

2014 Alternative Fuels Tax Information

Virginia divides fuels into two categories: motor fuels and alternative fuels. Motor fuels include gasoline, diesel fuels, blended fuels, and aviation fuels. Alternative fuels are defined as a combustible gas, liquid, or other energy source that can be used to generate power to operate a highway vehicle and that are not motor fuels. Suppliers, importers, blenders, providers, retailers, and bulk users of alternative fuel are subject to taxes paid to the Virginia Department of Motor Vehicles (DMV).

What are the fuel tax rates in Virginia? (From Virginia DMV)

Fuel Type	Tax Rate
Gasoline, Motor Fuels, and Blended Fuels (including ethanol and biodiesel)	eleven and one tenth cents (0.111) per gallon
Alternative Fuels—all alternative fuels are required to be converted to the Gasoline Gallon Equivalent (GGE)* before reporting	eleven and one tenth cents (0.111) per Gasoline Gallon Equivalent (GGE)
Liquefied Natural Gas (LNG)	Conversion: 1.5362 gallons of LNG = 1 gallon of Gasoline Equivalent Equation: LNG GGE = LNG Gallons x 0.650957
Propane Autogas Liquefied Petroleum Gas (LPG)	Conversion: 1.35 gallons of LPG = 1 gallon of Gasoline Equivalent Equation: LPG GGE = LPG Gallons x 0.740741
Compressed Natural Gas (CNG)	Conversion: 126.67 cubic feet of CNG = 1 gallon of Gasoline Equivalent Equation: CNG GGE = Cubic Feet of CNG x 0.007895
Hydrogen (H ₂)	Conversion: 357.37 cubic feet of Hydrogen = 1 gallon of Gasoline Equivalent Equation: Hydrogen GGE = Cubic Feet of Hydrogen x 0.002798

For current rates, visit: <http://www.dmv.state.va.us/commercial/#taxact/general.asp>

*Gasoline Gallon Equivalents (GGEs) are the amount of alternative fuel it takes to equal the energy content of one liquid gallon of gasoline. They allow consumers to compare the energy content of competing fuels against a commonly known fuel—gasoline.

Get in Touch

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Federal Taxes on Alternative Fuels

The Internal Revenue Service (IRS) imposes federal excise taxes on gasoline, diesel fuel, and alternative fuels. Please refer to the IRS publication on excise taxes (<http://www.irs.gov/pub/irs-pdf/p510.pdf>), as it discusses fuel taxes (chapter one) and fuel tax credits and refunds (chapter 2). Federal base tax rates on the various conventional and alternative fuels are as follows, not including tax credits:

Fuel Type	Tax Rate	Notes
Gasoline	\$0.184/gallon	
Diesel	\$0.244/gallon	
Propane Autogas (LPG)	\$0.183/gallon	Does not include tax credit
Compressed Natural Gas (CNG)	\$0.183/GGE (126.67 cubic feet)	Does not include tax credit
Liquefied Natural Gas (LNG)	\$0.243/gallon	Does not include tax credit
Hydrogen (H ₂)	\$0.184/gallon	Does not include tax credit
Biodiesel	\$0.244/gallon	Does not include tax credit
E85	\$0.184/gallon	Ethanol produced from natural gas is taxed at \$0.114/gallon

Federal Tax Credits on Alternative Fuels

Fuel Type	Tax Credit
Propane Autogas (LPG)	\$0.50/gallon
Compressed Natural Gas (CNG)	\$0.50/121 cubic feet
Liquefied Natural Gas (LNG)	\$0.50/gallon
Hydrogen (H ₂)	\$0.50/gallon
Biodiesel (all blends)	\$1.00/gallon

Note: Tax exempt entities such as state and local governments that dispense qualified fuel from an on-site fueling station for use in vehicles qualify for the incentive. Eligible entities must be registered with the IRS. The incentive must first be taken as a credit against the entity's alternative fuel tax liability; any excess over this fuel tax liability may be claimed as a direct payment from the IRS. The tax credit is not allowed if an incentive for the same alternative fuel is also determined under the rules for the ethanol or biodiesel tax credits. **This tax credit is applicable to fuel sold or used between January 1, 2005 and December 31, 2013.**

Disclaimer: Virginia Clean Cities strongly encourages individuals and fleets to contact the IRS or a tax professional before making any tax-related decisions.