



## NOTICE

### PETROLEUM PRODUCTS GROSS RECEIPTS TAX (PPGRT) INCREASE

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 go into effect on November 1, 2016, increase the tax rate, add a number of exemptions, and change 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) pays 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 a Direct Payment Permit](#). A “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, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene.

##### Gasoline and 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 LPG in New Jersey. The 12.85 percent rate on highway fuel will be converted to a cents-per-gallon rate based on the average retail price per gallon of unleaded regular gasoline in the State and will be

adjusted quarterly on July 1, October 1, January 1, and April 1. The Division of Taxation will post the quarterly rate adjustments on our [website](#).

On November 1, 2016, the PPGRT on gasoline and LPG will be 22.6 cents per gallon, plus the additional tax of four cents per gallon. See the section on Additional Tax below. The Motor Fuels Tax charged on gasoline and LPG is unchanged by these amendments and remains at 10 ½ 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, remains unchanged on November 1, 2016, through December 31, 2016.\* Instead, the rate increase of 12.85 percent will be phased in so that a company that refines and/or distributes highway fuels will pay a tax 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, as follows:

- January 1, 2017, through June 30, 2017: the tax rate increases by 70 percent of the 12.85 percent rate increase on gross receipts, or 8.995 percent.
- On and after July 1, 2017: the tax rate increase is fully phased in to 12.85 percent on gross receipts.

The 12.85 percent rate will be converted to a cents-per-gallon rate based on the average retail price per gallon of number 2 diesel in the State and will be adjusted quarterly on July 1, October 1, January 1, and April 1. The Division of Taxation will post the quarterly rate adjustments on our [website](#).

\*The delay in the tax rate increase does not mean that the tax rate on diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene, is zero for November 1, 2016, through December 31, 2016. These fuels continue to be subject to the additional tax of four cents per gallon. See the section on Additional Tax below. The Motor Fuels Tax charged on diesel products is unchanged by these amendments and remains at 13 ½ 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 will be converted to a cents-per-gallon rate based on the average price per gallon of number 2 fuel oil in the State and will be adjusted quarterly on July 1, October 1, January 1, and April 1. The Division of Taxation will post the quarterly rate adjustments on our [website](#). On November 1, 2016, the tax will be 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 the additional tax of four 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, 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, Registration Form and Application for Direct Payment Permit](#).

## Exceptions

Dyed fuel and dyed fuel oil (including 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 in the amendments. As a result, dyed fuel and dyed fuel 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 Fuels 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, LPG, or undyed kerosene into the fuel tank of a highway vehicle is subject to the tax. Such person must file Form PPT-40, *Petroleum Products Gross Receipts Tax Return*, and remit the tax due.

## Additional Tax

In addition to the taxes discussed above, there is an additional tax of four cents per gallon on the gross receipts from the first sale in the State of gasoline, blended fuel that contains gasoline or that is intended for use as gasoline, LPG, and aviation fuel.

The additional tax of four cents per gallon also is imposed on the gross receipts from the first sale in New Jersey of diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene, other than aviation grade kerosene, on sales made before July 1, 2017. On and after July 1, 2017, the additional tax will increase to eight cents per gallon.

## 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 is a tax imposed on inventory that a taxpayer has on hand the day before the new tax rate goes into effect. The floor stocks tax due is the difference between the tax that was previously paid on the number of gallons in inventory at the close of the business day on the day before the new tax rate goes into effect and the tax that is due on those gallons at the increased tax rate. For purposes of the floor stocks tax, close of the business day means the time at which the last transaction has occurred for that day. For businesses that operate 24 hours a day, the last transaction occurs 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 in dead storage 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 LPG

Anyone, other than [companies that have a Direct Payment Permit](#) and a completely tax-exempt inventory, holding gasoline, blended fuel that contains gasoline or that is intended for use as gasoline, and liquefied petroleum gas in storage for sale at the close of the business day on October 31, 2016, must:

1. Take an inventory of all fuel(s) in storage at the close of the business day on October 31, 2016, for which tax has been previously paid;
2. Report the inventory to the Division no later than December 15, 2016; and
3. Remit the floor stocks tax to the Division no later than February 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 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 is intended for use as diesel fuel, and kerosene other than aviation grade kerosene go 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 have a Direct Payment Permit](#) and a completely tax-exempt inventory, holding diesel fuel, blended fuel that contains diesel fuel or is intended for use as diesel fuel, and kerosene other than aviation grade kerosene in storage for sale at the close of the business day on December 31, 2016, must:

1. Take an inventory of all fuel(s) in storage at the close of the business day on December 31, 2016, for which tax has been previously paid;
2. Report the inventory to the Division no later than January 31, 2017; and
3. Remit 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, anyone other than [companies that have a Direct Payment Permit](#) and a completely tax-exempt inventory, holding these fuels in storage for sale at the close of the business day on June 30, 2017, must:

1. Take an inventory of all fuels(s) in storage at the close of the business day on June 30, 2017, for which tax has been previously paid;
2. Report the inventory to the Division no later than July 31, 2017; and
3. Remit 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

Currently, receipts from home heating oil (including numbers 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), are exempt from the PPGRT. 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 therefor;

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 that purchases highway fuel on which the tax has been previously paid may claim a refund for the tax paid on the fuel used in his or her farm machinery. The claim for refund must be made on [Form PPT-20, Petroleum Products Gross Receipts Tax Refund Application](#). 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.

## Tax Returns and Remittances

### Who Must File

All companies that are currently registered for PPGRT must continue to file a quarterly return (Form PPT-40) and make monthly remittances (Form PPT-41). This includes any [companies holding an active Direct Payment Permit](#).

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 fuel oil, including heating oil, you may not have to file a tax return. File [Form PPT-9, Petroleum Products Gross Receipts Tax Termination of Registration and/or Direct Payment Permit](#), to terminate your registration if you purchase and sell only these products.

#### **Fourth Quarter 2016**

The tax rate increases, which go into effect on November 1, 2016, occur in the middle of the fourth quarter. As a result, the Division will issue a return that accounts for the old and new tax rates. The return will require 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 is due on or before January 25, 2017.

The Division will post the return for the fourth quarter of 2016 to our [website](#) as soon as it is available.

#### **New Tax Return – Beginning with the First Quarter of 2017**

The Division will issue a revised version of Form PPT-40, *Petroleum Products Gross Receipts Tax Return*, which incorporates the changes discussed above. You are still required to file quarterly, and the returns are still due on the 25<sup>th</sup> 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 will post the new forms to our [website](#) as soon as they are available.

Please send any questions to [fuel.tax@treas.nj.gov](mailto:fuel.tax@treas.nj.gov)