

Distributed by DBEDT
at the Ethanol Working Group meeting
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Informal advice provided by the Department of Taxation is being provided for your information. Please distribute as appropriate.

Particular concerns and scenarios should be directed to the technical section of the Department of Taxation at 587-1577.

Regarding the general excise exemption of sale of alcohol fuels (§[237-27.1](#)*) and the question about the initial tank of E-10:

'In the next couple of months, gasoline providers will be transitioning between selling the current type of gasoline to selling an E-10 mix. It is the Department's current understanding that the E-10 mix will qualify for the GET exemption at §237-27.1.

The cleanest transition would be for the provider to completely empty the gas tank before filling the tank with E-10. The Department understands that this is not always economically practical or feasible, so it is anticipated that at the time E-10 is initially put into a tank, the tank will still have some of the old gasoline, which is not exempt from the general excise tax.

The Department will allow the seller to use a first-in, first-out method to account for the portion still taxable; provided that the seller of the gasoline is able to demonstrate to the Department how much gasoline was in the tank before adding E-10 to the tank. If the seller cannot demonstrate the amount of gasoline that was left in the tank before adding E-10, no portion of the commingled tank will qualify for exemption under §237-27.1, and therefore the entire tank will be subject to the general excise tax.

Under this first-in, first-out method, the seller would continue to pay general excise tax on the sales of commingled gasoline/E-10 from a tank until an amount equal to what was remaining in the tank before E-10 was introduced has been sold. It is the Department's understanding that this commingling will only occur once for each tank. '

* Statute:

http://www.capitol.hawaii.gov/hrscurrent/Vol04_Ch0201-0257/HRS0237/HRS_0237-0027_0001.HTM