# NOTICE

# CURRENT AND HISTORIC RATES FOR NEW JERSEY'S PETROLEUM PRODUCTS GROSS RECEIPTS TAX

P.L. 2016, c.57, which Governor Christie signed into law on October 14, 2016, amended the Petroleum Products Gross Receipts Tax Act (N.J.S.A. 54:15B-1 et seq.) as part of legislation to support strengthened investments in public and private assets in this State. The amendments – which went into effect on November 1, 2016 – increased the tax rate, added a number of exemptions, and changed certain reporting requirements.

## Tax Rates and Effective Dates

### Petroleum Products – Other Than Highway Fuel and Aviation Fuel

Effective November 1, 2016, companies that refine and/or distribute petroleum products other than highway fuel and aviation fuel pay a tax of 7 percent on their gross receipts from the first sale of those products in New Jersey.

***First sale of petroleum products in New Jersey*** means the initial sale of petroleum products delivered to a location in New Jersey and sold to a purchaser that is not a holder of Direct Payment Permit. (To learn who has a permit, see permits. To apply for a permit, see PPT-1.) ***First sale of petroleum products in this State*** does not include a book or exchange transfer of petroleum products if the seller intends to sell such products in the ordinary course of business.

### Highway Fuel

***Highway fuel*** means gasoline; blended fuel that contains gasoline or is intended for use as gasoline; liquefied petroleum gas (LPG); and diesel fuel – including blended fuel that contains diesel fuel or that is intended for use as diesel fuel. It also includes kerosene that is not of aviation grade.

#### Gasoline and Liquefied Petroleum Gas (LPG)

Effective November 1, 2016, a company that refines and/or distributes highway fuels pays a tax of 12.85 percent on the gross receipts from the first sale of gasoline, including blended fuel that contains gasoline or is intended for use as gasoline, and liquefied petroleum gas (LPG). The 12.85 percent rate on highway fuel is converted to a cents-per-gallon rate based on the average retail price per gallon of unleaded regular gasoline in the State and is adjusted quarterly on July 1, October 1, January 1, and April 1. The Division of Taxation posts the quarterly rate adjustments on its website.

On November 1, 2016, the PPGRT on gasoline was changed to 22.6 cents per gallon, plus an additional tax of 4 cents per gallon. (See the section on Additional Tax below.) The Motor Fuel Tax charged on gasoline was unchanged by the 2016 law and remains at 10.5 cents per gallon. The Motor Fuel Tax charged on liquefied petroleum gas (LPG) also is unchanged and remains at 5.25 cents per gallon.

### Diesel Fuel

The tax rate on the gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene (other than aviation grade kerosene) remained unchanged from November 1, 2016, through December 31, 2016.***** Instead, the rate increase of 12.85 percent was phased in later so that a company that refines and/or distributes such fuels paid a tax on the gross receipts from the first sale as follows:

- January 1, 2017, through June 30, 2017, the tax rate was set at 8.995 percent.
- On and after July 1, 2017, the tax rate increase was fully phased in to 12.85 percent on gross receipts.

The 12.85 percent rate is converted to a cents-per-gallon rate based on the average retail price per gallon of No. 2 Diesel in the State and is adjusted quarterly on July 1, October 1, January 1, and April 1. The Division of Taxation posts the quarterly rate adjustments on its website.

*****The delay in phasing in the increase did not mean that the tax rate on diesel was zero from November 1, 2016, through December 31, 2016. Diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and non-aviation-grade kerosene continued to be subject to a tax of 4 cents per gallon. (See the section on Additional Tax below.) The Motor Fuel Tax charged on diesel products was unchanged and remained at 13.5 cents per gallon.

## Fuel Oil

Effective November 1, 2016, gross receipts from the first sale of fuel oil products in New Jersey are taxed at 7 percent. That rate is converted to a cents-per-gallon rate based on the average price per gallon of No. 2 Fuel Oil in the State and is adjusted quarterly on July 1, October 1, January 1, and April 1. The Division of Taxation posts the quarterly rate adjustments on its website. On November 1, 2016, the tax was 12.4 cents per gallon.

### Aviation Fuel

***Aviation fuel*** means aviation gasoline or aviation grade kerosene or any other fuel that is used in aircraft.

The taxation of aviation fuel is unaffected by P.L.2016, c.57 and continues to be subject to an additional tax of 4 cents per gallon. (See the section on Additional Tax below.) However, under the PPGRT Act, receipts from sales of aviation fuels used by common carriers in interstate or foreign commerce (other than the burnout portion), are excluded from gross receipts and, therefore, are not subject to the additional tax. Taxpayers that qualify for this exclusion and do not currently hold a Direct Payment Permit should apply for one by completing Form PPT-1.

### Exceptions

Dyed fuel and dyed heating oil are primarily used in machines and equipment that do not operate on public roads. Such uses are included as exempt uses for highway fuel. As a result, dyed fuel, and dyed heating oil are deemed exempt from the tax unless used for a taxable purpose. For example, dyed fuel used in a vehicle that operates on public roads is taxable.

Undyed kerosene is exempt from the tax if it is sold to a dealer that holds a Motor Fuel Retail Dealers License that is designated as ultimate vendor (blocked pump).

Liquefied Petroleum Gas (LPG) is exempt from the tax unless it is delivered into the fuel tank of a highway vehicle.

Any person delivering dyed fuel, liquefied petroleum gas (LPG), or undyed kerosene into the fuel tank of a highway vehicle is subject to the tax. Such a person must file Form PPT-10, *Petroleum Products Gross Receipts Tax Return,* and remit the tax due. (PPT-10 Instructions)

## Additional Tax

As mentioned above, in addition to other taxes, a tax of 4 cents per gallon on gross receipts was levied on all fuel sales made before July 1, 2017. That tax remains at 4 cents for gasoline, blended fuel that contains gasoline or is intended for use as gasoline, liquefied petroleum gas (LPG), and aviation fuel. On and after July 1, 2017, the tax on diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene that is not of aviation grade increased to 8 cents per gallon.

This 4-cent tax is levied on the first sale in the State of gasoline, blended fuel that contains gasoline or is intended for use as gasoline, liquefied petroleum gas (LPG), and aviation fuel. The 8-cent tax is levied on the gross receipts from the first sale of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene that is not of aviation grade.

## Tax on Imported Petroleum Products

Any company that imports or causes to be imported petroleum products for use or consumption in this State is subject to tax at the rates stated above.

# Floor Stocks Tax

A floor stocks tax was a tax imposed on inventory that a taxpayer had on October 31, 2016; December 31, 2016; and June 30, 2017. The floor stocks tax due was the difference between the tax paid before the close of business on the given dates and the new rates that went into effect the next day. For purposes of the floor stocks tax, ***close of the business day*** means the time at which the last transaction occurred for that day. For businesses that operate 24 hours a day, the last transaction occurred at 11:59 p.m.

The amount of fuel in **dead storage** in each storage tank may be excluded from the gallons of fuel reported. The amount of highway fuel allowable for dead storage calculations is 200 gallons for a tank with a capacity of less than 10,000 gallons and 400 gallons for a tank with a capacity of 10,000 gallons or more.

The Division of Taxation will post all forms on our website.

## Floor Stocks Tax – Gasoline, and Liquefied Petroleum Gas (LPG)

Anyone, other than companies that had a Direct Payment Permit (See permits.) and a completely tax-exempt inventory of gasoline, blended fuel that contains gasoline or that is intended for use as gasoline, or liquefied petroleum gas (LPG) in storage for sale at the close of the business day on October 31, 2016**,** should have:

1. At the close of business on October 31, 2016, taken an inventory of all fuel(s) in storage for which tax had been previously paid using the PPT-G-INV and PPT-G-FS Worksheet;
2. Reported the inventory to the Division no later than December 15, 2016, using the PPT- G-INV Report; and
3. Remitted the floor stocks tax to the Division no later than February 1, 2017, using Form PPT-G-FS.

Any gallons of fuel not included in the inventory reported to the Division will be considered previously untaxed unless the taxpayer can provide an invoice that shows that the gallons were delivered “tax-paid” on or after November 1, 2016.

## Floor Stocks Tax – Diesel and Kerosene (other than Aviation Grade Kerosene) – *Two returns due*

Because the new tax rates on diesel fuel, blended fuel that contains diesel fuel or that is intended for use as diesel fuel, and kerosene that is not of aviation grade went into effect on January 1, 2017, and July 1, 2017, ***taxpayers must file two separate returns*** and pay a floor stocks tax on two separate inventories:

Anyone, other than companies that had a Direct Payment Permit (see permits) and a completely tax-exempt inventory that held diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, or kerosene that is not of aviation grade in storage for sale at the close of the business day on December 31, 2016, should have:

1. At the close of business on December 31, 2016, taken an inventory of all fuel(s) in storage at the close for which tax had been previously paid;
2. Reported the inventory to the Division no later than January 31, 2017; and
3. Remitted the floor stocks tax to the Division no later than June 1, 2017.

Any gallons of fuel not included in the inventory reported to the Division will be considered previously untaxed unless the taxpayer can provide an invoice that shows that the gallons were delivered "tax-paid" on or after January 1, 2017.

In addition, other than companies that had a Direct Payment Permit (see permits) and a completely tax-exempt inventory, that held these fuels in storage for sale at the close of the business day on June 30, 2017, should have:

1. At the close of the business day on June 30, 2017, taken an inventory of all fuel(s) in storage for which tax had been previously paid;
2. Reported the inventory to the Division no later than July 31, 2017; and
3. Remitted the Floor Stocks Tax to the Division no later than December 1, 2017.

Any gallons of fuel not included in the inventory reported to the Division will be considered previously untaxed unless the taxpayer can provide an invoice that shows that the gallons were delivered "tax-paid" on or after July 1, 2017.

## Exemptions

Previously, receipts from home heating oil (including No. 2, 4, and 6 Heating Oils) and propane gas and kerosene purchased for residential heating, receipts from petroleum products used by marine vessels engaged in interstate or foreign commerce, and receipts from sales of aviation fuels used by common carriers in interstate or foreign commerce (other than the burnout portion), were exempt from the PPGRT. The implementation of P.L. 2016, c.57 added new exemptions.

Effective November 1, 2016, highway fuel is exempt from the tax when it is used for the following purposes:

Autobuses (as described in N.J.S.A. 54:15B-2.1b(1))

Agricultural tractors not operated on a public highway;

Farm machinery;

Ambulances;

Rural free delivery (RFD) carriers in the dispatch of their official business;

Vehicles that run only on rails or tracks, and such vehicles as run in substitution therefore;

Highway motor vehicles that are operated exclusively on private property;

Motor boats or motor vessels used exclusively for or in the propagation, planting, preservation and gathering of oysters and clams in the tidal waters of this State;

Motor boats or motor vessels used exclusively for commercial fishing;

Motor boats or motor vessels, while being used for hire for fishing parties or being used for sightseeing or excursion parties;

Fire engines and fire-fighting apparatus;

Stationary machinery and vehicles or implements not designed for the use of transporting persons or property on the public highways;

Heating and lighting devices;

Motor boats or motor vessels used exclusively for Sea Scout training by a duly chartered unit of the Boy Scouts of America; and

Emergency vehicles used exclusively by volunteer first-aid or rescue squads.

### Refunds

Consumers may file a claim for refund for any highway fuel purchased and used for an exempt purpose listed above. For example, a farmer who purchases highway fuel that includes State tax may claim a refund for the tax paid on fuel used in his or her farm machinery. The claim for refund must include proof that the tax was paid, and the Division must be able to confirm that no refund was previously issued on the purchase. Please see Form PPT-20, which is listed on this page: Treasury forms.

## Tax Returns and Remittances

### Who Must File

All companies that are currently registered for PPGRT must continue to file a quarterly return (See PPT-10 and PPT-10 Instructions) and make monthly remittances (Form PPT-41). This includes any companies that has a Direct Payment Permit (See permits.)

If you are making the first sale of petroleum products in this State and you are not registered, you must register and file. In addition, if you import petroleum products and resell them in this State or import them for use or consumption in New Jersey and you are not registered, you must register and file. Use Form PPT-1, *Petroleum Products Gross Receipts Tax Registration Form and Application for Direct Payment Permit*, to register.

If the only petroleum products you purchase and sell are dyed fuel or dyed heating oil, you may not have to file a tax return for petroleum products. File Form PPT-9, *Petroleum Products*

*Gross Receipts Tax Termination of Registration and/or Direct Payment Permit*, to terminate your registration.

### Fourth Quarter 2016

The tax rate increases that went into effect on November 1, 2016, occurred in the middle of the fourth quarter. As a result, the Division issued a return that accounted for the old and new tax rates. The return required you to report your activity for the month of October at the old tax rate and report your activity for the months of November and December at the new tax rate. The return was due on or before January 25, 2017.

The Division posted the return (PPT-40A) for the fourth quarter of 2016 to our website.

### New Tax Return – Beginning With the First Quarter of 2017

The Division has replaced Form PPT-40 with PPT-10, *Petroleum Products Gross Receipts Tax Return*, which incorporates the changes discussed above. (PPT-10 instructions) You are still required to file quarterly, and the returns are still due on the 25th of January, April, July and October. **The Division will not accept returns that are filed on the old forms for all periods beginning on and after October 1, 2016.**

The Division has posted the new forms to our website .

Please send any questions to fuel.tax@treas.nj.gov