



# County Technical Assistance Service

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## Petroleum Products Taxes

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Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

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## Table of Contents

Petroleum Products Taxes .....	3
Gasoline Tax.....	3
Diesel Tax.....	4
Special Privilege Tax on Petroleum Products.....	4
Liquefied Gas Tax.....	4
Compressed Natural Gas Tax .....	5
Highway User Fuel Tax .....	5

## Petroleum Products Taxes

Reference Number: CTAS-223

### Gasoline Tax

Reference Number: CTAS-1619

*Description.* The gasoline tax is a privilege tax imposed on all gasoline, fuel alcohol (as defined in T.C.A. § 67-3-103) and substitutes therefor, imported into this state; the tax being levied when the product first comes to rest in this state, subject to certain exceptions that are found in *Tennessee Code Annotated*, Title 67, Chapter 3, Part 4. The tax is administered by the Department of Revenue.

*Rate:* Twenty-four cents (24¢) per gallon, effective July 1, 2017, twenty-five cents (25¢) per gallon, effective July 1, 2018 and twenty-six cents (26¢) per gallon, effective July 1, 2019 . T.C.A. § 67-3-201.

*Distribution.* The distribution formula for twenty cents (20¢) of the gasoline tax is as follows (some minor distributions have been omitted):

1. Amount necessary (if any) to fund state debt through sinking fund account. T.C.A. §§ 67-3-901, 9-9-105.
2. Nine cents (9¢) of the twenty cents (20¢) gasoline tax is distributed as follows:
  - a. 28.68 percent (less 2 percent of this amount for Department of Revenue administration expenses) to the county aid fund for county road purposes (prior to this distribution, the County Technical Assistance Service is allocated \$28,250 per month), which is divided as follows:
    - (1) 50 percent is divided equally among the 95 counties;
    - (2) 25 percent is divided among the counties on the basis of population; and
    - (3) 25 percent is divided among the counties on the basis of geographical area.
  - b. 14.38 percent (less one percent (1%) of this amount for Department of Revenue administration expenses) to the various municipalities and the municipal street aid fund according to population.
  - c. Remainder (less 2 percent (2%) of this amount for Department of Revenue administration expenses) to the state highway fund. T.C.A. §§ 67-3-901, 54-4-103.
3. Two cents (2¢) of the twenty cents (20¢) gasoline tax is distributed as stated in 2 above, except to receive its portion the county must appropriate funds for road purposes from local revenue sources in an amount not less than the average of the preceding five fiscal years (bond issues are excluded from calculation). If this amount is less than the five-year average, the state allocation will be decreased by the difference between the five-year average and the current amount appropriated from local sources. These funds must be used for resurfacing and upgrading county roads. T.C.A. § 67-3-901.
4. Three cents (3¢) of the twenty cents (20¢) gasoline tax is distributed as follows:
  - a. Sixty-Six percent (66%) to the counties as other county aid funds are distributed (less 1 percent of this amount to the Department of Revenue for administration expenses), to be used for resurfacing and upgrading county roads.
  - b. Thirty-three percent (33%) to the municipalities as other municipal aid funds are distributed (less 1 percent of this amount to the Department of Revenue for administration expenses). T.C.A. § 67-3-901.

However, one cent (1¢) of this three cents (3¢) is subject to the local contribution rule as specified in paragraph 3 above.
5. Six cents (6¢) is distributed to the state highway fund.

The revenue from the increases in gasoline tax passed in 2017 as part of the IMPROVE Act is distributed as follows:

1. 25.4 percent to counties per T.C.A. § 54-4-103;
2. 12.7 percent to cities per T.C.A. § 54-4-103; and
3. 61.9 percent to the state highway fund.

## Diesel Tax

**Reference Number:** CTAS-1620

*Description.* The diesel tax replaces the former motor vehicle fuel use tax. This tax is a privilege tax imposed on the users of diesel fuel (as defined in T.C.A. § 67-3-103) within this state, with certain exceptions such as fuel dyed in accordance with Internal Revenue Service regulations. T.C.A. § 67-3-202. The tax is administered by the Tennessee Department of Revenue.

*Rate:* Twenty-one cents (21 ¢) per gallon, effective July 1, 2017, twenty-four cents (24 ¢) per gallon, effective July 1, 2018 and twenty-seven cents (27 ¢) per gallon, effective July 1, 2019. T.C.A. § 67-3-202.

*Distribution.* Seventeen cents (17¢) of the tax is distributed as follows:

1. 1.62 percent to the state general fund.
2. 24.75 percent to the counties to become a part of the county highway fund in the following manner:
  - a. 50 percent equally among all counties;
  - b. 25 percent on the basis of population; and
  - c. 25 percent on the basis of area.
3. 12.38 percent to the municipalities on the basis of population, with minor exceptions.
4. 61.25 percent to the state highway fund. T.C.A. § 67-3-905.

Revenues from the increases in the tax passed in 2017 as part of the IMPROVE Act are distributed as follows:

1. 17.5 percent to counties per T.C.A. § 54-4-103;
2. 8.8 percent to cities per T.C.A. § 54-4-103; and
3. 73.7 percent to the state highway fund.

## Special Privilege Tax on Petroleum Products

**Reference Number:** CTAS-1621

*Description.* The special privilege tax on petroleum products is in addition to the gasoline and diesel taxes and is imposed on all petroleum products, subject to certain exceptions. T.C.A. § 67-3-203. This tax is administered by the Tennessee Department of Revenue.

*Rate:* One cent (1¢) per gallon. T.C.A. § 67-3-203.

*Distribution.* The special tax on petroleum products is distributed as follows:

1. Two percent (2%) to general fund for administrative purposes
2. \$12,017,000 per year to the local government fund
  - a. \$381,583 monthly to county highway departments on the basis of county population.
  - b. \$619,833 monthly to cities on the basis of their population, less \$10,000 monthly to the Center for Government Training for in-service training of local government officials and employees.
3. Remainder to the state highway fund. T.C.A. § 67-3-906.

## Liquefied Gas Tax

**Reference Number:** CTAS-1622

*Description.* This tax is on liquefied gas used for the propulsion of motor vehicles on the public highways of this state. Governmental agencies are exempt. This tax is paid in advance annually by the owner of each motor vehicle licensed in Tennessee using liquefied gas as fuel. Out-of-state users pay upon delivery of the liquefied gas into the fuel supply tank of a motor vehicle. T.C.A. §§ 67-3-1102 through 67-3-1112.

*Rate:* Fourteen cents (14¢) per gallon T.C.A. § 67-3-1102.

*Distribution.* The distribution of the liquefied gas tax is as follows:

1. Nine cents (9¢) of the fourteen cents (14¢) distributed as follows:
  - a. 1.58 percent to the general fund.
  - b. 28.28 percent to the counties to become a part of the county highway fund as follows:
    - (1) Fifty percent (50%) equally among all counties;
    - (2) Twenty-five percent (25%) on the basis of population; and
    - (3) Twenty-five percent (25%) on the basis of area
  - c. 14.14 percent to the municipalities on a population basis, with minor exceptions.
  - d. 56 percent to the state highway fund.
2. Three cents (3¢) of fourteen cents (14¢) distributed to the state sinking and highway funds.
3. One cent (1¢) of fourteen cents (14¢) distributed as follows:
  - a. 66 percent to the counties as other county aid funds are distributed, less one percent (1%) to the Department of Revenue for administration expenses.
  - b. 33 percent to the municipalities as other municipal aid funds are distributed, less one percent (1%) to the Department of Revenue for administration expenses.
4. One cent (1¢) of fourteen cents (14¢) is distributed to the state highway fund. T.C.A. § 67-3-908.

As part of the IMPROVE Act, the tax will increase to seventeen cents (17¢) effective July 1, 2017, to nineteen cents (19¢) effective July 1, 2018 and to twenty-two cents (22¢) effective July 1, 2019. The revenue from this increase goes to the state highway fund.

## Compressed Natural Gas Tax

**Reference Number:** CTAS-1623

*Description.* A tax on the privilege of using compressed natural gas for the propulsion of motor vehicles on the public highways of this state. Governmental agencies are exempt. T.C.A. §§ 67-3-1113 through 67-3-1118.

*Rate.* 13 cents (13¢) per gallon. For the purpose of determining the tax, a gallon equivalent factor of 5.66 pounds per gallon is used. T.C.A. § 67-3-1113.

*Distribution.* The tax is distributed as follows:

1. 1.62 percent to the state general fund.
2. 24.75 percent to the counties to become a part of the county highway fund in the following manner:
  - a. 50 percent equally among all counties;
  - b. 25 percent on the basis of population; and
  - c. 25 percent on the basis of area.
3. 12.38 percent to the municipalities on the basis of population, with minor exceptions.
4. 61.25 percent to the state highway fund. T.C.A. § 67-3-905.

As part of the IMPROVE Act, the tax will increase to sixteen cents (16¢) effective July 1, 2017, to eighteen cents (18¢) effective July 1, 2018 and to twenty-one cents (21¢) effective July 1, 2019. The revenue from this increase goes to the state highway fund.

## Highway User Fuel Tax

**Reference Number:** CTAS-1624

*Description.* The highway user fuel tax is imposed on owners and operators of qualified motor vehicles engaged in interstate commerce in or through Tennessee. The amount of tax payable to the state is determined by dividing the total number of miles traveled in the state by the average number of miles traveled per gallon of gasoline or diesel fuel, or the per gallon equivalents of alternative fuels, and multiplying the result by the rates of the tax per gallon on the particular fuel used. T.C.A. §§ 67-3-1201 through 67-3-1210.

*Distribution.* Same as the taxes for the particular fuels that are used by the owner or operator.

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