California Use Fuel Tax
A Guide for Vendors and Users
Preface

This publication is designed to explain California’s Use Fuel Tax, which is imposed on the use of certain fuels used to propel motor vehicles. It does not include information on diesel fuel, which is subject to the diesel fuel tax, or gasoline, which is subject to the motor vehicle fuel tax.

This publication is intended for:

- Users who operate a vehicle on California highways with an unladen weight of more than 7,000 pounds and is powered by fuels described in this publication, and
- Owners/operators of vehicles that use the fuels in commercial vehicles weighing less than 7,000 pounds and who choose to pay the annual flat rate tax instead of paying the use fuel tax at the pump.

The first section serves as an introduction to the use fuel tax and covers the types of fuel subject to the tax, the tax rates, and the parties responsible for collecting or paying the tax.

Subsequent sections discuss in more detail the tax collection, reporting, and payment responsibilities of fuel vendors and users and exempt uses of fuel.

For more information about the Use Fuel Tax Law, please visit the California Department of Tax and Fee Administration (CDTFA) website at www.cdtfa.ca.gov. You may also contact the CDTFA Motor Carrier Office at the address below, or by calling our Customer Service Center at 1-800-400-7115 (CRS:711); from the main menu select the option Special Taxes and Fees followed by the Motor Carrier Office option. Customer service representatives are available Monday through Friday from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays.

We welcome your suggestions for improving this or any other CDTFA publication. Please send your suggestions to:

California Department of Tax and Fee Administration
Motor Carrier Office, MIC:65
1030 Riverside Parkway, Suite 125
West Sacramento, CA 95605-1527

Please note: This publication summarizes the law and applicable regulations in effect when the publication was written, as noted on the cover. However, changes in the law or in regulations may have occurred since that time. If there is a conflict between the text in this publication and the law, decisions will be based on the law and not on this publication.
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Use Fuel Tax Overview

Use fuel tax is imposed on the use of certain fuels, not on their sale or distribution. Use fuel taxes provide revenue for planning, constructing, and maintaining California’s publicly funded roadways and public mass transit systems. This section discusses the types of fuel subject to the use fuel tax, the parties responsible for collecting and reporting the tax, the circumstances under which the fuels are taxable, and the rate at which the tax is imposed. You can obtain more details on these topics from the Use Fuel Tax Law and applicable regulations on our website at www.cdtfa.ca.gov.

Fuels subject to use fuel tax

The following types of fuel are subject to use fuel tax:

- Liquefied petroleum gas (LPG, propane, butane)
- Liquid and compressed natural gas (LNG, CNG)
- Kerosene
- Alcohol fuels (ethanol, methanol)
- Blended alcohol fuels containing 15 percent, or less, gasoline by volume
- Distillate
- Stove oil

In general, fuel is subject to the use fuel tax if it is:

- Used in an internal combustion engine to propel a motor vehicle on a highway in California (except fuel subject to either the motor vehicle fuel tax or the diesel fuel tax); or
- Placed in a container on the vehicle, such as a fuel tank, from which fuel is supplied to run the vehicle on a highway. Fuel placed into containers not connected to the fuel system (for example, auxiliary tanks, drums, or jerry cans) may be subject to tax if the fuel is intended for operating the vehicle on a highway.

Exclusions: Fuel types specifically excluded from the use fuel tax are as follows:

- Those fuels (primarily gasoline) subject to the motor vehicle fuel tax
- Diesel fuel, which is subject to the diesel fuel tax
- Fuel manufactured and used for racing vehicles on racetracks

If you sell or use a product not listed in this section, please contact the CDTFA Motor Carrier Office to determine whether it is subject to use fuel tax.

"Highway" and "motor vehicle" defined

Under the Use Fuel Tax Law, the terms highway and motor vehicle are broadly defined.

Highway

A highway is any publicly maintained road inside California that is open to the public for motor vehicle travel. Roads that qualify as highways include both interstate freeways and publicly maintained surface streets. A road within a federal area such as a national forest or military reservation also qualifies as a highway provided it is publicly maintained and open to the public.

Roads that do not qualify as highways include:

- A road within a national or state forest, such as a logging road, that is privately constructed or maintained
- A road in a federal area that is restricted from public use
- A publicly maintained or constructed roadway that is not open to public vehicular use, for example, a bike path, a freeway under construction, or a street closed for repairs

Motor vehicle

A motor vehicle is any self-propelled vehicle operated or suitable for operation on a highway. Examples of motor vehicles are automobiles, pickup trucks, and tractor-trailer units. Also included in the category of motor vehicles are forklifts and rubber-tired agricultural or construction equipment which are capable of being driven on highways. Vehicles that run on stationary rails or tracks are not included in the term motor vehicle.
Vendor and user registration

Vendors and users, as described in this section, are required to either collect or pay the tax. You may qualify as a vendor, a user, or both.

Vendor

A vendor is defined as any person who sells and delivers fuel into the fuel tank of a motor vehicle. A vendor is required to obtain a vendor permit, collect use fuel tax, and pay it to the CDTFA. A vendor can be a wholesaler, a retailer such as a service station operator, or a user who sells fuel to other users. Persons who sell fuel through a key or card lock facility or self-service pump are also considered vendors.

It is important to note that not all fuel retailers qualify as vendors. Persons who pump fuel exclusively into vehicles registered for the annual flat rate fuel tax are not vendors. Likewise, persons selling fuel only for non-vehicular use, such as a retailer who exclusively sells fuel for home heating, cooking, or lighting, are not vendors.

User

A user is any person who uses fuel to propel a motor vehicle. This includes owners, operators, lessors, or lessees of any vehicle that is operated on a highway. With specific exceptions, users are generally required to obtain a permit, report all taxable use of fuel, and, if necessary, pay the use fuel tax to the CDTFA. Persons who use construction equipment and farm equipment are also considered users.

A user does not include a person who uses fuel exclusively for non-vehicular uses such as heating, lighting, or cooking.

Vendor and user

It is possible to be both a vendor and a user. For example, if you are a wholesaler of fuel and you make bulk sales to end users, retail sales to truck drivers, and use fuel in your own delivery trucks, you would be required to obtain separate permits and file separate returns as both a vendor and a user. If you do not obtain the appropriate permits and report and pay the tax, you will be subject to interest and penalties on any unpaid tax. To ensure you are correctly registered, you should carefully review your sales or purchases to determine which permits you may need to obtain, or contact the CDTFA Motor Carrier Office.

Please note—interstate users: You may qualify for an International Fuel Tax Agreement (IFTA) license and may not need to apply for a use fuel tax permit. IFTA is an agreement among U.S. states and Canadian provinces that simplifies fuel tax reporting by interstate motor carriers. For more information on IFTA, see publication 50, California IFTA: Guide to the International Fuel Tax Agreement, and publication 50A, California IFTA: Introduction to the International Fuel Tax Agreement.
Obtaining a permit

See *Obtaining a vendor use fuel tax permit* or *User permits* for information on how to obtain a permit. Use the following table as a guide to determine if you are a vendor, a user, or both:

<table>
<thead>
<tr>
<th>My fuel-related activities are:</th>
<th>I qualify as a:</th>
</tr>
</thead>
<tbody>
<tr>
<td>I sell and deliver qualified fuel</td>
<td></td>
</tr>
<tr>
<td>into the fuel tank of a motor vehicle</td>
<td>Vendor</td>
</tr>
<tr>
<td>in bulk to end users</td>
<td>Neither</td>
</tr>
<tr>
<td>exclusively into vehicles registered for the annual flat rate fuel tax</td>
<td>Neither</td>
</tr>
<tr>
<td>exclusively for non-vehicular use, such as home heating, cooking, or lighting</td>
<td>Neither</td>
</tr>
<tr>
<td>I use qualified fuel</td>
<td></td>
</tr>
<tr>
<td>to propel a vehicle weighing more than 7,000 pounds</td>
<td>User</td>
</tr>
<tr>
<td>to propel a commercial vehicle weighing less than 7,000 pounds and paid the flat rate tax</td>
<td>User</td>
</tr>
<tr>
<td>to propel construction equipment or farm equipment</td>
<td>User</td>
</tr>
<tr>
<td>to propel a private passenger motor vehicle on a highway</td>
<td>Neither</td>
</tr>
<tr>
<td>exclusively for non-vehicular use, such as home heating, cooking, or lighting</td>
<td>Neither</td>
</tr>
</tbody>
</table>

If you are required to hold a permit and do not obtain one, you are subject to fines and penalties, including possible imprisonment. These fines and penalties apply whether you are located in the state or are driving into California from another state.

Use fuel tax rates

The applicable tax rate depends on the type of fuel:

<table>
<thead>
<tr>
<th>Type of Fuel</th>
<th>Rate</th>
<th>Per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol fuels</td>
<td>$0.09</td>
<td>gallon</td>
</tr>
<tr>
<td>Liquefied petroleum gas (LPG)</td>
<td>$0.06</td>
<td>gallon</td>
</tr>
<tr>
<td>Liquid natural gas (LNG)</td>
<td>$0.1017</td>
<td>diesel gallon equivalent (6.06 pounds)</td>
</tr>
<tr>
<td>Compressed natural gas (CNG)</td>
<td>$0.0887</td>
<td>gasoline gallon equivalent (126.67 cubic feet or 5.66 pounds)</td>
</tr>
<tr>
<td>Kerosene, distillate, and stove oil</td>
<td>$0.18</td>
<td>gallon</td>
</tr>
</tbody>
</table>

(See *Tax Rates – Special Taxes and Fees* on our website.)
Obtaining tax returns
Once you are registered, you will file your tax returns online on a quarterly or annual basis. It is vital that you maintain accurate contact information with the CDTFA. You must file your return(s) online by the last day of the month following each reporting period (quarterly or yearly). You must file a return even if you have no sales or use tax to report. If you do not file by the due date, you may be subject to penalty and interest charges. Continued failure to file can result in the suspension or revocation of your permit.

Sales tax
If you sell any type of fuel to customers, your sales are generally subject to the sales tax and you would qualify as a retailer. As a retailer, you must obtain a seller’s permit in addition to your use fuel tax permit and you must report sales tax to the CDTFA. You can apply online for permits, accounts, or licenses by visiting our website. Online services are also available through our convenient computer kiosks located in our CDTFA offices.

Prepaid sales tax
Fuels subject to the use fuel tax are not subject to the sales tax pre-collection provision.

For more information on prepaid sales tax, please see publication 82, Prepaid Sales Tax and Sales of Fuel.
Vendors

You are considered a vendor if you sell fuel that you place into the fuel tank of a motor vehicle. Wholesalers, fuel retailers such as service stations, and users who sell fuel can all qualify as vendors. Vendors are required to obtain a Vendor Use Fuel Tax Permit and file returns with the CDTFA. Vendors who use fuel in motor vehicles may also be required to obtain a user permit. This section discusses how to obtain a vendor permit, how tax applies to your transactions, and your responsibilities as a vendor. It also discusses how to take a credit for bad debts.

Obtaining a vendor use fuel tax permit

You can apply online for permits, accounts, or licenses by visiting our website. Online registration services are also available using our convenient computer kiosks located in our CDTFA offices.

After your application has been verified, you will be issued a Vendor Use Fuel Tax Permit. If your application is denied, you will be asked to resolve the cause of denial.

Please note: If you have more than one location, the CDTFA will issue a separate permit for each location. There are no fees for permits.

The application asks for general information about your business, such as the type of ownership, names of owners or corporate officers, business locations, and types of fuel used or sold. You may be required to provide your social security number or other identifying information, in addition to general information.

What if I no longer sell fuel?

You may retain your permit as long as you are actively engaged in making sales or until it is canceled, suspended, or revoked by the CDTFA. If you are no longer active as a vendor, you should close out your permit through your online account and return your permit to the CDTFA.

Vendor responsibilities

As the holder of a Vendor Use Fuel Tax Permit, you are responsible for:

- Collecting use fuel tax from your customers when you pump fuel into the tanks of their motor vehicles, or when you sell it through card or key-lock facilities. You are liable for the tax due even if you fail to collect it from your customers.
- Filing returns with the CDTFA through online services after you have registered for your permit. Returns are due on or before the last day of the calendar month following each reporting period and must be filed even if you have had no sales. If you do not file the return online by the due date, you may be liable for interest and penalty charges. The penalty is ten percent of the amount of tax that should have been reported.
- Paying tax to the CDTFA. You are considered to have collected the tax at the time of sale. The proper amount of tax due must be submitted with your tax return. You may pay your amount due electronically by using our online payment process. Please visit our website at www.cdtfa.ca.gov and select the Make a Payment option.
- Giving receipts to your customers. The receipt must have your name and address, the date of the sale, the gallons and price of the fuel sold, the amount of use fuel tax collected, and the total amount of the sale.
- Obtaining from your customer a properly completed CDTFA authorization in which the customer certifies that he or she is entitled to purchase fuel without paying use fuel tax at the time of purchase. The CDTFA authorization must be signed by an authorized CDTFA representative in order to be valid. You may check the status of a CDTFA authorization you have submitted to the CDTFA for processing by contacting the CDTFA Motor Carrier Office.
- Keeping adequate records.

It is important to remember that if you do not meet these responsibilities, the CDTFA can revoke or suspend your permit.
Recordkeeping
As a vendor, you must keep complete records of all purchases, inventories, sales or other dispositions of fuel, including fuel inventory that you used for business or personal reasons. You must keep and maintain these records for four years unless the CDTFA authorizes their destruction.

Your records must include all of the following:

- Purchase invoices and sales receipts.
- Tank gaugings, meter readings, and inventories.
- Contracts, purchase orders, and CDTFA authorizations.
- Records of nontaxable sales not covered by CDTFA authorizations such as sales for non-vehicular use, sales to the U.S. government, and sales to users who have paid the annual flat rate fuel tax.

Making sales without collecting the use fuel tax
Generally, you must collect the use fuel tax on fuel you deliver directly into the fuel tanks of motor vehicles, regardless of their location. However, you are not required to collect the use fuel tax on the following transactions:

- Sales of fuel to a user who provides you with a certificate which indicates that the user may purchase fuel without paying tax (see CDTFA authorizations).
- Sales of fuel you pump into containers other than fuel tanks of motor vehicles, including bulk storage tanks, equipment not considered to be motor vehicles, and containers such as fuel cans, drums, or barbecue propane tanks.
- Sales to the U.S. government.
- Sales to users who have paid the annual flat rate fuel tax.

CDTFA authorizations
You are not required to collect use fuel tax from users who present you with a CDTFA-108, Authorization to Sell Fuel Without Collecting Use Fuel Tax. Such authorizations are issued to users whose vehicles are used:

- Both inside and outside the state, when the user would consistently pay more tax to vendors than is due on the vehicle’s overall use.
- Exclusively off-highway. The fuel must be delivered directly into the users’ vehicle fuel tanks at the location where the vehicles are operated.
- To provide eligible transit services.

You must retain all CDTFA authorizations in your records, and list sales made to users holding CDTFA authorizations on your Vendor Use Fuel Tax Return.

U.S. Government Sales
Fuel sold for use by the U.S. government or one of its agencies or instrumentalities is not subject to use fuel tax. Fuel you pump into the tank of a U.S. government vehicle is exempt only if purchased with a credit card belonging to the government. If the purchaser pays for the fuel with cash or uses a personal credit card, the fuel is subject to tax.

You must report these exempt sales on your Vendor Return.

Annual Flat Rate Fuel Tax
You may make nontaxable sales of LPG, LNG, and CNG to users who have paid the annual flat rate tax, provided the vehicle has a current flat rate decal attached. You should document all such sales on your receipt by recording the taxpayer’s permit and decal numbers, the vehicle license number, and number of gallons sold. You are required to list the total number of tax-exempt gallons sold on your Vendor Return.
Reporting and documenting nontaxable sales

You are required to report all nontaxable sales on your Vendor Return.

To support nontaxable sales reported on your returns, you should retain the following documents:

- Copies of the sales receipts issued to the customers
- Certificates provided to you by your customers for the purchase of tax-exempt fuel

The receipts should have your name and address, the name of the purchaser, date of sale, gallons or units of fuel sold, price per gallon or unit, amount of use fuel tax collected, total amount of the sale, and a statement or code indicating the reason the sale is not taxable.

For fuel sales of less than 250 gallons that you pump into containers other than motor vehicle fuel tanks, you should note the type of container into which you place the fuel (for example, storage tank, bulldozer fuel tank, drum). The notation may be either a description or a machine code.

If a receipt covers multiple deliveries of fuel when only some were taxable, you must indicate the exempt deliveries.

Bad debts

You must report and pay tax to the CDTFA on all taxable sales of fuel. However, you may claim a credit for an account that qualifies as a bad debt if you have (1) previously reported use fuel tax from the sale and (2) written off the account as a bad debt for income tax purposes. You can claim a credit only for the amount of tax that applies to the unpaid portion of the account.

To take this credit, you must complete the following steps:

- You must notify the CDTFA of the delinquency by listing it on Schedule D of your Vendor Return and attaching a completed CDTFA–120, Notice of Credit for Bad Debt Losses.
- If you have notified the CDTFA of the delinquency (as described above) and written off the account as a bad debt for income tax purposes, you can claim a credit for the tax paid on Schedule B of your Vendor Return.

Generally, you may claim your credit on a return filed after you have notified the CDTFA of the bad debt. However, you can notify the CDTFA of the delinquency and claim a bad debt credit on the same return. You must claim your credit within three years of the due date of the return for the period in which the original sale occurred.

If, after claiming a credit for tax paid on a bad debt, you collect any of the tax due on the original sale, you must report that amount to the CDTFA. It must be listed on Schedule C of the first return you file after collecting the tax.
**Users**

You qualify as a user of fuel if you are an owner, operator, lessor, or lessee of a motor vehicle that is propelled on a highway by fuel (see Exceptions). If you qualify as a user, you may be responsible for obtaining a permit, paying use fuel tax, and filing returns with the CDTFA. You are not a user if you use fuel solely for a non-vehicular purpose such as heating, cooking, or lighting.

In addition to general information for users, this section provides information on registration requirements, exempt uses of fuel, and selling a vehicle that has been registered under a use fuel tax permit.

**General**

In general, you qualify as a “user” and must register for a permit if you own, operate, or lease a motor vehicle, including equipment such as a forklift or tractor, that is:

- Powered by liquefied petroleum gas, liquid or compressed natural gas, kerosene, or certain alcohol fuels, and
- Operated on a highway in California.

**Exceptions**

You are not required to obtain a permit if your only use of fuel in this state is to operate:

2. A vehicle registered out of state if the vehicle has fewer than three axles and does not have a gross vehicle weight over 26,000 pounds (11,797 kilograms); or, when used in combination (that is, a tractor-trailer combination), does not have a combined or registered gross vehicle weight over 26,000 pounds (11,797 kilograms).*
3. A privately operated passenger motor vehicle. Included in this class of vehicles are pickup trucks when used like an automobile for the private transportation of people.*
4. A recreational vehicle. Recreational vehicles include motor homes, pickup trucks with attached campers, and buses when used exclusively for personal pleasure.*
5. A commercial vehicle, including a pickup truck, with an unladen weight of less than 7,000 pounds.*
6. A privately operated two-axle truck that you have rented or leased for a period of 30 days or less.*

* Please note: You are required to obtain a use fuel permit (or a four-day trip permit) if the vehicle is fueled from bulk storage.

**User permits**

As a user, you must obtain one of the following permits to operate your vehicle on a highway in California:

- A **California User Use Fuel Tax Permit**
- A **California Fuel Trip Permit** (designed for occasional trips into California)

**User Use Fuel Tax Permit**

You can apply online for permits, accounts, or licenses by visiting our [website](#). Online registration services are also available using our convenient computer kiosks located in our CDTFA offices.

You can place multiple vehicles on the same permit. There is no fee for this permit.

After your application has been verified, you will be issued a permit. If your application is denied, you will be asked to resolve the cause of denial. You may keep your permit as long as you qualify as a user, or until it is revoked or suspended by the CDTFA. If you no longer operate a vehicle that requires a use fuel tax permit, you should return your permit to the CDTFA. Alternatively, you may request closure of the permit from the CDTFA Motor Carrier Office in writing or by telephone.

The application asks for general information about your business, such as the type of ownership, names of owners or corporate officers, business locations, and types of fuel used or sold. You will be required to provide your social security number or other identifying information, in addition to general information.
California Fuel Trip Permit
You may obtain a California Fuel Trip Permit online by visiting our website or in person at any of our CDTFA offices, commercial DMV field offices (visit www.dmv.ca.gov to locate a DMV field office), and some truck stops. Truck stops may add a service charge to the basic cost of the permit, which is $30.

The permit costs $30 and is issued for specific dates. It is not valid before or after those dates.

User responsibilities
As the holder of a User Use Fuel Tax Permit, you must:

• Pay tax to your fuel vendor, provided the vendor pumps the fuel directly into your motor vehicle fuel tank or if you buy it from a card or key-lock facility.
• File tax returns that report the total gallons of fuel placed in your vehicle’s fuel tank, including fuel taken from bulk storage.
• Pay tax to the CDTFA. You must pay any tax you owe when you file your return. If you have paid tax to vendors in excess of the amount due, you may claim a credit for overpaid tax.
• Pay tax directly to the CDTFA, if you use fuel in a taxable manner and do not pay tax at the time of purchase. This applies to your purchases of fuel in bulk quantities or purchases of fuel dispensed by the vendor into containers other than motor vehicle fuel tanks.
• Provide to your fuel vendor the proper certification (CDTFA authorizations) for purchasing fuel tax exempt, if applicable.
• Inform the CDTFA when you sell or transfer any vehicles registered for the use fuel tax.
• Keep and maintain complete records for four years.

If you do not fulfill these responsibilities, the CDTFA may suspend or revoke your permit.

Recordkeeping
You should keep all receipts, invoices and other pertinent documents relating to your purchase and use of fuel. If you are making interstate trips, your records should include your trip log. If you are using fuel from bulk storage, you should keep a log or other records showing the amounts withdrawn and the vehicles into which the fuel is pumped. You must keep and maintain these records for four years unless the CDTFA authorizes you to dispose of them.

Limited exceptions for full payment of the use fuel tax
You must pay the full use fuel tax rate unless you qualify for a reduced rate as the operator of:

• A public or private transit company that provides transportation services to students or the public, or
• A vehicle powered by LPG, LNG, or CNG, and you have elected to pay the annual flat rate fuel tax.

Exemptions
The following sections contain information on the exempt uses of fuel in a vehicle.

Used off-highway
Fuel used to operate vehicles off-highway is exempt from use fuel tax. “Off-highway” includes private property, any road or area which is closed to public use, or any place which does not fall within the definition of a highway.

Used outside California
If you purchase fuel in California for use both inside and outside the state, you are not liable for tax on the fuel used outside the state. You may claim a credit for the fuel used outside California on your user return.

Used on U.S. Department of Agriculture highways
Fuel used in motor vehicles operating on highways under the jurisdiction of the U.S. Department of Agriculture (USDA) is exempt from tax provided the user pays or contributes to the cost of constructing or maintaining the highway under an agreement with the USDA. An example of such a highway is a logging road within a national forest.
If you are a user eligible for this exemption, you are required to pay the use fuel tax when you purchase the fuel, and can claim a credit on your User Use Fuel Tax Return. To support your claim, you must keep records that describe the highway, the route traveled, the amounts paid for construction or maintenance of the highway, and the gallons of fuel used while traveling on the highway. You must also keep a copy of your USDA agreement.

**Used in power take-off equipment**

Fuel used in a vehicle for a purpose other than propelling it on a highway is exempt from tax. This includes fuel used to operate power take-off equipment. Power take-off equipment is generally defined as an accessory which is mounted onto a transmission allowing power to be transferred outside the transmission to a shaft or driveline. The accessory is usually either a small gearbox with an external shaft, or a short shaft with a driveline yoke assembly for attaching an external driveline. The vehicle’s transmission must be specially designed for a power take-off.

If you operate vehicles having power take-off equipment, you may claim a deduction on your User Use Fuel Tax Return for the fuel used to operate the equipment.

**Used in agricultural and construction equipment**

Fuel used in agricultural vehicles or construction equipment is exempt from the tax when the equipment is:

- Exempt from registration under the Motor Vehicle Code, and
- Operated only incidentally on a highway *(Please note: Incidental operation means movement between farms or construction sites located close to one another)*

Examples of such equipment are tractors, swathers, and graders with rubber tires.

Equipment running on tracks, such as bulldozers, does not qualify as a motor vehicle. Therefore, you should not report fuel used in this type of equipment.

**Used by public agencies on military reservations**

Fuel used in any motor vehicles owned by a county, city, district, or other political subdivision or public agency is exempt from tax when the vehicle is operated within a military reservation on roads that are constructed and maintained by the U.S. government. When any such vehicle is also operated on a public highway in a continuous trip, tax is due on the portion of fuel used on the public highway.

**Transit operators**

Certain public and private operators of transit services are eligible for a reduced rate of use fuel tax. Eligible operators pay one cent ($0.01) per gallon, instead of the full rate. Qualifying operators and services include:

- Any school or community college district, or county superintendent of schools that owns, leases, or operates buses to transport students to and from school or for school related activities.
- Any private company providing transportation for students under contract with a school or community college district, or county superintendent of schools. The contract must have been entered into after October 1, 1984, and the partial exemption applies only to the fuel used to provide services covered by the contract.
- Any public entity such as a transit district or authority of a city that owns and operates a transit system. The exemption applies whether the public entity provides the service itself or through a wholly-owned nonprofit corporation.
- Any private entity providing transportation service under a contract with a public agency authorized to provide public transportation services. To qualify, the contract must have been entered into after September 26, 1978, and cannot be a general franchise agreement. The reduced rate applies only to that fuel used to provide the contract services.
- Any passenger stage corporation engaging in certain local transit service that is subject to the jurisdiction of the Public Utilities Commission. A “passenger stage corporation” is defined as any person engaged as a common carrier for compensation, in the ownership, control, operation or management of a passenger stage over any public highway in this state between fixed terminals or over a regular route. To qualify, the corporation must be providing the service for hire, compensation, or profit. The service must be exclusively operated in urban or suburban areas or between cities in close proximity. In addition, one-way route mileage cannot exceed 50 miles.
• Any common carrier of passengers not qualifying as a passenger stage corporation that operates exclusively within the limits of a single city between fixed terminals or over a regular route. To qualify, 98 percent of the total route mileage must be located within the limits of a single city.

*Please note:* Charter-party carriers of passengers, as defined in section 5360 of the Public Utilities Code, are not considered transit operators and do not qualify for the reduced use fuel tax rate described above. Nor does the reduced rate apply to carriers that provide the transportation services described in subdivisions (a) and (e) of section 5353 of the Public Utility Code, if such transportation service is rendered as contract carrier and not as common carrier of passengers.

Qualifying transit operators are required to pay the reduced fuel tax rate by filing CDTFA-501-AB, *Exempt Bus Operator Use Fuel Tax Return*, instead of CDTFA-501-AU, *User Use Fuel Tax Return*. Transit operators qualifying for the exemption must keep all contracts and other relevant documents that will support their claimed exemption. Operators who provide both nonexempt and exempt services must keep records detailed enough to support any claimed exempt fuel use.

If an operator will make consistent overpayments of use fuel tax to his or her suppliers because of the exemption, the operator may obtain authorization from the CDTFA to purchase fuel without the use fuel tax. To make a tax exempt purchase, the operator must issue a copy of a CDTFA authorization to the supplier. The operator would then pay any tax liability when filing the *Exempt Bus Operator Use Fuel Tax Return*, at the rate of one cent per gallon for exempt bus use and the full tax rate for any nonexempt use.

**Annual flat rate fuel tax**

As an alternative to paying use fuel tax to vendors, an operator of a vehicle powered by LPG, LNG, or CNG may pay an annual flat rate fuel tax. The tax is based on the type and weight of the vehicle:

<table>
<thead>
<tr>
<th>Vehicle Type and Size</th>
<th>Flat Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>All passenger vehicles and vehicles with automobile license plates</td>
<td>$36</td>
</tr>
<tr>
<td>Other vehicles with an unladen weight of:</td>
<td></td>
</tr>
<tr>
<td>4,000 lbs. or less</td>
<td>$36</td>
</tr>
<tr>
<td>4,001 lbs. to 8,000 lbs.</td>
<td>$72</td>
</tr>
<tr>
<td>8,001 lbs. to 12,000 lbs.</td>
<td>$120</td>
</tr>
<tr>
<td>12,001 lbs. or more</td>
<td>$168</td>
</tr>
</tbody>
</table>

*(See Tax Rates – Special Taxes and Fees)*

If you qualify for the annual flat rate fuel tax, you must obtain a user use fuel tax permit from the CDTFA and apply to make payments as an annual flat rate taxpayer. You can apply or renew online by visiting our website. Online registration services are also available using our convenient computer kiosks located in our CDTFA offices. After you have registered online and paid the tax, the CDTFA will issue a decal that you must affix to your vehicle. The decal cannot be transferred to another vehicle. The tax covers the twelve month period beginning with the month in which the payment is due. For example, an annual tax due in April covers the period from April 1 through the following March 31.

When an owner or operator elects to pay the annual flat rate fuel tax on more than one vehicle, the owner or operator may request that the CDTFA prorate the tax due on a vehicle added during the annual period, so that all vehicles have the same annual period. In the year a vehicle is added, the annual flat rate fuel tax for that vehicle is calculated by dividing the tax by 12 and multiplying the resulting amount by the number of months remaining before the beginning of the next annual period. Certain annual taxpayers—for example, those who make bulk purchases of fuel—may be required to file annual returns with the CDTFA.

Registration of a vehicle for the annual flat rate tax is not transferable. If you sell or transfer a vehicle to a new owner, you must inform the CDTFA within ten days of the transfer date.

If you have questions about whether your fuel use is exempt from tax, please contact the CDTFA Motor Carrier Office.
Claim for refund

Your User Use Fuel Tax Return or Exempt Bus Operator Use Fuel Tax Return provides lines for calculating and claiming a credit for overpaid tax. If you have overpaid the use fuel tax, you should complete and file your return, clearly indicating the resulting credit as a negative number (credit) in order to obtain a refund.

Refunds will be processed by the CDTFA as soon as possible. You must keep adequate records to support your credit.

Leased vehicles

Normally, you must report and pay tax as a user if, by the terms of the lease contract, you are responsible for purchasing or supplying fuel for the vehicle. If the contract gives the lessor the responsibility, the lessor would be required to register as the user.

Under certain conditions, however, a lessee is considered to be a user, even though the lessor has the responsibility for purchasing or supplying the fuel. Such lessees are called “qualified users.” Usually, qualified users are trucking companies that lease vehicles from owner-operators and have control over the fuel purchased and used by the owner-operator lessors. To be considered a qualified user, a lessee must:

- Hold a user use fuel tax permit and operate under a certificate of public convenience and necessity issued by the California Public Utilities Commission or a similar authorization issued by the Interstate Commerce Commission
- Maintain records that adequately document all the movement of the leased vehicle within this state
- Agree to be responsible for reporting and paying all use fuel tax incurred by the lessor when he or she operates the vehicle on behalf of the lessee
- Inform the lessors of their responsibilities under the qualified user’s program

In addition, the lessor (owner-operator) must:

- Carry the lease agreement in the leased vehicle at all times
- Give the lessee’s name and account number when making credit purchases of fuel
- Use the vehicle only for the lessee’s operation. If the lessor is operating the vehicle for his or her own business or is operating another vehicle within the state, he or she is a user and must obtain a user permit.

The qualified user program does not apply to trip leases or to leases of less than 31 days.

You must apply to the CDTFA Motor Carrier Office for qualified user status. In some cases, however, the CDTFA may consider you a qualified user if you meet all the above criteria. In either case, the CDTFA will send you a letter notifying you of your status and outlining your responsibilities as a qualified user.

Selling or transferring a use fuel vehicle

If the vehicle must be registered under a use fuel tax permit, you must obtain a tax clearance from the CDTFA before the Department of Motor Vehicles (DMV) will transfer ownership.

The CDTFA will issue the clearance only after you have paid all use fuel tax due from the operation of the vehicle or you have posted security adequate to cover any tax due.

Obtaining a tax clearance

To obtain a clearance, you must file CDTFA-329, Request for Certificate of Excise Tax Clearance, with the CDTFA Motor Carrier Office. You may file the form online, by mail, or in person.

The following copies of information must accompany the Request:

- Proof of registration. This proof can include a current registration, certificate of ownership, or, if the vehicle is from out-of-state, a certificate of title or origin.
- Selling price and date of sale. You must submit a bill of sale signed by both you and the purchaser and a purchase contract or sales agreement.
If you are leasing the vehicle, you must also provide a copy of the lease agreement. This will enable the CDTFA to determine whether you or the lessor is the user.

Once the CDTFA has established that you have paid all use fuel tax or you have adequate security for any unpaid tax, you will be issued a CDTFA-1138, *Certificate of Excise Tax Clearance*. You must submit this certificate to DMV to complete the transfer or change of registration. You should keep a copy of the certificate for your records.

If you have any questions about the use fuel tax clearance process, you should contact the CDTFA Motor Carrier Office.
For More Information

For additional information or assistance with how the Sales and Use Tax Law applies to your business operations, please take advantage of the resources listed below.

INTERNET  
www.cdtfa.ca.gov

You can log onto our website for additional information—such as laws, regulations, forms, publications, industry guides, and policy manuals—that will help you understand how the law applies to you or your business.

You can also verify seller’s permit numbers and certain CDTFA licenses or accounts on our website (look for “Verify a Permit, License, or Account”) or call our toll-free automated verification service at 1-888-225-5263.

Multilingual versions of publications are available on our website at www.cdtfa.ca.gov.

Another good resource—especially for starting businesses—is the California Tax Service Center at www.taxes.ca.gov.

BULLETINS AND NEWSLETTERS

The CDTFA publishes a quarterly Tax Information Bulletin (TIB) and an annual Special Taxes and Fees Newsletter. These include articles on the application of law to specific types of transactions, announcements regarding new and revised publications, and other articles of interest. You can find current TIBs and newsletters on our website. You may also sign up to receive email notifications when new TIBs and newsletters are posted to our website.

FOR QUESTIONS REGARDING YOUR ACCOUNT

Please contact the Customer Service Center at 1-800-400-7115 (CRS:711); select the option Special Taxes and Fees from the main menu, followed by the appropriate option.

WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax or fee, penalty, or interest charges that are due on a transaction if we determine that we gave you incorrect written advice regarding the transaction and that you reasonably relied on that advice in failing to pay the proper amount of tax or fee.

For this relief to apply, a request for advice must be in writing, identify the taxpayer or feepayer to whom the advice applies, and fully describe the facts and circumstances of the transaction.

Please visit our website at: www.cdtfa.ca.gov/email/ to email your request. You may also send your request in a letter to: Special Taxes and Fees Department, MIC:31, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0031.

TAXPAYERS’ RIGHTS ADVOCATE

If you would like to know more about your rights as a taxpayer or if you have not been able to resolve a problem through normal channels (for example, by speaking to a supervisor), please see publication 70, Understanding Your Rights as a California Taxpayer, or contact the Taxpayers’ Rights Advocate Office for help at 1-916-324-2798 (or toll-free, 1-888-324-2798). Their fax number is 1-916-323-3319.

If you prefer, you can write to: Taxpayers’ Rights Advocate, MIC:70; California Department of Tax and Fee Administration; P.O. Box 942879; Sacramento, CA 94279-0070.

CUSTOMER SERVICE CENTER
1-800-400-7115
CRS:711

Customer service representatives are available weekdays from 8:00 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

OFFICES

<table>
<thead>
<tr>
<th>City</th>
<th>Telephone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakersfield</td>
<td>1-661-395-2880</td>
</tr>
<tr>
<td>Cerritos</td>
<td>1-562-356-1102</td>
</tr>
<tr>
<td>Culver City</td>
<td>1-310-342-1000</td>
</tr>
<tr>
<td>El Centro</td>
<td>1-760-352-3431</td>
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<tr>
<td>Fairfield</td>
<td>1-707-427-4800</td>
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<tr>
<td>Fresno</td>
<td>1-559-440-5330</td>
</tr>
<tr>
<td>Glendale</td>
<td>1-818-543-4900</td>
</tr>
<tr>
<td>Irvine</td>
<td>1-949-440-3473</td>
</tr>
<tr>
<td>Oakland</td>
<td>1-510-622-4100</td>
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<tr>
<td>Rancho Cucamonga</td>
<td>1-909-257-2900</td>
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<tr>
<td>Rancho Mirage</td>
<td>1-760-770-4828</td>
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<tr>
<td>Redding</td>
<td>1-530-224-4729</td>
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<tr>
<td>Riverside</td>
<td>1-951-680-6400</td>
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<tr>
<td>Sacramento</td>
<td>1-916-227-6700</td>
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<tr>
<td>Salinas</td>
<td>1-831-443-3003</td>
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<tr>
<td>San Diego</td>
<td>1-858-385-4700</td>
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<tr>
<td>San Francisco</td>
<td>1-415-356-6600</td>
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<tr>
<td>San Jose</td>
<td>1-408-277-1231</td>
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<tr>
<td>Santa Clarita</td>
<td>1-661-222-6000</td>
</tr>
<tr>
<td>Santa Rosa</td>
<td>1-707-576-2100</td>
</tr>
<tr>
<td>Ventura</td>
<td>1-805-677-2700</td>
</tr>
<tr>
<td>West Covina</td>
<td>1-626-480-7200</td>
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</table>

Out-of-State Offices

<table>
<thead>
<tr>
<th>City</th>
<th>Telephone Number</th>
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<tbody>
<tr>
<td>Chicago, IL</td>
<td>1-312-201-5300</td>
</tr>
<tr>
<td>Houston, TX</td>
<td>1-713-739-3900</td>
</tr>
<tr>
<td>New York, NY</td>
<td>1-212-697-4680</td>
</tr>
<tr>
<td>Sacramento, CA</td>
<td>1-916-227-6600</td>
</tr>
</tbody>
</table>

Motor Carrier Office

<table>
<thead>
<tr>
<th>City</th>
<th>Telephone Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>W. Sacramento, CA</td>
<td>1-800-400-7115</td>
</tr>
</tbody>
</table>
Regulations, Publications, And Forms

The following regulations, publications, and forms may be of interest. A complete listing of regulations, forms, and publications appears on our website. Multilingual versions of our publications and other multilingual outreach materials are also available. To order any of these items, please call our Customer Service Center.

Regulations

1301 Fuel
1302 Motor Vehicle
1303 Highway
1304 User
1305 Fuel Tank
1306 Vendor
1307 Vendor’s Permit
1316 Exempt Uses of Fuel in Motor Vehicle
1317 Allowance of Credit or Refund of Tax Paid to Vendor
1318 Vendor’s Liability for the Tax
1319 Vehicle Fuel Tank Deliveries Without Payment of Tax
1320 Vehicle Fuel Tank Deliveries for Off-Highway Use
1321 Allowances for Pumping Liquefied Petroleum Gas
1322 Consumption of Liquefied Petroleum Gas in Vehicles Fueled from Cargo Tanks
1323 Passenger Carriers — Transit Partial Exemption
1324 Annual Flat Rate Fuel Tax
1331 Return of User
1331.1 Privately Operated Passenger Automobiles and Small Commercial Vehicles — When User’s Permit and Tax Returns Are Not Required
1331.2 Payment by Electronic Funds Transfer
1331.5 Weekly Returns and Payments of Vendor
1331.6 Credit for Bad Debt Losses of Vendors
1332 Records
1334 Successor’s Liability
1335 Relief of Liability
1336 Innocent Spouse or Registered Domestic Partner Relief From Liability
4901 Records
4902 Relief from Liability

Publications

3 California Use Fuel Tax Law (extracted from the Revenue and Taxation Code)
17 Appeals Procedures: Sales and Use Taxes and Special Taxes
50 California IFTA: Guide to the International Fuel Tax Agreement
California IFTA: Introduction to the International Fuel Tax Agreement

Resource Guide to Free Tax Products and Services for Small Businesses

Understanding Your Rights as a California Taxpayer

Interest, Penalties, and Fees

Audits

Prepaid Sales Tax and Sales of Fuel

Do You Need a California Fuel Permit or License?

Underground Storage Tank Fee

Forms

CDTFA-108 Authorization to Sell Fuel Without Collecting Use Fuel Tax

CDTFA-120 Notice of Credit for Bad Debt Losses

CDTFA-329 Request for Certificate of Excise Tax Clearance

CDTFA-501-AB Exempt Bus Operator Use Fuel Tax Return

CDTFA-501-AU User Use Fuel Tax Return

CDTFA-501-AV Vendor Use Fuel Tax Return

Special Taxes and Fees Newsletter

The annual Special Taxes and Fees Newsletter includes articles on the application of law to specific types of transactions, announcements regarding new and revised publications, and other articles of interest to users or vendors. Sign up for our Special Taxes and Fees Updates email list and receive notification when the latest newsletter has been posted to our website. You can find current and archived newsletters on our website.