

Motor Vehicle Fuels Sales Tax Information

June 2, 2020

The Motor Vehicle Fuels Sales Tax (MVFST), also known as Wholesale Sales Tax or WH tax, is a sales tax levied on each gallon of fuel sold and delivered to a retail dealer. Currently, the tax applies in Northern Virginia, Hampton Roads, and Western Virginia; however, effective July 1, 2020, the Department of Motor Vehicles (DMV) will levy the WH tax in every city and county in the Commonwealth. The WH tax is in addition to all other state and federal taxes.

Tax Rates

Effective July 1, 2020, the tax rate for the WH tax will be 7.6 cents per gallon for gasoline and alternative fuel, and 7.7 cents per gallon for diesel fuel. This rate will adjust each year on July 1 by the greater of 1) the rate of inflation as measured by the change in the CPI-U or 2) zero. When available, DMV will post the rates at:

https://www.dmv.virginia.gov/commercial/#taxact/wh_tax_rates.asp.

Wholesale Distributor's License

The wholesale distributor license is separate from the fuels tax distributor license, and is mandatory for the following businesses:

- All distributors who sell fuel to retail dealers.
- All businesses that buy fuel at the rack and then distribute the fuel to themselves for retail sale.

Retail stations that only buy fuel from distributors do not need to obtain a license or report anything to DMV. However, those stations will see a charge for the WH Tax on invoices from their distributor, and are responsible for paying the tax to their distributor. Retail stations must obtain a license and file tax returns if they buy fuel at the rack.

Distributor's Duty to Pay the Tax and Timely Payment Discount

- Distributors charge the Wholesale Tax to their retail dealers as a separate line item on the invoice, and retail dealers pay the tax to the distributor. However, the distributor remains responsible for paying the tax to DMV even if the retail dealer does not pay its invoice.
- After receiving payment for the tax from the retail dealer, the distributor holds the payment in trust for the Commonwealth until it pays the tax to DMV.
- The Code of Virginia authorizes a distributor to take a discount of 2% of the tax due if it files its tax return and pays any liability on time. VAETS will automatically calculate the discount for eligible returns.

Applying for a Wholesale Distributor's License

You must apply for a license using the Virginia Excise Tax System (VAETS). The process begins with creating an account in VAETS, followed by applying for a license within your account.

Creating an Account in VAETS

If you already have an account in VAETS to file and pay Fuels Tax, you may use that same account for the WH tax, and you should apply for a WH license in your VAETS account. If you do not already have an account in VAETS, you should create one at <https://www.vaets.com/Registration/NewAccountAuthorization>. Please note the following about accounts in VAETS:



- Every account in VAETS has a primary contact.
- The primary contact can add and remove users for an account.
- If you are a primary contact, it is very important you create your primary account and add any users who may perform work on your company's behalf.

Applying for a License in VAETS

- Once you have created an account in VAETS, you should apply for a Wholesale Distributor's License in VAETS.
- Before applying for a license, if you are a corporation, partnership, limited liability company or limited partnership conducting business in Virginia, you must be registered with the Virginia State Corporation Commission and your contact and officers list must be up to date with the SCC. For more information, please go to <http://scc.virginia.gov/clk/begin.aspx>.
- DMV will review the application once it is submitted and approve it if you are eligible

Filing Requirements

WH returns and payments are due by the 20th of the second month following the month that your company sold or distributed the fuel. If the 20th is a weekend or state holiday, returns and payments are due by the next business day. For example:

- The return and payment for sales in July 2020 is due on Monday, September 21, 2020. It would normally be due on September 20, but because that day is a Sunday, the deadline is extended to September 21.
- The return and payment for sales in August 2020 will be due on Tuesday, October 20, 2020.

However, there is a special rule for the May return period. WH returns and payments for May are due by the last day that the Department is open for business in June, and there are no extensions for weekends or state holidays. For example, the tax return for the May 2021 return period will be due on Tuesday, June 30, 2021.

Filing Returns

As a licensed Wholesale Distributor, you are required to file monthly returns each month, even if you have no activity for the month. All returns are required to be filed electronically using VAETS. In VAETS, you may manually input your monthly fuel activity or use an EDI (ASCII or EDIX.12) filing format to upload activity information. More information about filing in VAETS is available here: https://us.sicpa.com/vaets-training-resources?hs_preview=iHEvjtyV-6674446527

What is required in Tax Returns?

The tax return consists of the Face Copy and the Schedules. The information you enter into the Schedules feeds into the Face Copy by product type to calculate the tax due.

What to report on Schedules:

- **Continue to report all fuel sales made in Northern Virginia, Hampton Roads, and Western Virginia on your April, May, and June returns.**



- **Report all fuel sales made on or after July 1, 2020 throughout the Commonwealth, including in Northern Virginia, Hampton Roads, and Western Virginia, on July 2020 and later WH returns.**
- A fuel sale occurs either when a distributor sells to the retail dealer, or when a distributor distributes fuel to itself for retail sale.
- Schedule 16A is used to report sales you make to retail dealers.
- Schedule 16B is used to report distributions of fuel to yourself for retail sale.
- Schedule 17A is used to report sales you make to exempt governmental entities. Every entry on Schedule 17A must have an identical entry on Schedule 16B. Please review the “Fuel Sold to Governmental Entities” section below for more information on this requirement.
- Do not complete Schedule 17B unless DMV instructs you to do so.

Each schedule requires you to insert certain information for each sale of fuel to a retail dealer or distribution of fuel to yourself for retail sale. **You must complete a separate line item for each sale (on Schedule 16A) or distribution (on Schedules 16B and 17A) that you make, and all of the information you report on the line item must be the correct information for the specific sale or distribution reported.**

Information Needed For Line Items on Schedules 16A, 16B, and 17A

- Fuel Product.
- Buyer’s Name.
- Buyer’s FEIN.
- Bill of Lading Document Date.
- Bill of Lading Document Number.
- Billed Gallons - see “What are Billed Gallons?” below.
- Value – see “What to Put in the ‘Value’ or ‘Sales Price’ Field” below.
- Destination Address - see “Destination Address” below.
- Destination State – You must select Virginia.
- Destination Zip Code – see “Destination Zip Code, Locality, and Locality Code Field” below.
- Locality where fuel was delivered – see “Destination Zip Code, Locality, and Locality Code Field” below.
- Locality code – see “Destination Zip Code, Locality, and Locality Code Field” below.

What are Billed Gallons?

The Wholesale Tax is calculated based upon the number of gallons of gasoline, diesel, or alternative fuel for which you billed your customer on your invoice.



What to Put in the “Value” or “Sales Price” Field?

Due to changes in the law effective July 1, 2020, DMV is no longer required to calculate the rate of the tax using the cost/sales price. Therefore, DMV no longer requires this information to be reported. However, because many of our customers have already set up their systems to report this information, cost/sales price data may continue to be reported on an optional basis. If you choose to report this data, please calculate the cost/sales price using these guidelines:

- For fuel reported on Schedule 16A, the value field should include the total amount on your invoice to the retail dealer, and should include all state and federal fuels taxes, transportation charges, delivery fees, and other costs charged to the retail dealer. However, if you sold diesel fuel, you should deduct the cost of any separately stated diesel taxes on your invoice to the retail dealer.
- For fuel reported on Schedules 16B and 17A, the value field should be the cost price of the fuel, which is normally the price at which you bought the fuel from the supplier.
- If DMV instructs you to complete Schedule 17B, you will receive instructions for what to put in the value field.

Destination Address

You must report the physical address where you deliver the fuel. This must be a standard street address. It is **not acceptable** to report any of the following instead of a standard street address

- P.O. Boxes.
- Intersections.
- Mile marker numbers.
- Building numbers without street names.
- Landmarks (for example, “the bulk tank behind DMV Headquarters”).
- E-Mail Addresses.
- Fax Numbers.

Destination Zip Code, Locality and Locality Code Field

You are required to report the zip code of the location where you sold or delivered the fuel, as well as a code for the locality where your company delivered the fuel. Please note that many zip codes are located in multiple localities; therefore, it is important that you know which locality you are delivering to, and report accordingly. A list of zip codes and locality codes is available here: https://www.dmv.virginia.gov/commercial/#taxact/wholesale_tax.asp.

Fuel Sold to Governmental Entities

- A governmental entity is the United States federal government, the Commonwealth of Virginia, a political subdivision in Virginia, or agencies of those governments. Sales to government contractors or to state and local governments from other states are not exempt from the Wholesale Tax.
- Fuel sold to governmental entities is exempt from the Wholesale Tax **only** if your company sells and delivers the fuel at wholesale to a governmental entity. Wholesale Sales may only be made in two ways:



1. Delivering to a bulk tank on the governmental entity's premises.
 2. Delivering fuel to the governmental entity at a card lock station that owned by you as the distributor. Deliveries made to the government at retail fueling stations that are also open to the general public are not exempt from the WH tax.
- All exempt sales made to governmental entities must have identical entries on Schedules 16B and 17A. Entering the sale on Schedule 16B will increase your liability; however, entering the sale on Schedule 17A will decrease your liability. Therefore, by placing identical entries on both schedules, the VAETS system will calculate your net liability for exempt sales as zero.
 - Fuel sold to governmental entities at retail is not eligible for an exemption from the tax. Therefore:
 - Fuel you sell to a retail dealer is not exempt from the tax, even if a governmental entity later purchases the fuel from the retail dealer.
 - You must **not** report sales on Schedule 17A if you also report them on Schedule 16A.
 - If you distribute fuel to yourself for retail sale, the WH tax is levied when you distribute the fuel to yourself for retail sale. You may not reduce your tax liability if a governmental entity later purchases the fuel from you at retail.
 - For example, if you are a distributor who owns a fueling station that is open to the general public, the WH tax is due on all the fuel you deliver to that fueling station when you deliver it. You may not reduce your liability if a governmental entity later purchases the fuel from you at the fueling station, and you must **not** report such sales on Schedule 17A.

How to Pay

Make all payments through the VAETS system.

All customers may pay via e-Check in VAETS. You will need your bank account routing and account information. E-Check payments must be made on the current date, and cannot be scheduled in advance.

DMV also accepts payment via ACH Debit and ACH Credit; however, these payment methods require making special arrangements in advance with DMV. If you have registered to pay with ACH Debit or Credit for other fuels taxes, you may continue to do so for WH tax. If you have not, but would like to pay using ACH Debit or Credit, please e-mail VAETS_Support@dmv.virginia.gov for more information.

Contact Information

For questions about licensing or filing tax returns, please send an email to VAETS_Support@dmv.virginia.gov.

