



Claiming the Partial Sales and Use Tax Exemption on Diesel Fuel

We are sending you this notice because you are a registered fuel retailer who may not have properly claimed the partial sales and use tax exemption for diesel fuel. Effective October 1, 2022, through September 30, 2023, Assembly Bill (AB) 194 (Stats. 2022, ch. 55) provides a 3.9375 percent partial sales and use tax exemption on the sale, storage, use, or other consumption of diesel fuel.

If you filed your return for the fourth quarter 2022 and/or the first quarter 2023, and you did not claim the partial exemption (but should have), please amend your returns. For instructions on amending a return, go to www.cdtfa.ca.gov/taxes-and-fees/amend-a-return.htm.

Instructions on how to properly claim the partial exemption

The total tax on diesel fuel when the exemption is claimed is 9.0625 percent plus applicable district taxes. When used off-road, the total sales tax on dyed diesel fuel is 3.3125 percent plus applicable district taxes. The table below shows how diesel fuel is currently taxed through September 30, 2023.

Sales Tax Rate*	Partial Exemption through September 30, 2023	Sales Tax Rate with Exemption	Additional State Tax on Diesel Fuel	Total Tax on Diesel Fuel
7.25%	3.9375%	3.3125%	5.75%	9.0625%

* Remember to add district taxes to the sales tax rate where applicable. District taxes continue to apply to sales and purchases of diesel fuel and are not included in the AB 194 partial sales and use tax exemption. District tax rates for your area are available on our website at www.cdtfa.ca.gov/formspubs/cdtfa105.pdf.

Electronic filing instructions

To claim the partial tax exemption when filing online, you must complete the following steps:

- Include the sales of diesel fuel in your *Total Sales* section on the *Sales and Purchases Information* screen.
- Also include the selling price of diesel fuel on the *Additional State Tax on Diesel Fuel* screen.
- Once those numbers have been entered, to view the exemption field, select *Yes* when answering *Do you have any partial tax exemptions for this filing period?* (This is the third question under the *Adjustments, Credits, and Partial Exemptions* heading.)
- On the next screen, under *Diesel Fuel partial tax exemption, excluding sales tax and state excise tax (not used in farming and food processing)*, enter the total sales price of the diesel fuel that was not previously included in another exemption.

Paper filing instructions

To claim the partial tax exemption when filing a paper return, you must complete the following steps:

- Include the sales of diesel fuel in your *Total Sales* on line 1 of your CDTFA-401-GS return.
- Also include the total sales of diesel on line 13b *Additional state tax on diesel sales*.
- Once you have reported the diesel fuel sales on those two lines, you can claim the exemption located on the third page of your return under Section D. The exemption should be taken on line 3, *Diesel Fuel (excluding sales of diesel fuel used in farming and food processing reported in Section C, line 2)*.

You can find more helpful information about your industry in our *Tax Guide for Gas Station Operators* at www.cdtfa.ca.gov/industry/gas-stations.htm.

Additional assistance

Please call our Customer Service Center at 1-800-400-7115 (CRS:711) for general information and guidance.

Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.