

## KEROSENE FUEL SALES EXEMPTION

Notice #08-04

Sales and Use Tax

August 2008



## Highlights

- *Effective 6/05/2008, kerosene dispensed at a "blocked pump" is exempt*
- *Blocked pumps prevent dispensing directly into a vehicle fuel tank*
- *Exemption applies to all purchasers*
- *Other kerosene sales are subject to state sales tax unless a separate exemption applies*
- *Retailers are not required to obtain documentation on exempt sales from a blocked pump*



## References:

PC 1106 § 12 (2008)  
T.C.A. § 67-6-334  
T.C.A. § 67-6-704

## INTRODUCTION

This notice is intended to provide taxpayers and the general public with information concerning a recent change in the Tennessee sales and use tax statute pertaining to sales and purchases of kerosene.

**Effective June 5, 2008, Public Chapter 1106, Section 12 (2008) amends Tenn. Code Ann. § 67-6-334 to provide that sales of kerosene dispensed through a "blocked pump" are exempt from sales and use tax.**

## DISCUSSION

Kerosene sold at retail through a blocked pump, which is a dispenser designed and constructed to prevent delivery directly from the dispenser into a vehicle fuel supply tank, is exempt from sales and use tax. The statute change extends the sales and use tax exemption for kerosene that is dispensed through a blocked pump to all purchasers, regardless of the purchaser's use.

- Sales of kerosene that are **not** dispensed through a blocked pump continue to be subject to the state sales and use tax rate of 7% unless a separate exemption applies.
- Over-the-counter sales of kerosene prepackaged in containers continue to be subject to the state sales and use tax rate of 7%.
- Kerosene delivered by the seller to the purchaser's home for residential use continues to be exempt from sales and use tax.
- Kerosene sold to a qualified farmer or nurseryman for use directly in the production of food or fiber for human or animal consumption or in the production of nursery or greenhouse crops continues to be exempt.
- Kerosene sold to a qualified manufacturer that is not dispensed through a blocked pump is subject to the 1.5% reduced state sales and use tax rate.
- All sales of kerosene are exempt from local sales and use tax.

Documentation

Pursuant to this change in statute, retailers are no longer required to obtain information from purchasers to document the exempt purchase of kerosene dispensed through a blocked pump for residential use as previously stated in Sales and Use Tax Notice 07-17.

The retailer must include the total amount of all sales of kerosene on Line 1 of the sales and use tax return and then deduct the total amount of retail sales of kerosene dispensed through a blocked pump on Schedule A, Line C.

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.