

**M e m o r a n d u m****295.0377**

To: Oakland – Auditing (BAB)

Date: July 13, 1988

From: Glenn A. Bystrom  
Principal Tax Auditor

Subject: --- --- ---

In your memo of June 27, 1988, you requested my opinion on the application of tax to reimbursements by [A] to [B] for fuel provided under [A]’s “Full Tank of Fuel Program.” Apparently, this program has been in effect for all [A] dealers in the Continental United States since 1986.

Under this program, retailers are to ensure that customers receive a full tank of fuel with the purchase of a new vehicle. Dealers are reimbursed for their cost, based on the difference between the vehicle’s fuel tank capacity and the number of gallons placed in the tank at the factory. Automatic reimbursement for the fuel cost is made through a credit on the dealer payment statement, as are allowances for dealer preparation, conditioning and floor plan assistance.

We have long considered gasoline in the fuel tank of a vehicle at the time of sale to be sold as part of the vehicle because title and possession of the fuel transfers to the buyer along with the vehicle. In this instance, [A] is asking dealers to promote their customer satisfaction program by requiring (with limited exceptions) the sale of all new vehicles with a full tank of fuel.

In the past, allowances made under manufacturer’s incentive programs have not been considered part of the dealer’s gross receipts, where the intent of the program was to reduce the dealer’s cost of sales. Likewise, I believe that the credit granted by the manufacturer under the “Full Fuel Tank” program should be characterized as an adjustment to the purchase price of the vehicle and not part of the dealership’s gross receipts.

GAB:gjm  
0258W

# Memorandum

**295.0377**

To: Mr. Glenn Bystrom

Date: May 20, 1996

From: Gary Jugum

Subject: Non-Attorney Opinions

I have reviewed your memorandum of July 13, 1988 to Oakland Auditing.

We are in agreement with his conclusion, as follows:

**Manufacturer's Fuel Cost Reimbursement to Dealers.** A vehicle manufacturer has a program where its dealers are to ensure that customers receive a full tank of fuel with the purchase of a new vehicle. Dealers are reimbursed for their cost, based on the difference between the vehicle's fuel tank capacity and the number of gallons placed in the tank at the factory. Gasoline in the tank of a vehicle at the time of sale is considered to be sold as part of the vehicle because title and possession of the fuel transfers to the buyer along with the vehicle. In this situation, the manufacturer is asking dealers to promote the program by requiring a full tank of fuel with the sale of all new vehicles. The credit granted by the manufacturer under the above fuel tank program should be characterized as an adjustment to the purchase price of the vehicle and not part of the dealership's gross receipts. 7/13/88.

Gary Jugum