



Petroleum Activity Tax

For tax periods commencing on or after July 1, 2014, receipts from the sale, transfer, exchange, or other disposition of motor fuel became excluded from the definition of gross receipts for purposes of the commercial activity tax (CAT). At that time, suppliers of motor fuel began to pay the replacement motor fuel receipts tax, or petroleum activity tax (PAT), measured by the supplier's gross receipts derived from the first sale of motor fuel within this state or "actual gross receipts." Beginning with tax periods commencing on or after July 1, 2015, the PAT statute was amended to change the tax base from "actual gross receipts" to "calculated gross receipts." Calculated gross receipts are the products of taxable gallons sold multiplied by a statewide wholesale price per gallon.

In fiscal year 2015, total PAT revenue was about \$72.2 million. Of the amount remaining after 1 percent (\$0.7 million) was deposited in the PAT Administration Fund, about \$66 million was deposited in the Petroleum Activity Tax Public Highways Fund, and \$5.5 million was deposited in the General Revenue Fund. A small amount remained in a hold account for later distribution.

In fiscal year 2015, filers with taxable gross receipts over \$100 million accounted for the largest share of taxable gross receipts, approximately \$12 billion and 93 percent of the total while accounting for 9 percent of taxpayers. In contrast, taxpayers whose receipts were under \$1 million represented less than 0.25 percent of total PAT liability but made up 39 percent of all taxpayers. Non-highway gross receipts were reported by 85 taxpayers and made up 8 percent of taxable gross receipts.

Taxpayer

(Ohio Revised Code 5736.01)

The PAT is imposed on each "supplier" of motor fuel. A "supplier" is any person that meets any of the following:

- (1) sells, transfers, or otherwise distributes motor fuel from a terminal or refinery rack to a location in this state and that point is outside of a distribution system;
- (2) imports or causes the importation of motor fuel for sale, exchange, transfer, or other distribution by the person to location in this state and that point is outside of a distribution system;
- (3) knowingly purchases motor fuel from an unlicensed supplier.

Tax Base

(R.C. 5736.01, 5735.01)

For all sales of motor fuel, calculated gross receipts are the product of the total number of gallons first sold within this state by a supplier during the tax period multiplied by an average statewide wholesale price per gallon, by motor fuel type, for the calendar quarter that begins six months before the upcoming calendar quarter. With respect to sales of gasoline, the statewide average wholesale price of unleaded regular gasoline is utilized. For sales of all motor fuel that is not gasoline, the statewide wholesale price of diesel fuel is utilized.

Motor fuel means gasoline, diesel fuel, K-1 kerosene, or any other liquid motor fuel, including, but not limited to liquid petroleum gas or liquid natural gas, but excluding substances prepackaged and sold in containers of five gallons or less.

Rates

(R.C. 5736.02)

The PAT is levied at a rate of 0.65 percent (equivalent to 2.5 times the CAT rate of 0.26 percent).

Exclusions

(R.C. 5736.01)

Any fuel sold by a supplier to a point outside of Ohio is not included in the supplier's tax base for purposes of the PAT. Additionally, motor fuel exchanges and the sale of fuel on which the supplier may claim a bad debt are also excluded from the tax base.

Credits

(R.C. 5736.50)

Two tax credits are available for PAT taxpayers. These are the refundable and non-refundable job retention tax credits. Information about these credits has been consolidated in the **Business Tax Credits** chapter of the Annual Report.

Special Provisions

Publication of Average Wholesale Prices (R.C. 5736.02 (C))

The Tax Commissioner shall determine and publish, on the website of the Department of Taxation, the statewide average wholesale prices of a gallon of unleaded regular gasoline and of a gallon of diesel fuel for each calendar quarter. The figure shall be published at least fifteen days before the beginning of the calendar quarter. The commissioner shall base the average wholesale price on pricing information available from the United States Energy Information Administration or, if such information is not available from that agency, from another publicly available source selected by the commissioner. The commissioner shall first make reasonable efforts to obtain data specific to this state before using national data to determine average wholesale price. The price shall not include any federal or state excise taxes on the gasoline or diesel fuel, or the tax imposed by this chapter. The price shall be rounded up to the nearest one-tenth of one cent.

Licensing (R.C. 5736.06)

All motor fuel suppliers subject to the PAT must apply for a license with the Tax Commissioner. All suppliers are required to renew their licenses annually on or before March 1. Importers, applicants that solely import or cause the importation of motor fuel for sale, exchange, or transfer in this state are subject to a \$300 license fee. Distributors, applicants that sell, transfer, exchange, or otherwise dispose of motor fuel to a point outside the distribution system, are subject to a \$1,000 license fee. Applicants operating as both an importer and a distributor are subject to a \$1,000 license fee.

Filing and Payment Dates

(R.C. 5736.04)

Taxpayers must file quarterly electronic returns through the Ohio Business Gateway. Quarterly returns are due by the 10th day of the second month after the end of each calendar quarter (May 10, August 10, November 10, and February 10).

Disposition of Revenue

(R.C. 5736.02(A), 5736.13 (D) (1))

All collections from the PAT are deposited in the petroleum activity tax fund. From that fund, 1 percent is dedicated to the petroleum activity tax administration fund. The portion of the remainder derived from the sale of motor fuel used for propelling vehicles on public highways and waterways is deposited in the Petroleum Activity Tax Public Highways Fund and shall be used for the purposes of maintaining the state highway system, funding the enforcement of traffic laws, and covering the costs of hospitalization of indigent persons injured on public highways.

All other revenue is deposited in the state General Revenue Fund.

Table 1				
Petroleum Activity Tax Revenue Fiscal Year 2015 (in millions)				
Fiscal Year	PAT Public Highways Fund	General Revenue Fund	PAT Admin- istrative Fund	Total
2015	\$66.0	\$5.5	\$0.7	\$72.2
Source: Office of Budget and Management fiscal reports.				

Administration

The Tax Commissioner administers the PAT.

Ohio Revised Code Citations

Chapter 5736.

Comparisons with Other States

(As of July 1, 2015)

None of the states selected for comparison in this publication impose a tax measured by gross receipts from the sale or exchange of motor fuel.

Recent Legislation

Amended Substitute House Bill 64, 131st General Assembly (effective July 1, 2015)

Allows a motor fuel supplier to exclude from calculated gross receipts any receipts from the sale of blend stocks or additives used for blending with motor fuel, if the supplier's PAT liability has already been paid with respect to the blend of stocks or additives.

Changes the base upon which the PAT is imposed in the case of liquid petroleum gas, also known as propane, by using the average market price of propane, instead of diesel, to calculate gross receipts.

Amended Substitute House Bill 59, 130th General Assembly (effective July 1, 2013)

Beginning on July 1, 2014, the motor fuel receipts tax is levied on suppliers of motor fuel, and is measured by a supplier's gross receipts from the first sale, transfer, exchange or other disposition of motor fuel in Ohio to a point outside of the distribution system.

Amended Substitute House Bill 492, 130th General Assembly (effective July 1, 2013)

Renamed the motor fuel receipts tax to the petroleum activity tax (PAT), changes the basis of the tax on which the tax is computed from actual gross receipts to a per-gallon, average price-per-gallon basis, explicitly permits

taxpayers to bill PAT to purchasers, exempts receipts from certain exchanges where no money is paid for fuel, and requires those knowingly acquiring fuel from an unlicensed taxpayer to pay PAT on fuel received into Ohio. Additionally, prescribed a rebuttable presumption that fuel is used on highways or waterways, and required the Tax Commissioner to prepare a monthly list of suppliers holding a PAT license and allowing for public inspection of that list.

Allowed taxpayers to claim the refundable and non-refundable job retention tax credits. Allowed taxpayers the ability to claim unused refundable job retention tax credits that were applicable when the taxpayers were subject to the commercial activity tax to claim the unused credits against the PAT.

History of Major Changes

2013	House Bill 59 enacts the motor fuel receipts tax (MFRT) and replaces the Commercial Activities Tax as it applies to receipts from the sale or exchange of motor fuel. MFRT began July 1, 2014.
2014	House Bill 492 renamed the MFRT the Petroleum Activity Tax (PAT) and changed the basis of the tax from actual gross receipts to a per-gallon, average price-per-gallon basis.
2015	House Bill 64 changes the base upon which the tax is imposed in the case of propane by using the average market price of propane, instead of diesel, to calculate a taxpayer's gross receipts.

Table 2							
Fiscal Year 2015 Petroleum Activity Tax Returns							
Number of Returns and Reported Financial Data by Size of Taxable Gross Receipts (in millions)							
	Number of Filers	Total Gross Receipts	Gross Receipts Highway	Gross Receipts Non-Highway	Non-Refundable Credits	Refundable Credits	Total Tax Due
Less than \$100,000	22	\$0.7	\$0.3	\$0.4	\$0.0	\$0.0	<\$0.1
\$100,000 - \$499,999	17	4.0	2.7	1.3	0.0	0.0	<0.1
\$500,000 - \$1,999,999	22	22.3	13.3	9.1	0.0	0.0	0.1
\$2,000,000 - \$4,999,999	22	69.4	30.5	38.9	0.0	0.0	0.5
\$5,000,000 - \$9,999,999	12	93.8	66.1	27.7	<0.1	0.0	0.6
\$10,000,000 - \$99,999,999	25	690.7	431.4	259.3	0.0	0.0	4.5
\$100 million and above	11	11,602.6	10,963.3	639.2	4.8	4.1	66.5
Total	131	\$12,483.5	\$11,507.6	\$975.8	\$4.8	\$4.1	\$72.2
Source: Ohio Department of Taxation							