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TAX TOPICS

Texas Comptroller of
Public Accounts

Reminder Concerning Fuel Exported or Sold for Export to Another State

Laws passed by the Legislature in 2003 made important changes in the law that affect how you collect or pay tax on motor fuel exported or sold for export outside the bulk transfer/terminal system from Texas to another state beginning January 1, 2006. We want to take this opportunity to remind you of those changes.

A licensed **supplier** must collect the Texas tax or be licensed and collect the destination state's tax on all gasoline or diesel fuel removed from a terminal in Texas for export to another state, unless the transaction is specifically exempted by Texas or the destination state law. A supplier will collect either the Texas tax or the destination state's tax, whichever is applicable, not both.

Effective January 1, 2006, a licensed **distributor** or licensed **permissive supplier** may no longer take a credit on a return for taxes paid on gasoline or diesel fuel that is sold for export by the purchaser to another state. A distributor may continue to take a credit on a return for taxes the distributor paid on fuel it exported from the state.

A licensed **exporter or importer** must pay either the Texas tax or the destination state tax on gasoline or diesel fuel exported to another state, unless the transaction is specifically exempted by Texas or the destination state's law. An exporter or importer may continue to take a credit on a return for Texas taxes paid on fuel exported to another state.

A licensed **exporter (including licensed suppliers and permissive suppliers, distributors and importers)** can remove gasoline and diesel fuel from a terminal tax-free for export to another country when the bill of lading shows a foreign destination and the fuel is actually exported.

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