

Fuels Tax: Distribution Chain for Petroleum

Petroleum Products

Because Oregon does not have a refinery, all fuel is imported. Fuel comes into the state in one of four mechanisms.



Pipeline

The majority of fuel comes in via pipeline (~70 percent)



Barge



Rail



Truck

Trucks typically come from another terminal out of state.



Terminal

There are two major terminals in Oregon: Portland and Eugene. Once fuel enters the terminal, it is placed in holding tanks. These holding tanks are typically owned by large fuel companies.



Rack

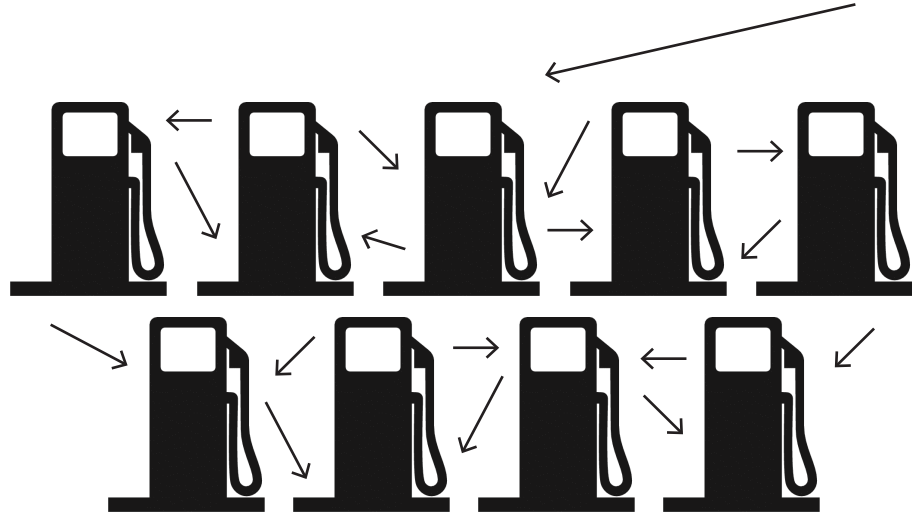
The rack is where fuel trucks come to take fuel from the terminal and deliver it to dealers. This is where the majority of states and the federal government tax fuel (except dyed diesel).



Dealer/Distributor

This is where Oregon taxes motor vehicle fuel (gasoline and aircraft fuels)
Dealers purchase fuel from a terminal position holder or another dealer, either at the rack or through spot or contract sales. This is the point of first sale. As of April 2024, we have 181 licensed Oregon Motor Vehicle and Aircraft Fuel Dealers.

Spot and contract sales



Use Fuel Distribution

(diesel, biodiesel, renewable diesel, natural gas, propane, hydrogen)
This is a complicated web. Because Use Fuel (mostly diesel products) is not required to be reported or taxed until it reaches a Use Fuel Seller or Use Fuel User, as the fuel enters the state it may be bought, sold, and traded by hundreds of companies. Fuel ownership may change hands several times before it is reported to ODOT. It is difficult to track how much fuel enters the distribution chain at this point, which makes the system ripe for evasion. This is why other states do not impose their state tax at this point. Eventually, the fuel may get to a Use Fuel Seller or Use Fuel User.

Use Fuel Sellers

There are three types of Use Fuel Sellers



Retail

Attended gas station.



Fleet Fueling

Tanker trucks haul diesel fuel to a company's location and fill their trucks with diesel so that the company does not have to take their entire fleet to a gas station.



Non-retail

Also known as cardlocks. At non-attended gas stations, customers swipe a card (like a credit card) to obtain fuel.

Use Fuel Sellers sell to the following Users

Use Fuel Users

Everyone below this point is considered a "User" even though they may not be licensed

This is where Oregon taxes diesel
Diesel is taxed at either the User or Seller level, depending on who dispenses it into a vehicle that will operate on public roads.

TAXED: Seller Responsibility

If these customers purchase fuel from a service station, cardlock, or fleet fueling operation, the Seller is required to collect the state tax at the time of sale. The seller reports sales and remits tax to ODOT.



Diesel Cars

NOT licensed as a User



Diesel Pick-ups

NOT licensed as a User



Farm Trucks, Delivery Vans, Large Trucks not subject to Weight-Mile Tax

NOT licensed as a User

WITHOUT TAX: User Responsibility

If these people purchase fuel from a service station, cardlock, or fleet fueling operation, the Seller will not charge them the state tax.



Bulk

Licensed Use Fuel Users

Any person licensed with ODOT Fuels Tax Group as a Use Fuel User may present the Seller an emblem for the vehicle they are operating and not be charged the state tax at the time of sale. They will report their fuel usage to ODOT.



Government Entities

Depends on Use

Government entities do not have to pay state tax for fuel used in government vehicle when used for official business. They are not required to be licensed unless they use fuel in a taxable manner.



Farm Equipment

Licensed as a User

Includes off-road equipment and implements of husbandry. Any fuel that will obviously not be used on public roads is tax exempt, but the User must provide the Seller with a valid use fuel user license at the time of sale. They must also report all fuel usage to Fuel Tax Group.



Large Trucks

Depends on Use

Motor Carriers that are registered with ODOT's Commerce and Compliance Division and pay a weight-mile tax are exempt from the Use Fuel Tax. They present their credential at the time of purchase to the Use Fuel Seller.