propulsion of motor vehicles upon the road and highways of this state. For detailed information about this tax, contact the Department of Licensing, Fuel Tax Division (<http://www.dol.wa.gov/>).

Retail Sales Tax and Use Tax Exemptions

- ◆ The purchase of machinery and equipment and the construction of facilities used directly for the retail sale of biodiesel fuel blend, alcohol fuel blend, and wood biomass fuel blend is exempt from retail sales tax and use tax.
- ◆ The purchase of fuel delivery vehicles and labor and service charges related to such vehicles are exempt from retail sales tax and use tax provided 75% of the fuel distributed by them is biodiesel fuel blend, alcohol fuel blend, and wood biomass fuel blend.

Persons taking the exemptions must provide the vendor with a properly completed Buyer's Retail Sales Tax Certificate REV 27 0032e to document the tax exempt nature of the sale.

Persons taking the deduction and the exemptions must also keep records necessary to verify their eligibility.

To inquire about the availability of this document in an alternate format for the visually impaired, please call (360) 486-2342. Teletype (TTY) users please call 1-800-451-7985.