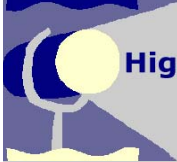


## Racing Fuel

### Petroleum Products and Alternative Fuels Tax

Notice #14-06

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#### Highlights

- *There are two types of racing fuel.*
- *Certain high octane racing fuel is not subject to gasoline tax as long as it is not sold to a retail station.*
- *All racing fuel is subject to special privilege tax, environmental assurance fee and export tax.*

#### INTRODUCTION

This notice is intended to provide information about when petroleum taxes and fees apply to racing fuel.

#### DISCUSSION

The Internal Revenue Service has identified two types of petroleum products which are generally sold for use as racing fuel. The first type includes fuels that contain lead and usually have an octane rating of 110 or higher. These fuels do not have detergent additives and do not conform to the Reid Vapor Pressure Standards for gasoline or the ASTM specifications for gasoline. The second type of racing fuel has an octane rating of less than 110, and it has detergent additives. This type of fuel may or may not contain lead. It meets the ASTM specifications for gasoline, and it may be used in highway vehicles.

#### Taxability

Tennessee law imposes four different petroleum taxes or fees that could potentially apply to racing fuel: 1) a 20 cent per gallon privilege tax on gasoline, fuel alcohol or any substitute that is imported into the state; 2) a one cent per gallon special privilege tax on all petroleum products; 3) a four tenths of one cent per gallon environmental assurance fee on all petroleum products; and 4) a one twentieth of one cent per gallon export tax on all petroleum products stored in the state and then exported out of the state.

The first type of racing fuel described above does not meet the ASTM specifications for gasoline. Because of this, it typically is not subject to the 20-cent gasoline tax, but it is instead subject to sales and use tax. However, if it is sold to a retail station, it will be subject to the 20-cent gasoline tax, even though it does not meet the ASTM gasoline specifications. The second type of racing fuel, the lower octane type, does meet the ASTM specifications for gasoline, and so it is subject to the 20-cent gasoline tax.

Because both types of racing fuel are considered "petroleum products" under Tennessee law, they are both subject to the one cent special privilege tax and the environmental assurance fee. Also, if either type of racing fuel is exported out of Tennessee, that fuel also will be subject to the export tax.



#### References:

- T.C.A. § 67-3-103(52)
- T.C.A. § 67-3-201
- T.C.A. § 67-3-203
- T.C.A. § 67-3-204
- T.C.A. § 67-3-205

The information provided here is current as of the date of publication but may change as a result of new statutes, regulations or court decisions. While this notice is intended to be comprehensive, events and situations unanticipated by this notice may occur. In such cases you should contact the Department or your tax professional for further guidance.