

ETHANOL PRODUCER

An Ethanol Producer is any person who engages in the business of producing ethyl alcohol for sale, use, or distribution. Ethyl alcohol is a motor fuel typically derived from agricultural products that has been denatured.

Uniform EPath Schedule

An Ethanol Producer is to report “Gallons of fuel-grade alcohol that stay in South Dakota when sold to licensed brokers” as a Schedule Type 10, “Gallons of fuel-grade alcohol sold to exporters” as Schedule Type 6a, and “Gallons of taxable fuel-grade alcohol sold to non-licensed brokers and exporters as a Schedule Type 5 on the Uniform EPath Schedule. The EPath schedule must be used to create your monthly tax return. A sample of the schedule is in the template section located in the back of this manual. The EPath schedule can be created in Microsoft Excel and saved as a .csv or .txt file. The file must be saved in one of these formats for the EPath program to recognize the data when the file is uploaded. Data may also be entered manually and saved before submitting the tax return. Follow the prompts given to create the schedule.

All Ethanol Producers that sell, use, or distribute ethyl alcohol in South Dakota must be licensed. They are required to collect taxes and TI Fees for ethyl alcohol that they sell unless the ethyl alcohol is sold to a licensed Ethanol Broker or to a licensed Exporter for export.

Ethanol blend is defined as a blended motor fuel containing ethyl alcohol of at least ninety-nine percent purity, typically derived from agricultural products which are blended exclusively with a product commonly or commercially known or sold as gasoline.

The blending of casinghead is not permitted in an ethanol blend fuel product in quantities larger than required to denature the alcohol.

Marketing Companies

The majority of Ethanol Producers in South Dakota have a company that also markets the ethyl alcohol. The marketing company purchases the ethyl alcohol from the Ethanol Producer and resells it. This company will need to obtain an Ethanol Broker license.

Selling Ethanol Blends and Methanol Blends

Ethyl Alcohol and Methyl Alcohol are taxed at the rate of \$.14 per gallon plus the \$.02 per gallon Tank Inspection Fee. These products are now taxed because of the various levels of ethanol blends now being seen in the industry. **If an Ethanol Producer sells an ethanol blend or methanol blend, the bill of lading and the invoice must list the alcohol gallons and gasoline gallons separately.**

Record Keeping/Acceptable Records

To ensure that the correct amount of fuel tax is collected on all fuel used on South Dakota roads and highways, the laws require Ethanol Producers to keep detailed records of all fuel transactions and deliveries. Ethanol Producers will need these records to accurately complete tax returns and must present them to Department personnel if they are audited or have their licenses reviewed. Records are to be maintained for a period of at least 30 days at the delivery location or a location approved by the Secretary. All records must be preserved for the current year and the three preceding calendar years.

Fuel Sales, Purchase, and Shipping Records

Licensed Ethanol Producers must keep all sales and purchase invoices in either their original format, through film retrieval or electronic media. They must also maintain shipping records that indicate the destination state for all products sold. The Consignee must also be identified on all bills of lading. The titles “Unlisted” and/or “Unknown” are not acceptable names for the Consignee listed on the bill of lading, since the Supplier should know who is purchasing the fuel. If a shipment is going to multiple locations in a state, the title “Various” may be used on the bill of lading to identify destination cities, but the titles “Unlisted” and/or “Unknown” are not acceptable. Bills of lading will also be retained in their original format, film retrieval, or electronic media.

The Secretary of Revenue may require other pertinent records and papers necessary for the enforcement of fuel tax laws, including purchase records, journals, ledgers, payment records and banking records.

Sales and Purchase Records

Licensed Ethanol Producers must keep all sales and or purchase invoices. A copy of the invoice must be maintained in the records of both the seller and the purchaser. The invoices must be serially numbered and must contain the following information:

- The seller’s name and address;
- The seller’s supplier’s license number issued by the department, if the fuel was sold at the pipeline or the seller’s marketer’s number if not sold at a pipeline;
- The purchaser’s name and address;
- The date of sale and delivery of the fuel;
- The number of gallons of fuel sold and delivered to the purchaser, the type of fuel and if diesel whether it was dyed or not;
- The price charged per gallon of fuel;
- If charged, the amount of fuel tax or sales tax. Fuel tax must either be listed separately or as a statement by the marketer that the price per gallon required by law includes the South Dakota fuel tax; and
- The total amount of the sales invoice

Other Records Required of Ethanol Producers

Ethanol Producers are required to maintain inventory records that show the total gallons on hand at the beginning of the month, the total gallons produced during the month, the total gallons sold during the month, and the total gallons remaining in storage at the end of the month. Ethanol Producers must keep records that show the total number of ethyl alcohol gallons produced out of state each month. Total gallons of natural gasoline and/or gasoline used to denature the alcohol during the reporting period are also required.

Ethanol Producers are required to keep all alcohol denaturing records. The Ethanol Producer may denature alcohol by adding gasoline or natural gasoline to it in amounts equal to at least 5 gallons of gasoline for each 95 gallons of alcohol. The alcohol may also be denatured by any other method common in the industry. All alcohol for in-state sale or distribution must be denatured **prior** to being delivered into a delivery vehicle. Splash blending is not an acceptable means for denaturing alcohol.

The Secretary of Revenue may require other pertinent records and papers necessary for the enforcement of fuel tax laws, including purchase records, journals, ledgers, payment records and banking records.

Ethanol Producer Electronic Uniform Schedules of Disbursements

An electronic Uniform Schedules of Disbursement is required to be filed by Ethanol Producers with each monthly electronic tax return. This schedule must show each individual transaction that takes place during the month. The FEIN number of the purchaser is entered on the schedule must match the number that is authorized for the purchaser. The correct schedule type must also be entered for each transaction. The fuel type is to be identified by the FTA Product Code that is listed for it in the chart at the beginning of this manual.

Allowances

Ethanol Producers who properly remit tax as discussed earlier are allowed to retain an amount equal to two and one-fourth percent (2.25 percent) of the tax due on each gallon of fuel withdrawn from the rack. The Ethanol Producer may keep one-third of this amount (.75 percent) to help offset the administrative expenses involved in reporting and remitting taxes. The remaining two-thirds (1.5 percent) is passed on to the customer who withdrew the fuel.

If an Ethanol Producer is late in submitting the monthly return or remitting the taxes due, the Ethanol Producer may not retain any of the 2.25 percent allowance. If a customer is late in paying the fuel tax owed, the Ethanol Producer may retain the entire 2.25 percent allowance.

Payment and Reporting Schedule

All fuel tax due from an Ethanol Producer must be remitted to the Department of Revenue by electronic transfer on or before the second to the last day of the month following each monthly return period. The last day and the second to the last day of the month means the last day and second to the last day of the month which are not a Saturday, Sunday, legal holiday or on a day that the Federal Reserve Bank is closed. The tax is due on the next day that is not a Saturday, Sunday, legal holiday or a day that the Federal Reserve Bank is closed.

A monthly tax return must be submitted with respect to information for the preceding calendar month by electronic means on or before the twenty-third day of the month. For example, an Ethanol Producer would submit the September tax return on or before October 23rd. If October 23rd falls on a Saturday, Sunday, legal holiday or on a day that the Federal Reserve Bank is closed, the return is due on the next day that is not a Saturday, Sunday, legal holiday, or a day the Federal Reserve Bank is closed.

Ethanol Incentive Payments

A production incentive payment (based on available funding) of 20 cents per gallon is available to ethanol producers for ethyl alcohol that is fully distilled and produced in South Dakota and to qualified biobutanol producers for biobutanol fully produced in South Dakota. The ethyl alcohol must be ninety-nine percent pure and must be distilled from cereal grains. If ethyl alcohol is to be shipped outside of the United States, it does not need to meet these provisions to qualify for the ethanol production incentive payment.

Annual production incentive payments for any facility may not exceed \$1 million. An ethanol production facility is eligible for a production incentive payment only if the facility has produced qualifying ethyl alcohol on or before December 31, 2006. No facility may receive any production incentive payments in an amount greater than \$9,682,000 dollars.

Refunds

Ethanol Producers may obtain a refund of the taxes paid for natural gasoline and or gasoline that is used to denature alcohol. This refund can be claimed on the Ethanol Producer tax return.

Bulk Transfers of Alcohol into or Within a SD Terminal

As of July 1, 2011, ethyl alcohol or methyl alcohol transferred in bulk by pipeline into a terminal or in bulk by pipeline within a terminal will NOT be exempt from South Dakota taxes and TI fees. Ethanol Brokers may however obtain ethyl alcohol tax free from an Ethanol Producer. Once this fuel is transferred from the Ethanol Broker to a licensed South Dakota Supplier, taxes and TI fees need to be collected from the Supplier by the Ethanol Broker and remitted on the Ethanol Broker's tax return.



Ethanol Producer Return

South Dakota
Department of Revenue
Reporting Period:
Return Due:

DENATURED FUEL-GRADE ALCOHOL INVENTORY SALES		
1	Total gallons of fuel-grade alcohol in inventory at beginning of reporting period	
2	Total gallons of fuel-grade alcohol produced or upgraded during reporting period	
3	Subtotal gallons of fuel-grade alcohol (Add Lines 1 and 2)	
4	Total gallons of fuel-grade alcohol sold to licensed brokers and exporters	
5	Total gallons of taxable fuel-grade alcohol sold to non-licensed brokers and exporters	
6	Total gallons of fuel-grade alcohol sold during reporting period (Add Lines 4 and 5)	
7	Total gallons of fuel-grade alcohol in inventory at end of reporting period (Subtract Line 6 from Line 3)	
ETHANOL PRODUCTION INCENTIVE		
8	Total gallons biobutanol produced	
9	Total gallons ethyl alcohol shipped out of the United States of America	
10	Total gallons fuel-grade sold during reporting period (Record amount from Line 6 here)	
11	Total gallons fuel-grade alcohol produced out-of-state	
12	Net gallons eligible for production payment (Subtract Line 11 from Line 10 and add Line 8 + Line 9)	
13	Production Payment Rate	\$0.20
14	Production payments allowance for this reporting period (Multiply Line 12 by rate on Line 13)	
TAXES AND FEES DUE		
15	Allowance (If Filing on Time) (Multiply Line 5 by 0.0225)	
16	Fuel Tax Due (Subtract Line 15 from Line 5 and multiply by \$0.14)	
17	Tank Inspection Fee (Multiply Line 5 by \$0.02)	
18	Total gallons of natural gasoline used for denaturing alcohol	
19	Total gallons of gasoline used for denaturing alcohol	
20	Net Credit Due for gallons used as a denaturant (Multiply Lines 18 & 19 by \$0.28 tax rate)	
21	Tank Inspection Fee (Multiply Lines 18 & 19 by \$0.02)	
22	Total credit for this reporting period (Add Lines 20 and 21)	
23	Total taxes and fees for this reporting period (Add Lines 16, 17, and subtract Line 22)	
24	Interest	
25	Penalty	
26	Total Due (Add Lines 25, 24, and 23)	

Ethanol Producer Electronic Tax Return Instructions

1. Report total gallons of fuel-grade alcohol in Producer's inventory at beginning of reporting period.
2. Report total gallons of fuel-grade alcohol produced or upgraded during reporting period.
3. Subtotal gallons of fuel-grade alcohol (Add Lines 1 and 2).
4. Report total gallons of fuel-grade alcohol sold to licensed ethanol brokers and exporters. Attach Uniform Schedule of Disbursements (Type 6a or 10).
5. Report total gallons of fuel-grade alcohol sold to non-licensed ethanol brokers. (Type 5).
6. Total gallons of fuel-grade alcohol sold during reporting period (Add Lines 4 and 5).
7. Total gallons of fuel-grade alcohol remaining in inventory at end of reporting period (Subtract Line 6 from Line 3).
8. Total gallons of biobutanol produced.
9. Total gallons of ethyl alcohol shipped out of the United States of America. (Ethyl alcohol shipped outside of the United States, does not need to be denatured to qualify for the ethanol production incentive payment).
10. Report total gallons of fuel-grade alcohol sold during reporting period (Record amount from Line 6 here).
11. Total gallons of fuel-grade alcohol produced out-of-state.
12. Net gallons eligible for production payment (Subtract Line 11 from Line 10 and add Line 8 and Line 9).
13. Production payment rate.
14. Production payment allowance for this reporting period (Multiply Line 12 by rate on Line 13).
15. Allowance (If filing on time) (Multiply Line 5 by 0.0225).
16. Fuel Tax due (Subtract line 15 from Line 5 and multiply by \$.14).
17. Tank Inspection Fee due (Multiply Line 5 by \$.02).
18. Report total gallons of natural gasoline used for denaturing alcohol (Determine from your records).
19. Report total gallons of gasoline used for denaturing alcohol (Determine from your records).
20. Net tax credit due for gallons of gasoline and/or natural gasoline used as denaturant (Multiply Lines 18 & 19 by \$.28 tax rate).
21. Tank Inspection Fee (Multiply Lines 18 & 19 by \$.02).
22. Total credit for this reporting period (Add Lines 20 and 21).
23. Total taxes and fees for this reporting period (Add Lines 16, 17, and subtract Line 22).
24. Interest Due (Interest is calculated at 1.00 percent per month. First month is \$5 or 1.00 percent, whichever is greater).
25. Penalty Due (Penalty is calculated at 10 percent or \$10, whichever is greater, for filing a return late even if no tax is due).
26. Total Due (Add Lines 23, 24 and Line 25).