Memorandum

To: District Administrators

From: D. F. Brady

Date: August 26, 1982

Subject: Fungible Goods and Self-Consumed Property

We have recently had reason to consider the tax application to the use of fuel oil self-consumed by petroleum product refiners who acquire the source of fuel oil from both taxable and exempt sources. For example, some refiners purchase some crude oil from the United States, extract some from the earth, purchase some under resale certificates and purchase some from out-of-state vendors without issuing a resale certificate.

In a meeting on August 20, 1982 among representatives of the legal staff and the department, it was concluded that it would be in order for the department to continue its policy of considering fuel oil self-consumed to be exempt to the extent sufficient fuel oil from sources which would not involve tax was on hand at the time of the consumption. That is, we will continue to consider that self-consumed fuel oil came first from available exempt sources and then thereafter from taxable sources.
I have reviewed D. F. Brady’s memorandum of August 26, 1982 to District Administrators.

We are in agreement with his conclusion, as follows:

**Oil Shelf By Petroleum Product Refiners.** Oil refiners acquire oil from various sources, i.e., purchased from the United States, extracted from the earth, purchases under resale certificates and purchased from out-of-state vendors without issuing a resale certificate. Fuel oil self-consumed is exempt to the extent there is sufficient fuel oil on hand at the time of consumption from sources which would not involve tax. That is, self-consumed fuel oil is presumed to come first from available exempt sources (U.S. Government, extracted from the earth) and then, thereafter, from taxable sources (out-of-state purchases, purchases for resale). 8/26/82