OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
TONY MASTIN, DIRECTOR

PHONE (405) 521-3133
FACSIMILE (405) 522-0063

February 1, 2007

RE: Our File No. LR-06-208
Alternative Fuels

Dear

This letter is in response to your written request – dated December 6, 2006 – for written guidance regarding Oklahoma motor fuel tax treatment as related to fuel produced and sold by Following is the Tax Commission's response to your request:

Your request states that produces alternative fuels by converting natural gas or coal into fuel similar to traditional diesel and JP-8 jet fuel. Title 68 O.S. Section 500.3(18) defines diesel fuel as follows:

"Diesel fuel" means any liquid, including but not limited to, biodiesel, biodiesel blend or other diesel blended fuel, that is commonly or commercially known or sold as a fuel that is suitable for use in a diesel-powered highway vehicle. A liquid meets this requirement if, without further processing or blending, the liquid has practical and commercial fitness for use in the propulsion engine of a diesel-powered highway vehicle. Except as provided in subsection B of Section 500.4 of this title, "diesel fuel" does not include jet fuel sold to a buyer who is registered with and certified by the Internal Revenue Service to purchase jet fuel subject to the Internal Revenue Service.

It appears from your letter that is producing and reselling fuel that is covered by the above-referenced definition. Under this scenario, -- acting as a supplier -- would be required to apply to the Oklahoma Tax Commission for Fuel Vendor/Producer License pursuant to the provisions of 68 O.S. Section 500.33. Upon successful completion of the application process would then report the amount of fuel being resold including sales made to exempt entities and remit the imposed tax accordingly.

The issues surrounding alternative fuels are rapidly growing and developing on an almost daily basis. Ms. Christy Dixon, a Supervisor with the Tax Commission's Account Maintenance Division, is quite knowledgeable about the issues and is actively involved in the administration of the Motor Fuel Tax Code on both a local and national level. Please feel free to contact her directly at (405) 522-4197 with any questions or comments concerning the license application process and corresponding reporting requirements.

This response applies to your request for written guidance dated December 6, 2006, and may be generally relied upon only by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law. Oklahoma Tax Commission Rule 710:1-3-73(e).

Sincerely,

Oklahoma Tax Commission

Rick Miller

Rick Miller,
Tax Policy Analyst