



# ODOT FUELS TAX GROUP NOTICE TO SELLERS NON-RETAIL OPERATIONS DOCUMENTATION AND AUDIT ISSUES

**February 2007**

The 2003 Oregon Legislature revised the Oregon Use Fuel Tax law to address taxation of use fuel (primarily diesel) at non-retail operations. Enforcement of the law began in July 2004. The ODOT Fuels Tax Group sent a "Notice to Sellers" dated February 2, 2004, providing information on the law change and the 'Certification of Oregon "Use Fuel" Tax-Exempt Status' (commonly referred to as the exemption certificate). This notice is available on our website at [www.oregon.gov/odot/cs/ftg](http://www.oregon.gov/odot/cs/ftg).

As we have conducted audits of non-retail sellers, we have identified some issues or errors that occur frequently.

**FUEL TYPES:** Diesel products can be diverse, yet all are taxed at the same \$0.24 per gallon rate. The majority of cardlock billing/accounting systems recognize clear #2 diesel in their reports while bio-diesel blends, ultra-low sulfur diesel, and premium diesel are commonly missed. These alternative products often have different codes, so reports need to be updated to include them. Even if a particular location does not carry these products, they may be available at a member location.

**EXEMPTION CERTIFICATES:** If an exempt card is issued to any customer, an Oregon Exemption Certificate is required. The customer is to complete the reason for exemption, and if using option 1 or 2, attach a list of weight receipt or use fuel emblem numbers. The customer must sign and date the certificate, which acknowledges their liability for tax if the exempt card is used in a taxable manner. The federal certificate does not substitute for the Oregon certificate; they have different qualifications and documentation requirements. If exempt fuel is sold prior to obtaining the exemption certificate, the seller may be billed for the tax on sales prior to the date the certificate was signed.

Exemption certificates are valid for non-retail operations **ONLY**. All other operations (retail, fleet fueling, etc.) are subject to tax-exempt invoicing requirements as described in ORS 319.665, 319.671 and OAR 735-176-0010. If the cards issued may be used at retail operations, documentation of the sale (if exempt) is the responsibility of the retail seller.

**REPORTING:** Non-retail sales are reported on Schedule 3 of the use fuel seller tax report. A line entry showing total gallons sold or a listing of locations and gallons sold does not meet the reporting requirements. The schedule must contain a list of customers, **total** gallons purchased, and **taxed** gallons purchased. A computer generated report containing the same information may be substituted for the schedule.

If you have questions regarding the information in this notice, please contact:

ODOT FUELS TAX GROUP

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