

Ethanol Producer & Broker

https://dor.sd.gov/ 1-800-829-9188

The purpose of this Tax Fact is to explain how South Dakota motor fuel taxes apply to motor fuel transactions. It is not intended to answer all questions that may arise. The information contained in this fact sheet is current as of the date of publication.

Who Needs an Ethanol Producer License?

Any person or business that produces ethyl alcohol for sale, use, or distribution.

Many ethanol producers make exclusive agreements with ethanol brokers for the sale of their fuel.

An ethanol producer is responsible for collecting and remitting taxes and tank inspection fees on gallons of ethyl alcohol sold to unlicensed companies. If an ethanol producer sells to anybody other than an ethanol broker, taxes and tank inspection fees may be due. If an ethanol producer makes a sale to an end user, a marketer license is required.

	South Dakota Motor Fuel Tax Rates		
	Gasoline	.28	
	Undyed Diesel	.28	
	Ethanol	.14	
b	Visit <u>https://dor.sd.gov/individuals/taxes/</u> <u>motor-fuel/</u> for a complete list of motor fuel tax rates.		

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Who Needs an Ethanol Broker License?

Any person or business that markets ethyl alcohol produced by ethanol producers in South Dakota. Licensed ethanol brokers may purchase ethanol tax free from a licensed ethanol producer.

Ethanol Brokers are required to remit taxes and tank inspection fees for the ethanol they sell, unless the ethanol is sold to a licensed exporter for export, to the Federal Government, or to another licensed ethanol broker for resale.

Ethanol Producer and Broker returns should be filed electronically monthly using <u>Epath</u>.

What is Ethanol?

Ethyl alcohol is a motor fuel derived from agricultural products that have been denatured. 'Ethanol' is the commonly used term for ethyl alcohol, as described in South Dakota Codified Law.

Denaturant

Denaturing is the process of adding gasoline or natural gasoline in the amount of 2 gallons for each 98 gallons of alcohol.

Ethanol producers may apply for a refund of the taxes paid for the natural gasoline and/or gasoline that is used to denature alcohol by claiming it on their monthly returns.

Bill of Lading (BOL)

The bill of lading is a document issued by a terminal operator, bulk plant operator, transporter, or ethanol producer. Please see the <u>Supplier Tax Fact</u> for additional information on bills of lading.

An invoice is <u>not</u> a bill of lading. A bill of lading is the legal document required by South Dakota Codified Law to dictate fuel transactions.

Schedule Types

The ethanol producer and broker returns include these schedule types:

Schedule Type	Description	Producer or Broker
28	Gallons received tax unpaid blend-able stock	Broker
5	5Gallons of 100% ethanol and methyl alcohol delivered with tax collectedProducer & Broker	
6A	Gallons of 100% ethanol and methyl alcohol sold tax exempt because the customer is a licensed exporter	Producer & Broker
6B Gallons sold to licensed blender		Producer
7 Gallons exported out of state		Broker
8	Gallons sold to US Government tax exempt	Producer & Broker
10	Gallons sold to other tax-exempt entities	Producer & Broker

At the Rack

South Dakota is a "tax at the rack" state. This means that motor fuel is taxed as it is distributed from the rack inside a terminal. Ethanol must be taxed prior to entering a motor fuel pipeline terminal. Ethanol cannot be transmitted in a pipeline.

Example:

Dazed Ethanol sells ethanol to Dull Oil.

• Since the fuel will be delivered to Dull Oil's tanks inside of a motor fuel terminal, Dazed Ethanol must charge South Dakota motor fuel taxes to Dull oil.

Diversion Tickets

South Dakota relies on the information that is printed on the bill of lading because it determines the taxability of fuel products. However, if a shipment was destined to go to one destination, but was then diverted to another destination or if the issuer of the BOL failed to list the correct information on the BOL, a diversion ticket will need to be issued for the shipment or partial shipment.

The entity that causes the diversion is responsible for reporting the diversion.

Example:

Noxious Gas Inc. purchased ethanol from a licensed ethanol producer, Vicious Fuel in Minnesota, with an original destination in Minnesota. While Noxious Gas was en route to one of their locations in Minnesota, they received notification that their gas station in South Dakota was running very low on ethanol. Noxious Gas chose to divert the load to South Dakota.

• Since Noxious Gas caused the diversion, they would be required to report this diversion on their import/export license and a diversion ticket is issued.

Allowance—Producer Only

Ethanol producers who properly file their returns and remit tax are able to earn an allowance. They are allowed to retain an amount equal to 2.25% of the tax due on each gallon of fuel sold. Producers will keep 1/3 of this amount to help offset administrative expenses involved in reporting and remitting of taxes. The remaining 2/3 is passed on to their customer.

Ethanol producers that are late in submitting their monthly return cannot retain any of the 2.25% allowance.

If the ethanol producers report and remit on time, but the customer is late in paying the fuel tax owed to the ethanol producer, the producer may keep the entire 2.25%.

Non-Motor Fuel Uses—Hand Sanitizer

An ethanol producer may use some of their inventory to produce hand sanitizer. This product does not have any denaturant in it but does contain an approved bittering agent. The bittering agent makes any product non-consumable. Because this alcohol does not contain a denaturant, these gallons do not get reported on the ethanol producer return. Hand sanitizer is reported on the business's sales tax return. (See <u>Sales Tax Guide</u> for additional information)

Record Keeping

Detailed records must be kept of all fuel transactions. Records must be kept for the current year plus three preceding years.

Producer	Broker
Required records to keep include, but may not be limited to:	Required records to keep include, but may not be limited to:
Bills of lading	Bills of lading
Sales and purchase invoices	Sales and purchase invoices
 Shipping records indicating destination state for all products sold 	 Shipping records indicating the destination state for all products sold
Diversion tickets	Drop load tickets
Drop load tickets	
Inventory records	
Machine hour listings and time sheets	
Gallons of ethyl alcohol produced during the reporting period	
Denature records	

Go online to https://dor.sd.gov/businesses/taxes/motor-fuel/ for tax information that applies to your business.

Please go to our website at <u>https://dor.sd.gov/</u> and search for our filing guides if you would like assistance filling out online returns.

<u>Contact Us</u>			
If you have any questions, please contact the	If you have any questions, please contact the South Dakota Department of Revenue.		
Call toll-free: 1-800-829-9188	Call toll-free: 1-800-829-9188		
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