

# ***Biodiesel and Maryland Tax***

This publication explains how Maryland fuel and sales taxes apply to the production, sales, use and importation of biodiesel.

## **What is biodiesel?**

Biodiesel is a fuel made fully or partially from vegetable oils or animal fats. It is typically produced by combining a vegetable oil or animal fat with an alcohol, in the presence of a chemical catalyst to produce monoalkyl esters and glycerin. In Maryland, straight vegetable oil (SVO) would be subject to the same motor fuel requirements as biodiesel when used as a motor fuel.

## **Do Maryland taxes apply to biodiesel?**

Yes. Maryland's motor fuel and sales taxes apply to biodiesel. The following sections explain how the taxes apply and the tax registration and filing requirements in Maryland.

## **Is biodiesel a taxable fuel?**

Yes. Under the state's motor fuel tax law, tax applies to biodiesel, defined as a special fuel that is useable as a fuel in an internal combustion engine.

## **Who must register and pay fuel tax on biodiesel?**

In general, you must register with MATT Regulatory Division if you do any of the following in Maryland:

- Manufacture or produce biodiesel, *even for your own use.*
- Sell biodiesel that has not been taxed as diesel fuel.
- Use biodiesel that has not been taxed as diesel fuel to power a vehicle driven on roads or highways.
- Import biodiesel from another state.

If you make your own biodiesel and use it in a vehicle that will be driven on roads or highways, the tax is due when you put the biodiesel into the vehicle's fuel tank.

If you are required to register, we will issue you a *Special Fuel User or Seller License*. There is no fee for the license. The license application can be found at our website at: [http://compnet.comp.state.md.us/MATT\\_Regulatory\\_Division/Motor\\_Fuel\\_Tax/Static\\_Files/Forms/MFT046fi.pdf](http://compnet.comp.state.md.us/MATT_Regulatory_Division/Motor_Fuel_Tax/Static_Files/Forms/MFT046fi.pdf). It is used for multiple license classes.

## **Do I have to post a bond?**

No, as a user of biodiesel, you will not need to post a bond unless you use more than 4,000 gallons per year however, as a seller of biodiesel, you will need to post a bond.

## **Will I have to file motor fuel tax returns?**

Yes. After we issue your license, you will have to file motor fuel tax returns. You will receive a motor fuel tax return approximately 3 weeks before the due date. You must file a return even if you do not have any activity for the reporting period. Until you exceed 4,000 gallons per year, users only, you have the option of filing and paying the motor fuel tax annually or monthly.

## **What is the tax rate?**

The state special fuel tax rate is \$.2425 per gallon of motor fuel used.

## **Why do I have to pay tax on biodiesel I make for myself?**

Maryland fuel taxes pay for the construction and maintenance of state and local roads and highways. The taxes apply to all fuel used on roads and highways.

## **Are there any state tax credits for biodiesel?**

No.

## **Who can I contact for further information?**

Contact:

- Maryland Department of Environment
- Environmental Protection Agency
- Internal Revenue Service