



E85 Taxation: Excise Tax, Prepaid Tax, Sales Tax, & Vendor Use Tax

Dear Valued Customer:

We would like to share some information regarding E85 Flex Fuel taxes and how they may differ from Gasoline taxes. First it is important to state that we, at Pearson Fuels, are **NOT** tax advisors and encourage you to review this information with a tax accountant.

Below is an overview regarding various fuel taxes and our understanding of how they relate to E85 as of July 1, 2025:

- 1) **CA Excise Tax:** E85 is exempt (currently \$0.612/gallon for Gasoline)
- 2) **CA Prepaid Tax:** E85 is excluded (currently \$0.075/gallon for Gasoline)
- 3) **CA Sales Tax:** E85 is subject to the regular rate for your area, **NOT** the reduced rate for Gasoline.
- 4) **CA Vendor Use Fuel Tax:** E85 is subject to (currently \$0.09/gallon)

Pearson Fuels does **NOT** collect CA Sales Tax or Use Fuel Tax on behalf of retail gas stations. Each retailer is required to register the sale of E85 with the California Department of Tax & Fee Administration (CDTFA) for the Use Fuel Tax (paid quarterly).

How to Register Sale of E85 & Report CA Vendor Use Fuel Tax:

1. Visit CDTFA website: <https://www.cdtfa.ca.gov/>
2. Click "Sign Up Now" to create a username and password
 - a. Note that you have probably already signed up for other fuels. If so, click "Register a New Business Activity"
3. Complete questionnaire specific to your business. Follow the steps as if you are obtaining a seller's permit
4. Receive AV account
5. Receive ID number used on tax return Form CDTFA-501-AV

Additional Resources:

- Pearson Fuel SAMPLE E85 Margin Calculator (sent in the Welcome Email) • CA Use Fuel Tax Guide - A Guide for Vendors & Users
 - <https://www.cdtfa.ca.gov/taxes-and-fees/use-fuel-tax.htm>
- Vendor Use Fuel Tax Return (Form CDTFA-501-AV)
 - <https://www.cdtfa.ca.gov/formspubs/forms.htm>

We hope you find this information useful. Thank you for your partnership!

- The Pearson Fuels Team