



Amendments Affecting the Prepaid Sales Tax on Motor Fuel and Diesel Motor Fuel

This memorandum describes the recently enacted amendments to the Tax Law that affect the prepaid sales tax on motor fuel and diesel motor fuel.

Part UU of Chapter 59 of the Laws of 2017 amended the Tax Law to make changes to the prepaid sales tax imposed on motor fuel and diesel motor fuel. The amendments described in this memorandum are effective September 1, 2017.

Changes in the rates of the prepaid sales tax

The amendments provide for changes in the prepaid sales tax rates on motor fuel and diesel motor fuel. The new prepaid rates applicable on September 1, 2017, are:

- Region 1: 16.0 cents per gallon
Region 2: 16.0 cents per gallon
Region 3: 15.0 cents per gallon

Table with 2 columns: Region description and list of counties. Region 1 includes NYC and several counties; Region 2 includes Nassau and Suffolk; Region 3 includes all other counties.

Adjustment of the prepaid sales tax rates

The amendments also provide that the rates of tax for each region will be reviewed twice a year, in April and in October, to determine a tentative rate of prepaid sales tax on motor fuel and diesel motor fuel.

If the tentative rate computed for a region would increase or decrease the current rate of prepaid sales tax by two (2) or more cents per gallon, the rate of prepaid sales tax for that region will be adjusted to the tentative rate.

Additionally, the amendments provide that the rates of prepaid sales tax that apply in Region 1 and Region 2 will be equal **unless** the regional average retail sales price of fuel in the Metropolitan Commuter Transportation District (MCTD)<sup>1</sup> **exceeds** \$4.00 per gallon. In that case, the amendments authorize the establishment of a separate rate of prepaid sales tax for Region 2.

**Credit based on motor fuel held in inventory as of August 31, 2017**

Distributors of motor fuel must compute the credit they are entitled to for prepaid sales tax previously paid on motor fuel held in inventory as of August 31, 2017. The Tax Department will provide separate guidance to distributors of motor fuel on how to compute this prepaid sales tax credit. (There is no adjustment necessary for diesel motor fuel held in inventory as of August 31, 2017.)

The amendments described in this memorandum **do not affect** any rates of retail sales tax that apply to sales of motor fuel or diesel motor fuel to consumers. Therefore, the new rates of prepaid sales tax effective September 1, 2017, **will not affect** the retail selling price (pump price per gallon) of motor fuel or diesel motor fuel.

**Note:** A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or department policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.

---

<sup>1</sup> The MCTD consists of the city of New York and the counties of Dutchess, Nassau, Orange, Putnam, Rockland, Suffolk, and Westchester.