



**CDTFA**  
CALIFORNIA DEPARTMENT OF  
TAX AND FEE ADMINISTRATION

# California Use Fuel Tax

*A Guide for Vendors and Users*

## Preface

This publication is intended as a general guide to explain California's use fuel tax, which is imposed on the use of certain fuels used to propel motor vehicles.

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 who choose to pay the annual flat rate tax instead of paying the use fuel tax at the pump.

This publication addresses use fuel tax issues. 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. For information on diesel fuel and motor vehicle fuel taxes, see our [Tax Guide for Motor Fuel Taxes](#).

For more information about the Use Fuel Tax Law, please view our *Use Fuel Tax Guide* on our website at [www.cdtfa.ca.gov/taxes-and-fees/use-fuel-tax.htm](http://www.cdtfa.ca.gov/taxes-and-fees/use-fuel-tax.htm). You may also contact our Motor Carrier Office 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 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.

We welcome your suggestions for improving this publication. Please provide your comments or suggestions to:

California Department of Tax and Fee Administration  
Program Administration Branch, MIC:31  
PO Box 942879 Sacramento, CA  
94279-0031

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*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.

## Fuels subject to use fuel tax

The following types of fuel are subject to use fuel tax and collectively are referred to as *fuel*:

- Liquefied petroleum gas (LPG; a mixture of light gaseous hydrocarbons [for example, ethane, propane, butane etc.] made liquid by pressure)
- Dimethyl ether (DME)
- Dimethyl ether-liquefied petroleum gas blends (DME-LPG blends)
- 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 and other fuels
- Any fuel used or suitable for use in motor vehicles, other than fuel subject to the diesel fuel tax or the motor vehicle fuel tax

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:

- Those fuels (primarily gasoline) subject to the motor vehicle fuel tax
- Diesel fuel, including biodiesel and renewable diesel, 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 our 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 vehicular 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 defined**

Vendors and users are required to either collect or pay the use fuel tax. You may qualify as a vendor, a user, or both.

### **Vendor**



A vendor is any person who sells and places, or causes to be placed, fuel into the fuel tank of a motor vehicle. A vendor can be a wholesaler, a retailer such as a service station operator, or a user who sells fuel to other users. People who sell fuel through a key or card lock facility or self-service pump are also considered vendors. Vendor also includes any person who sells fuel delivered into the tank of a motor vehicle through a pump equipped with a key-lock meter, where the vendor retains ownership of the fuel until it is withdrawn and placed in the fuel tank, regardless of the fuel being placed in the fuel tank by the user. A vendor is required to obtain a vendor permit, collect use fuel tax, and report and pay it to us.

Not all fuel retailers qualify as vendors. People who pump fuel exclusively into vehicles registered for the annual flat rate fuel tax are not vendors. Likewise, people 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. Except in specific circumstances, users are generally required to obtain a permit, report all taxable use of fuel, and, if necessary, pay the use fuel tax to us. People who use fuel to propel 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 you 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 use fuel tax, you will owe interest and penalties on any unpaid tax. To ensure you are correctly registered, you should carefully review your sales and purchases to determine which permits you may need to obtain, or contact our [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](#).

Use the following table as a guide to determine if you are a vendor, a user, or both:

Do I qualify as a vendor or a user of fuel subject to use fuel tax?		
My fuel-related activities are:		I qualify as a:
I sell and deliver fuel:	into the fuel tank of a motor vehicle.	Vendor
	in bulk to end users.	Neither
	exclusively into vehicles registered for the annual flat rate fuel tax.	Neither
	exclusively for non-vehicular use, such as home heating, cooking, or lighting.	Neither
I use fuel:	to propel a vehicle weighing more than 7,000 pounds.	User
	to propel a commercial vehicle weighing less than 7,000 pounds and paid the flat rate tax.	User
	to propel construction equipment or farm equipment.	User
	to propel a private passenger motor vehicle on a highway.	Neither
	exclusively for non-vehicular use, such as home heating, cooking, or lighting.	Neither

We may assess you a penalty and you may be subject to fines if you are required to hold a permit and do not obtain one. 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:

Type of Fuel	Rate	Per Unit
Alcohol fuels	\$0.09	gallon
Liquefied petroleum gas (LPG), Dimethyl ether (DME), and DME-LPG blends	\$0.06	gallon
Liquid natural gas (LNG)	\$0.1017	diesel gallon equivalent (6.06 pounds)
Compressed natural gas (CNG)	\$0.0887	gasoline gallon equivalent (126.67 cubic feet or 5.66 pounds)
Kerosene, distillate, stove oil, and other fuels	\$0.18	gallon

(See [Tax Rates – Special Taxes and Fees](#) on our website for the most current rates.)

## Obtaining a permit

You must apply online for permits, accounts, or licenses at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov). You may also access online services in our field offices and our Motor Carrier Office.

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. In addition, you may be required to provide your social security number or other identifying information.

After your application has been verified, you will be issued a use fuel tax permit. There are no fees for permits. If your application is denied, you will be asked to resolve the cause of denial. For further information on specific use fuel tax permits, see either the **Vendors** or **Users** section.

## Updating your business information

Go to [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), log in with your username and password to update your account information, including, but not limited to, updating your mailing address, email address, or telephone number, or closing your account. If you prefer, you may use [CDTFA-345-SP](#), *Notice of Business Change*, *Special Taxes and Fees Accounts*, to notify us of any business changes.

## Permit cancellation

We may contact you regarding cancellation of your use fuel tax permit if your reporting history indicates that you no longer require a permit. We will also cancel your permit at your request, provided you have satisfied all reporting requirements and paid all the tax you owe. If you no longer need your use fuel tax permit, close out your permit through your online account and return your permit to us.

## Filing tax returns

Once you are registered, you will file your tax returns online on a quarterly or annual basis. It is important that we have your current contact information, so we can send you reminders and other important notifications. You must file your returns 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 of fuel to report.

## Penalty and interest

If you do not file your tax return by the due date, or if you fail to pay the tax you owe by the due date, you may be subject to penalty and interest charges. The penalty is ten percent of the amount of tax that should have been reported. Continued failure to file can result in the suspension or revocation of your permit.



# Vendors

Vendors who use fuel in motor vehicles may also be required to obtain a user permit. This section discusses how tax applies to your transactions, and your responsibilities as a vendor. It also discusses how to take a credit for bad debts.

## Vendor responsibilities

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

- Collecting use fuel tax from your customers on sales of fuel pumped 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 through our online services. 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.
- Paying tax to us. 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 the amount due online. Please visit our website at [www.cdtfa.ca.gov](http://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-108, Authorization to Sell Fuel Without Collecting Use Fuel Tax](#) (CDTFA authorization) in which the customer certifies that they are 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 to be valid. You may check the status of a CDTFA authorization you have submitted to us for processing by contacting our [Customer Service Center](#).
- Keeping adequate records.

## Recordkeeping

As a vendor, you must keep complete records of all purchases, inventories, sales, or other dispositions of fuel, including fuel inventory you used for business or personal reasons. You must keep and maintain these records for four years unless we authorize 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.

## 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 your sales and pay sales tax to us. You can apply online for permits, accounts, and licenses by visiting our website and selecting the *Login/Register* button. Online services are also available through our convenient computer kiosks located in our CDTFA offices.

### **Prepaid sales tax**

Wholesalers and suppliers of gasoline and diesel fuels are required to pre-collect sales tax from their customers and pay it to us. However, 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](#).



## 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* below).
- Sales of fuel pumped 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 those 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 pumped 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 Use Fuel Tax Return*.

### **Annual Flat Rate Fuel Tax**

You may make nontaxable sales of LPG, DME, DME-LPG blends, 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 numbers, and number of gallons sold. You are required to list the total number of tax-exempt gallons sold on your *Vendor Use Fuel Tax Return*.

## Reporting and documenting nontaxable sales

You are required to report all nontaxable sales on your *Vendor Use Fuel Tax 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 include:

- 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 us on all taxable sales of fuel. However, you may claim a credit for an account that qualifies as a bad debt if you have previously reported use fuel tax from the sale and written off the account as a bad debt for income tax purposes. You can claim a credit only for tax that applies to the unpaid portion of the account.

To take this credit, you must notify us of the delinquency by listing it on [Schedule D](#) of your *Vendor Use Fuel Tax Return* and attaching a completed [CDTFA-120](#), *Notice of Credit for Bad Debt Losses*.

If you have notified us of the delinquency and have 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 Use Fuel Tax Return*.

Generally, you may claim your credit on a return filed after you have notified us of the bad debt. However, you can notify us 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 you collect any of the tax due on the original sale after claiming a credit for tax paid on a bad debt, you must report that amount to us. It must be listed on [Schedule C](#) of the first return you file after collecting the tax.



## Users

This section provides general information for users, including when a user use fuel permit is required, California Fuel Trip Permits, responsibilities, exempt uses of fuel, and [selling a vehicle](#) that has been registered under a use fuel tax permit.

### User use fuel tax permit required

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, dimethyl ether, dimethyl ether-liquefied petroleum gas blends, 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:

- A vehicle licensed under the International Fuel Tax Agreement (IFTA).
- 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).\*
- 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.\*
- A recreational vehicle. Recreational vehicles include motor homes, pickup trucks with attached campers, and buses when used exclusively for personal pleasure.\*
- A commercial vehicle, including a pickup truck, with an unladen weight of less than 7,000 pounds.\*
- A privately operated two-axle truck that you have rented or leased for a period of 30 days or less.\*

\* 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)

You can place multiple vehicles on the same permit.

### California Fuel Trip Permit

You may obtain a *California Fuel Trip Permit* online by visiting our [website](#) or any of our [CDTFA offices](#), or at some DMV field offices (visit [www.dmv.ca.gov](http://www.dmv.ca.gov) to locate a DMV field office that sells *California Fuel Trip Permits*).

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 facilitates the pumping of the fuel directly into your motor vehicle fuel tank, or you buy it using a card or through a 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 us. You must pay any tax you owe when you file your return. If you have paid tax to vendors more than the amount due, you may claim a credit for overpaid tax.

- Pay tax directly to us 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 and purchases of fuel dispensed by the vendor into containers other than motor vehicle fuel tanks.
- Provide to your fuel vendor the proper ([CDTFA authorization](#)) for purchasing tax-exempt fuel, if applicable.
- Inform us 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, we may suspend or revoke your permit.

## Recordkeeping

You should keep all receipts, invoices and detail of figures 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 we authorize 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, DME, DME-LPG blends, LNG, or CNG, and you have elected to pay the [annual flat rate fuel tax](#).

## Exemptions for certain fuel use

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

### **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](#).

### **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.

### **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.

### **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.

### ***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 operated on a highway only when moving 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.

### ***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.
- Private entity 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.
- Transit district, transit authority, or city that owns and operates a transit system and engages in transit services itself or through a wholly-owned nonprofit corporation.
- 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.
- Passenger stage corporation engaging in certain local transit service that is subject to the jurisdiction of the Public Utilities Commission. Pursuant to [section 226 of the Public Utilities Code](#), a passenger stage corporation is defined as “every 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,” unless otherwise excepted. To qualify, the corporation must be providing the service for the transportation of persons 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.
- 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.

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 a contract carrier and not as a 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 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, DME, DME-LPG blends, LNG, or CNG may pay an annual flat rate fuel tax. The tax is based on the type and weight of the vehicle:

Vehicle Type and Size	Flat Rate
All passenger vehicles and vehicles with automobile license plates	\$36
Other vehicles with an unladen weight of:	
4,000 lbs. or less	\$36
4,001 lbs. to 8,000 lbs.	\$72
8,001 lbs. to 12,000 lbs.	\$120
12,001 lbs. or more	\$168

(See [Tax Rates – Special Taxes and Fees](#) on our website)

If you choose to pay the annual flat rate fuel tax, you must obtain an alternative fuel decal account from us 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, we 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 we 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.

**EXAMPLE:** Your annual period starts in April and you add a vehicle with unladen weight of 6,000 pounds in October, the annual flat rate fuel tax for the first year for the new vehicle would be \$36:

<b>Vehicle Type:</b>	
4,001 lbs to 8,000 lbs	\$72
Divide by 12 months =	12
Monthly Cost:	\$6
Multiplied by remaining months: 6 ( <i>October through March</i> )	
Prorated cost =	\$36

Certain annual taxpayers—for example, those who make bulk purchases of fuel—may be required to file annual returns with 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 us within ten days of the transfer date.

If you have questions about whether your fuel use is exempt from tax, please contact our [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 log into your online account and complete and file your return at [www.cdtfa.ca.gov](http://www.cdtfa.ca.gov), clearly indicating the resulting credit as a negative number (credit) in order to obtain a refund.

Refunds will be processed by us 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 [Surface Transportation Board](#).
- 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:

- Always carry the lease agreement in the leased vehicle.
- 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 should apply with our Motor Carrier Office for qualified user status. In some cases, however, we may consider you a qualified user if you meet all the above criteria. In either case, we 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 us before the Department of Motor Vehicles (DMV) will transfer ownership.

We 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 \(Request\)](#), with our [Motor Carrier Office](#). You may file the form online by logging into your account, by mail, or in person at our Motor Carrier Office, or any field office.

The following copies of information must accompany the *Request*:

- Proof of registration. Types of documents 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 us to determine whether you or the lessor is the user.

Once we have established that you have paid all the use fuel tax owed 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, please contact our Motor Carrier Office 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.





## For More Information

For additional information or assistance, please take advantage of the resources listed below.

### CUSTOMER SERVICE CENTER 1-800-400-7115 (CRS:711)

Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays. In addition to English, assistance is available in other languages.

### OFFICES

Please visit our website at [www.cdtfa.ca.gov/office-locations.htm](http://www.cdtfa.ca.gov/office-locations.htm) for a complete listing of our office locations. If you cannot access this page, please contact our Customer Service Center at 1-800-400-7115 (CRS:711).

### INTERNET

[www.cdtfa.ca.gov](http://www.cdtfa.ca.gov)

You can visit 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 your business.

You can also verify seller's permit numbers on our website (see [Verify a Permit, License, or Account](#)).

Multilingual versions of publications are available on our website at [www.cdtfa.ca.gov/formspubs/pubs.htm](http://www.cdtfa.ca.gov/formspubs/pubs.htm).

Another good resource—especially for starting businesses—is the California Tax Service Center at [www.taxes.ca.gov](http://www.taxes.ca.gov).

### TAX INFORMATION BULLETIN

The quarterly *Tax Information Bulletin* (TIB) includes articles on the application of law to specific types of transactions, announcements about new and revised publications, and other articles of interest. You can find current TIBs on our website at [www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm](http://www.cdtfa.ca.gov/taxes-and-fees/tax-bulletins.htm). Sign up for our [CDTFA updates](#) email list and receive notification when the latest issue of the TIB has been posted to our website.

### FREE CLASSES AND SEMINARS

We offer free [online](#) basic sales and use tax classes including a tutorial on how to file your tax returns. Some classes are offered in multiple languages. If you would like further information on specific classes, please call your local office.

### WRITTEN TAX ADVICE

For your protection, it is best to get tax advice in writing. You may be relieved of tax, 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. For this relief to apply, a request for advice must be in writing, identify the taxpayer 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](http://www.cdtfa.ca.gov/email) to email your request. You may also send your request in a letter to: Audit and Information Section, MIC:44, California Department of Tax and Fee Administration, P.O. Box 942879, Sacramento, CA 94279-0044.

### 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 1-888-324-2798. 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.

# Business Tax Law Guide, Regulations, Publications, and Forms

## ***Lists vary by publication***

Selected [regulations](#), [forms](#), [publications](#), and [industry guides](#) that may interest you are listed below. Spanish versions of certain publications are also available online.

## ***Business Tax Law Guide***

Use Fuel Tax Law

### ***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*
- 1325 *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***

- 17 *Appeals Procedures: Sales and Use Taxes and Special Taxes and Fees*
- 50 *California IFTA—Guide to the International Fuel Tax Agreement*
- 50-S *California IFTA—Guide to the International Fuel Tax Agreement, Spanish*

- 50-A *California IFTA—Introduction to the International Fuel Tax Agreement*
- 50-AS *California IFTA—Introduction to the International Fuel Tax Agreement, Spanish*
- 51 *Resource Guide to Tax Products and Services for Small Businesses*
- 51-S *Resource Guide to Tax Products and Services for Small Businesses, Spanish*
- 70 *Understanding Your Rights as a California Taxpayer*
- 70-S *Understanding Your Rights as a California Taxpayer, Spanish*
- 75 *Interest, Penalties, and Collection Cost Recovery Fee*
- 76 *Audits*
- 76-S *Audits, Spanish*
- 82 *Prepaid Sales Tax and Sales of Fuel*
- 84 *Do You Need a California Fuel Permit or License?*
- 88 *Underground Storage Tank Fee*
- 117 *Filing a Claim for Refund*
- 117-S *Filing a Claim for Refund, Spanish*
- 201 *Special Taxes and Fees Newsletter*
- 439 *Online Services*

### **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*

### **Industry Guide**

[Tax Guide for International Fuel Tax Agreement \(IFTA\) and Diesel Fuel Interstate User](#)

### **Tax Evasion Hotline**

We have established a toll-free number you may use to report suspected tax evasion: 1-888-334-3300. Customer service representatives are available to assist you Monday through Friday from 8:00 a.m. and 5:00 p.m. (Pacific time), except state holidays.

### **Other Related Agencies**

CDTFA is the Department responsible for administering California’s fuel taxes. If you have other questions relating to fuel laws and regulations in California, please contact the agencies listed below.

California Air Resources Board (CARB): [www.arb.ca.gov](http://www.arb.ca.gov)

California Highway Patrol (CHP): [www.chp.ca.gov](http://www.chp.ca.gov)

California Department of Motor Vehicles (DMV): [www.dmv.ca.gov](http://www.dmv.ca.gov)

California Department of Transportation (Caltrans): [www.dot.ca.gov](http://www.dot.ca.gov)

California Public Utilities Commission (CPUC): [www.cpuc.ca.gov](http://www.cpuc.ca.gov)

International Fuel Tax Association (IFTA, Inc.): [www.iftach.org](http://www.iftach.org)

Federal Motor Carrier Safety Administration (FMCSA): [www.fmcsa.dot.gov](http://www.fmcsa.dot.gov)

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MAILING ADDRESS: P.O. BOX 942879 • SACRAMENTO, CA 94279-0001**