

# Alabama Department of Revenue

News Release

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## Important Changes Coming in Motor Fuel Taxation

Montgomery—Beginning Oct. 1, 2012, Alabama will change the way it taxes motor fuels. Act 2011-565, passed during last year's legislative session, moves the point of taxation of motor fuels from the "distributor level" to the "terminal rack level" or to the point when the fuels are imported into Alabama.

Industry will see the greatest changes, according to State Revenue Commissioner Julie P. Magee, in the streamlining of tax return reporting and payment requirements.

As a result of the new law, motorists should not see any direct changes. It will not affect the rate of tax or the purchase price of fuels paid at the pumps. Tax rates for gasoline and diesel fuel will not be affected and will remain at the current 16 cents and 19 cents per gallon, respectively.

"Beginning in October, gasoline, undyed diesel fuel, dyed diesel fuel, aviation gasoline, and jet fuel sales will all be reported on one tax return instead of separate tax returns as currently done. One payment for all tax types on a return (except dyed diesel fuel which is exempt) will be required instead of separate payments for each fuel type," explained Magee.

Currently, gasoline and motor fuels are taxed at the distributor level. Basically, the taxes are currently paid by fuel distributors who hold licenses and file monthly state gasoline or motor fuel tax returns with the Alabama Department of Revenue (ADOR). Beginning in October, the new law provides that the fuels will be taxed "at the rack," which means the fuels will be taxed upon removal from the bulk terminal or upon import into Alabama.

"Basically the tax will be imposed as the fuels leave the terminal rack," explained Magee. "The licensed suppliers selling the fuels at the terminal will now report and pay the tax directly to the ADOR by filing monthly tax returns. The terminal rack is the point at which fuels physically leave a terminal and are delivered into a tank truck, rail car, or other means of transfer. The only

exception will be when fuels are imported into Alabama by ways other than the terminal transfer system or when fuels are blended in Alabama outside the terminal transfer system. In these cases, taxes will be imposed upon import or blending.”

Fuel suppliers, permissive suppliers, distributors, importers, terminal operators, exporters, motor fuel transporters, blenders, and aviation fuel purchasers are required to obtain a license to register for the fuel taxes. In addition, a new application and bond form are required to be submitted to the ADOR before licensing.

Fuel suppliers, permissive suppliers, importers, exporters, and blenders will be required to file monthly tax returns by the 22<sup>nd</sup> day of the month following the tax reporting period. Terminal operators and transporters will be required to file monthly reports by the end of the month following the reporting period. All returns and reports will be filed electronically.

Another important change will involve how tax-free purchases are handled. Currently, licensed fuel distributors can purchase gasoline and diesel fuel tax-free and sell it tax-free to entities exempted by Alabama law. However, the department advises that since the point of taxation will move to the “terminal rack” level, effective Oct. 1, 2012, fuel distributors will no longer be able to purchase gasoline and diesel fuel tax-free. As a result, tax exempt entities must apply for a Fuel Tax Exemption License to purchase gasoline or diesel fuel tax-free, beginning Oct. 1. Failure to apply for and receive a Fuel Tax Exemption License will result in the exempt entity being charged Alabama fuel tax.

Entities exempt under Alabama motor fuel laws are the United States government, county governing bodies, incorporated municipal governing bodies, city and county boards of education, the Alabama Institute for Deaf and Blind, Department of Youth Services School District, and private and church schools (K-12).

“The new law will bring many changes beginning this October to Alabama’s fuel industry, and we want to ensure that everyone affected will be aware of these important changes,” said Magee. “Over the past several months, the ADOR has worked with our industry partners, as well as with the Association of County Commissions of Alabama, the Alabama League of Municipalities, the

Alabama Department of Education and other groups and organizations to inform all who may be affected by these important changes,” said Magee.

For more information, industry and exempt entities are encouraged to visit ADOR’s Web site at [www.revenue.alabama.gov](http://www.revenue.alabama.gov) or call the department’s Motor Fuels Section at 334.242.9608. The application for the *Fuel Tax Exemption License* may be downloaded at <http://www.revenue.alabama.gov/motorfuels/racktax.html>.

“The October 1 effective date is fast approaching, and we want to do everything that we can to ensure a smooth transition for all involved—our industry partners, exempt entities, and the department of revenue. By all working together, I am confident that we can accomplish that goal,” said Magee.

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