

## Governmental Agency Permits

Petroleum Products and Alternative  
Fuels Tax

Notice #14-09

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## Highlights

- *A motor fuel tax exemption permit is required to make exempt purchases of motor fuel.*
- *A sales and use tax exemption certificate may not be used to make tax exempt purchases of motor fuel.*
- *Government agency exemption permits for motor fuel tax are good for four years.*
- *Suppliers must include exemption permit numbers on returns and refund requests.*
- *Suppliers must ensure that permit numbers are valid.*

**INTRODUCTION**

This notice is intended to provide taxpayers and the general public with information regarding motor fuel tax governmental agency permits.

**DISCUSSION****Governmental Agency Exemption**

Under Tennessee law, certain governmental agencies are exempt from motor fuel taxes as long as they obtain an exemption permit from the Department of Revenue.

Other types of exemption certificates may not be used in place of the permit. For instance, governmental agencies may not use the general sales and use tax exemption certificate to make exempt purchases of motor fuel. Other generally exempt entities, like nonprofit organizations and federally exempt organizations, may not make exempt purchases of motor fuel without qualifying for and receiving a valid governmental agency permit or other petroleum tax exemption.

**Agency Responsibilities**

A governmental agency must receive the exemption permit before making exempt purchases of petroleum products. An exemption permit is valid for four years from the date it was issued. An agency wanting to continue receiving the exemption must apply for renewal before the permit's expiration. In order to purchase tax exempt fuel, the agency must present a copy of the bottom part only of its motor fuel tax permit to the supplier. Suppliers have been notified that this permit is required and that the sales and use tax exemption certificate does not exempt a purchaser from motor fuel taxes.

**Supplier Responsibilities**

It is the supplier's responsibility to obtain a copy of the bottom part only of the agency's permit for tax return and refund request purposes. When listing the exempt sales on the distributor return or governmental agency sales refund claim, the supplier must include the serial number found on the left hand side of the detached section of the permit provided by the governmental agency. This number must be entered into the schedule column labeled "permit number." Any exempt sale listed without this number will not be allowed.

It is also the supplier's responsibility to ensure that the permit provided is still valid. This can be done by checking the expiration date on the permit and the approved licensee list at <http://www.tn.gov/revenue/tntaxes/motorfuel.shtml>. Effective February 1, 2014, the user name and password to access the approved licensee list changed. Suppliers must apply with the Department for a new user name and password.

**References:**

T.C.A. § 67-3-401  
T.C.A. § 67-3-413

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

*T.C.A. § 67-3-421*

such cases you should contact the Department or your tax professional for further guidance.