

**New York State Department of Taxation and Finance  
Taxpayer Services Division  
Technical Services Bureau**

TSB-M-86 (3)M  
Motor Fuel  
March 24, 1986

Subject: Sales Tax Component; October-December 1985  
(MT-904)

**Instructions for Computing Fuel Use Tax Liability**

For the quarterly period October - December, 1985 a sales tax component of 8.1¢ has been compiled for motor fuel other than diesel and a sales tax component of 8.4¢ has been compiled for diesel motor fuel. The sales tax components were determined by applying the 7% rate as prescribed by the statute to a prevailing price per gallon, computed separately for motor fuel and diesel motor fuel, as established by the State Tax Commission based on the prices charged in the prior calendar quarter at ten selected truck stops located in New York State.

The composite fuel use tax rates to be used in determining fuel use tax liability for the October - December, 1985 quarterly period, as reflected on the enclosed Combined Truck Mileage and Fuel Use Tax Return (MT-903), have been computed as follows:

MOTOR FUEL: 16.1¢ - 8¢ motor fuel tax plus 8.1¢ sales tax component.

DIESEL MOTOR FUEL: 18.4¢ - 10¢ diesel motor fuel tax plus 8.4¢ sales tax component.

In lieu of using the prevailing price sales tax components as outlined above, a carrier who maintains substantiating records may elect to compute the sales tax components based on the average price per gallon on motor fuel and on diesel motor fuel used during the reporting period. The average price per gallon is determined by first adding the cost of all such fuels including all federal, state and local taxes but excluding any state and local sales taxes. Such totals are then divided by the total number of gallons for all motor fuel and diesel motor fuel, respectively, purchased by the carrier for use in his operations either within or without this State to arrive at his average price per gallon. The sales tax component is computed by multiplying the average price per gallon for both motor fuel and diesel motor fuel by the sales and compensating use tax rate of 7% (calculate to the nearest tenth of a cent; e.g., 8.753 = 8.8). The sales tax component for motor fuel is added to the 8¢ motor fuel tax and the sales tax component for diesel motor fuel is added to the 10¢ diesel motor fuel tax to arrive at the composite fuel tax rates. Such rates, if different from the rates preprinted on the tax return, should be indicated at appropriate lines 7a and 7b and should be used in computing the fuel use tax liability.

Fuel use tax credit for motor fuel and diesel motor fuel purchased in New York State during the calendar quarter but not consumed in New York State (line 6b) should be computed at the tax rates indicated on lines 8a and 8b. Sales tax component credit is not allowable on fuel purchased in New York State but not used in New York State.