

Diversions

Petroleum Products and Alternative Fuels Tax

Notice #14-07

June 2014



Highlights

INTRODUCTION

This notice is intended to provide information about the diversion registration system for reporting Tennessee diversions of fuel. A penalty may be assessed if a person fails to notify the Department of diverted shipments on petroleum.

DISCUSSION

A diversion occurs whenever a shipment or partial shipment of petroleum products is diverted from the destination stated on the original shipping paper. Before any diversion, the shipper, the transporter or an agent of either must notify the Department or its designee and manually add the assigned verification number to the shipping paper. Whoever owns the product being diverted is responsible for paying the tax or obtaining a refund, according to state law (Tenn. Code Ann. § 67-3-513).

- *An online diversion registration system is available.*

In July 2006, an online diversion registration system, www.trac3.net, became available to Tennessee taxpayers. In order to register a diversion of fuel, go to the website, click on "registration," enter the requested company data (for the initial registration only), and follow the steps.

- *There is no cost to register diverted shipments of petroleum online.*

More on TRAC III

The TRAC III database will maintain basic company name and address information for carriers and fuel marketers after the initial diversion registration. A drop-down box for Federal Terminal Code Numbers (TCN's) is provided to assist in diversion registration. Diversion registration information can easily be verified by selecting the "confirm" option. There is no cost to register a diversion. However, a TRAC III membership can be purchased for access to additional benefits of the system.

- *A \$1,000 penalty may be assessed for failing to notify the Department of diverted shipments of petroleum.*

Failure to Register Diversions

According to state law (Tenn. Code Ann. § 67-3-804(a)), the Department may assess a civil penalty for each diverted shipping violation in an amount equal to the taxes and fees on the product, without regard to any exemption or dye, or \$1,000, whichever is greater. No civil penalty will be assessed in cases where prior notification was not given due to an error other than negligence, if within three working days the shipper, transporter or the agent of either, tells the Department about the diversion and error.



References:

- T.C.A. § 67-3-513
- T.C.A. § 67-3-801
- T.C.A. § 67-3-802

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

T.C.A. § 67-3-804

your tax professional for further guidance.