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**Tare Allowance****Motor  
Fuel  
taxes  
notice  
#03-01**

The Department of Revenue issues the following guidelines regarding the tare allowance found in Tenn. Code Ann. Section 67-3-1609.

In accordance with this section, any wholesaler who receives the allowance from a supplier or importer shall credit to the retailer an amount equivalent to one-half of one percent of the applicable taxes. If it is determined that you have not credited to the retailer the proper allowance, the allowance you receive from your supplier will be disallowed, and taxes plus interest will be assessed.

The wholesaler must show the allowance on the sales invoice either as a separate line item or as a reduction to the tax. If it is not shown on the invoice, then the allowance you receive from your supplier will be disallowed.

If the wholesaler consigns fuel to a retailer for resale and retains title to the product until it is sold to the ultimate consumer, then the wholesaler is not required to credit the allowance to the retailer. For audit purposes, the wholesaler may be required to provide a copy of the contract as proof that the fuel was consigned rather than sold to the retailer.

Furthermore, for sales to a retailer owned by the wholesaler or a common parent, the wholesaler is required to pass the allowance to the retailer. Any time the retailer and wholesaler are separate legal entities, the tare allowance must be passed, except in the consignment situation discussed above.

Have questions or comments? Please let us know. [Contact us.](#)

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