

Diesel Motor Fuel Used as Railroad Diesel

Petroleum Business Tax

Beginning January 1, 1997, a registered distributor of diesel motor fuel may sell diesel motor fuel for use as **railroad diesel** at a reduced petroleum business tax rate of 7.28 cents per gallon.

To qualify as **railroad diesel**, the diesel motor fuel must be used exclusively to fuel locomotives or other self-propelled rolling stock that **runs only on rails**. The seller must deliver the diesel motor fuel directly into the locomotives or other self-propelled rolling stock, or into a storage tank used exclusively to fuel locomotives or other self-propelled rolling stock -- the storage tank may not be equipped with a pump or nozzle used to fuel motor vehicles.

To get the reduced rate, the railroad company must give a properly completed Form PT-303, *Certificate for Railroad Diesel*, to the distributor at the time of the first purchase of the railroad diesel. Form PT-303 may be used as a blanket certificate to cover all subsequent purchases. It may also be used as a single-purchase certificate, but in that case a separate certificate is needed for each purchase. This certificate must be retained by the distributor for at least three years after the date of the last sale covered by the certificate.

A distributor who delivers diesel motor fuel into a storage tank equipped with a nozzle designed to fuel a motor vehicle must pay the petroleum business tax, at the full automotive-type diesel motor fuel rate, and all other taxes that apply.

This new category for petroleum business tax does not affect the treatment of diesel motor fuel for purposes of the excise or sales taxes. A distributor of diesel motor fuel must continue to charge the state excise tax and the state and local sales taxes on any sales of diesel motor fuel used to operate locomotives or other self-propelled rolling stock. A refund of the state excise tax is available to the consumer for any diesel motor fuel used off the public highways.

If a distributor has already paid the petroleum business tax at the full automotive-type diesel motor fuel rate, the distributor may claim a credit for the difference between the full automotive-type diesel motor fuel rate and the railroad diesel rate on fuel sold as railroad diesel. This credit may be claimed on Form PT-102, *Tax on Diesel Motor Fuel*.

The petroleum business tax rate for railroad diesel will appear in Publication 908, *Petroleum Business Tax Rates - Article 13-A*. Publication 908 is updated periodically.