



# County Technical Assistance Service

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## Diesel Tax

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Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

Sincerely,

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## Diesel Tax

**Reference Number:** CTAS-1620

*Description.* The diesel tax replaces the former motor vehicle fuel use tax. This tax is a privilege tax imposed on the users of diesel fuel (as defined in T.C.A. § 67-3-103) within this state, with certain exceptions such as fuel dyed in accordance with Internal Revenue Service regulations. T.C.A. § 67-3-202. The tax is administered by the Tennessee Department of Revenue.

*Rate:* Twenty-one cents (21 ¢) per gallon, effective July 1, 2017, twenty-four cents (24 ¢) per gallon, effective July 1, 2018 and twenty-seven cents (27 ¢) per gallon, effective July 1, 2019. T.C.A. § 67-3-202.

*Distribution.* Seventeen cents (17¢) of the tax is distributed as follows:

1. 1.62 percent to the state general fund.
2. 24.75 percent to the counties to become a part of the county highway fund in the following manner:
  - a. 50 percent equally among all counties;
  - b. 25 percent on the basis of population; and
  - c. 25 percent on the basis of area.
3. 12.38 percent to the municipalities on the basis of population, with minor exceptions.
4. 61.25 percent to the state highway fund. T.C.A. § 67-3-905.

Revenues from the increases in the tax passed in 2017 as part of the IMPROVE Act are distributed as follows:

1. 17.5 percent to counties per T.C.A. § 54-4-103;
  2. 8.8 percent to cities per T.C.A. § 54-4-103; and
  3. 73.7 percent to the state highway fund.
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