



# OLR RESEARCH REPORT

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## PETROLEUM PRODUCTS GROSS EARNINGS TAXES

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You asked which states have petroleum products gross earnings taxes.

### SUMMARY

Four states have gross earnings taxes on petroleum products. They are: Connecticut, Delaware, New Jersey, and Washington. Washington's tax is currently suspended. Its revenue is earmarked for a special pollution liability account and is automatically suspended when the fund balance reaches a specified level.

### CONNECTICUT

Connecticut's petroleum products gross earnings tax applies to the gross earnings of companies distributing petroleum products in Connecticut. The tax is 7% of the revenue from the initial sale of most petroleum products into the state, which typically occurs at the wholesale level. Taxable gross earnings from first sales of gasoline and gasohol, but not other taxable petroleum products, are limited to the first \$3 per gallon ([PA 12-4](#)).

Taxed products include gasoline, aviation fuel, kerosene, propane, greases, lubricants, mineral oils, motor oil, and crude oil. The tax is payable quarterly. The tax rate is scheduled to increase to 8.1% on July

1, 2013. (OLR Report [2012-R-0034](#) explains the tax and its legislative history in more detail.)

## **DELAWARE**

Delaware has two gross earnings taxes on petroleum products, one paid by wholesalers and one by certain retailers. The tax applies to the sale of most petroleum products, including motor fuel; gasohol and other alcohol-blended fuels; diesel, aviation, and jet fuel; heating oil other than home heating oil; and motor oil and other petroleum-based lubricants.

Petroleum wholesalers pay a tax of 0.423% on gross receipts in excess of \$100,000 per month from the sale of petroleum products, plus a 0.9% hazardous substance cleanup tax and a 0.2514% surtax. Petroleum retailers pay 0.72% on gross receipts in excess of \$100,000 per month plus the 0.9% hazardous substance cleanup tax. Retailers are exempt from the 0.72% tax if they paid the 0.9% hazardous substance tax to their supplier. ([Tax Tips for Petroleum Wholesalers and Retailers Conducting Business in Delaware](#), and [2012 Gross Receipts Tax Rates Decrease From 2011](#), Delaware Department of Finance, Division of Revenue)

## **NEW JERSEY**

New Jersey imposes a gross receipts tax on companies engaged in distributing petroleum products or refining such products for distribution. The tax is 2.75% of such companies' gross receipts from the first sale of taxable petroleum products in the state. The tax rate converts to four cents per gallon for fuel oils and aviation and motor fuels.

The tax does not apply to:

1. home heating oil, including #2, #4, and #6 heating oil;
2. propane and kerosene used for home heating;
3. fuel for vessels engaged in interstate and foreign commerce;
4. aviation fuel for planes used in interstate and foreign commerce, other than the "burnout" portion;
5. asphalt;
6. polymer-grade propylene used to make polypropylene; and

7. fuel used by utilities, cogeneration facilities, and whole generation facilities to generate electricity sold at wholesale or through certain retail channels ([Petroleum Product Gross Receipts Tax](#), New Jersey Department of the Treasury, Division of Taxation).

## **WASHINGTON**

Washington imposes a 0.5% tax on the wholesale value of petroleum products. Taxable products include lubricating oil, gasoline, aviation fuel kerosene, diesel motor fuel, benzol, fuel oil, residual oil, and any other product derived from refining crude oil. The first person who possesses a taxable product in the state pays the tax.

Revenue from the tax is earmarked for the Pollution Liability Insurance Trust Account, which provides affordable insurance to owners and operators of underground petroleum storage and heating oil tanks. The tax is suspended when the account balance exceeds \$15 million and resumes when it falls below \$7.5 million. The tax has been suspended since April 1, 2010. Previous suspensions ran from July 1, 1993 to June 30, 2003 and July 1, 2004 to June 30, 2009 (Washington State Department of Revenue, [Special Notice, March 11, 2010](#)).

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