

Biodiesel

Petroleum Products and Alternative
Fuels Tax

Notice #14-10

June 2014



Highlights

- *Anyone who produces biodiesel must pay a special tax and environmental assurance fee.*
- *The importer is also responsible for the 17-cent diesel tax if he or she sells unblended biodiesel.*
- *Anyone who blends biodiesel with clear diesel fuel must have a blender's license.*
- *Export tax must be paid by anyone who sells biodiesel bound for another state, even if that person doesn't pay the taxes above.*



References:

- T.C.A. § 67-3-103(20)
- T.C.A. § 67-3-202
- T.C.A. § 67-3-203
- T.C.A. § 67-3-204
- T.C.A. § 67-3-205
- T.C.A. § 67-3-604
- T.C.A. § 67-3-606

INTRODUCTION

This notice is intended to provide taxpayers and the general public with information about biodiesel taxation.

DISCUSSION

State law defines diesel fuel as "any liquid that is commonly or commercially known or sold as a fuel that is suitable for use in a diesel-powered highway vehicle." A liquid meets this requirement if, without further processing or blending, it has practical and commercial fitness for use in the propulsion engine of a diesel-powered highway vehicle.

Anyone who produces biodiesel for resale in Tennessee or who imports biodiesel into the state is required to obtain a bonded importer's license, file a monthly distributor's tax return and pay the one cent special tax and 0.4 cent environmental assurance fee to the state.

The importer also must pay the 17-cent diesel tax if they sell unblended biodiesel, including 99.9 percent fuel, directly to anyone who is not licensed as a blender, supplier, importer or exporter, such as a retail station. The importer also must pay the diesel tax when the unblended diesel fuel sold is placed directly into a licensed vehicle. The importer would collect the one cent special tax and the 0.4 cent environmental assurance fee, but not collect the 17-cent diesel tax if they sell to a licensee.

Blending

People who blend biodiesel with clear diesel fuel (outside the bulk terminal system and on which the diesel tax has not yet been paid) are required to have a blender's license and remit the 17-cent diesel tax on the volume of biodiesel blended. Anyone who uses untaxed, unblended biodiesel in a motor vehicle should also obtain a blender's license and remit the applicable taxes.

Exports

People who sell biodiesel destined for another state to a licensed exporter are not required to remit the taxes listed above, but they are required to remit the 1/20 cent export tax.

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the Department or your tax professional for further

T.C.A. § 67-3-701

guidance.