

Biodiesel Work Group Update

Excise Tax Issues



*National Biodiesel Conference & Expo
2008*

*February 4, 2008
Orlando, FL*

AGENDA

- *Introductions*
- *Biodiesel Work Group*
- *Tax Law – Impacted Parties*
- *Current Legislation*
- *Reporting Requirements*
- *Q & A*

Biodiesel Tax

Administration

Ricky Stiff - Chief, Excise Tax recognized the complexity of administering the biodiesel tax law provisions within the current reporting requirements and formed a Biodiesel Working Group Team to address the situation.

TEAM / RESOURCES

- Biodiesel Work Group
a unique partnership



Industry

State

Federal

NBB

PMAA

Contractor Support



Biodiesel Work Group

Team Members:

Jim Conway

Tim Torri

Todd Sander

Rich Little

Gary Haer

Michel Monconduit

Ben Wootton

Mike Solomon

Manning Feraci

John Love

Larry Schafer

Al Howard

David Miller

Carol Player

Mark Morgan

Biodiesel Work Group

Team Meetings to date:

October 24-25, 2008 - Washington DC

December 6-7, 2008 - Covington KY

January 9-11, 2008 - Washington DC

Mission & Goals

Mission

Promote motor fuel tax compliance with recently enacted legislation affecting the biodiesel industry in the most cost efficient and effective manner (*ExSTARS*).

Mission & Goals

Goals

Develop electronic monthly biodiesel reporting requirements that are industry friendly and enables the service to administer and enforce the tax law. Report these results timely to Congress, industry and external and internal stakeholders.

Current Tax Law

- Producer
- Blender (biodiesel mixtures)
- Blender (taxable mixtures)
- End User

Current Tax Law

● Producer

- Registration

- Filing requirements

- Penalties

Current Tax Law

- Blender (biodiesel mixtures)
 - Registration
 - Filing requirements
 - How to File a Claim
 - Penalties

Current Tax Law

- Blender (taxable mixtures)
 - Registration
 - Filing requirements
 - Point of Tax
 - How to File a Claim
 - Penalties

Current Tax Law

❖ End User

- Filing requirements

- Point of Tax

- Penalties

Complexities of Administration

- Tax Credit and taxability of product may not be the same person
- IRS – Task to ensure both the credit and the tax are properly administered
- Effective and Efficient
- *ExSTARS (Excise Tax Summary Terminal Activity Reporting System)* >25 reportable transactions must file EDI
- Industry evolution and proposed tax law provisions

Current Legislation

- + Farm Bill Tax Title (Senate version)
- + House Ways and Means/Senate Finance
 - + Negotiated Tax Package (considered in tandem with H.R. 6, the Energy Independence and Security Act).



Biodiesel Work Group

*We are here today to present
the Biodiesel work group's*

- *recommendations, and*
- *interim reporting
requirements*

Reporting Objectives

*Consistent with mandate from
Congress and ExSTARS:*

- Report overall biodiesel production to match gallons with excise credits claimed
- Track below-the-rack sales to the point that 24.4 cents per gallon diesel fuel tax is either collected or to the point fuel enters the tax-exempt market



Reporting Requirements

Two Primary solutions were considered by the Biodiesel Workgroup

- Detailed Reporting
- Recommending Legislative Changes

Reporting Requirements

First Solution Considered

- Complex Information reporting with a new IRS Certificate tracking number
 - essentially equivalent to the 38 digit EPA RIN
- Monthly reporting by:
 - Producer
 - Blender
 - End User

Reporting Requirements

Second Solution * Team's Recommendation

- Joint legislative recommendation to change the point of taxation to the first point of blending notwithstanding the 4% paraffin rule
- Significantly reduced monthly information reporting
- Effects to Industry / Producer / Blender / End User
- New monthly Producer Report (6-8 months)
- Administration
 - IRS – Willing to postpone First Solution reporting while monitoring progress with the support of NBB

New Producer Report (6-8 months)

Form Being Developed

Producer Reporting Items

- Biodiesel production blended and sold by the producer as B99
- Biodiesel production sold/transferred as B100
 - *Employer Identification Number (EIN) & IRS 637 Registration Number*
 - *Ag / Non-Ag indicator*
 - *Document information:*
 - *Date*
 - *Unique document number traceable to each transaction*
 - *Net Biodiesel Gallons*

Question & Answer



Presenters

- **Tim Torri**, IRS, *ExSTARS* Compliance Mgr, 202-285-6706
- **Manning Feraci**, NBB, VP Federal Affairs, 202-737-8801
- **Jim Conway**, Griffin Ind., VP Sales/Mkting, 859-572-2582
- **Al Howard**, Al Howard Consultants, 301-774-2560
- **John Love**, Excise Tax Consultant, 703-244-3485



*Thank you for
attending!*

Biodiesel Workgroup Team