

Is a town subject to gasoline and diesel fuel taxes if the town buys from an out of state distributor?

Vermont law exempts governmental agencies from taxes assessed on diesel fuel purchases only. 23 V.S.A. § 3003(d)(3). But there is no municipal exemption for the gasoline tax, and quite often, the price that the fuel distributor pays already includes the tax.

Even if the town deals with a fuel dealer located in a state that exempts municipal purchases of both gasoline and diesel fuel from state taxes (such as New Hampshire and Maine), the Vermont gasoline tax must still be paid to the Vermont Department of Motor Vehicles. Municipalities do not lose the money, however, since it comes back to them through the state transportation fund in the form of state aid for highway maintenance. 23 V.S.A. § 3106(c).

If you have specific questions about this, contact Doug Bessette in the Fuel Tax Division of the Vermont Department of Taxes, tel. 802/828-2077.

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