

Calculating the Oil Company Franchise Tax

Background

State Law requires the Oil Company Franchise Tax (OCFT) to be calculated and certified annually by the state Department of Revenue. The rate is determined annually by the department and announced by each December 15 for the following calendar year. The tax rate is determined on a “cents per gallon equivalent basis,” which is defined in law.

Computing the Tax

To compute the “cents per gallon equivalent”, the average wholesale price per gallon is multiplied by the decimal equivalent of the millage rate imposed by the applicable state law. The product of this is rounded to the next highest tenth of a cent per gallon. The rate of tax is then determined and published in the *Pennsylvania Bulletin* no later than December 15 of the proceeding year by the Department of Revenue. The rate takes effect at the beginning of every January 1

The “Average wholesale price” used in the calculation is determined by average wholesale price per gallon of all taxable liquid fuels (gasoline) and fuels (diesel), excluding the federal excise tax for the 12-month period ending on the September 30 immediately prior to January 1 of the year for which the rate is to be set. In no case shall the average wholesale price be less than 90¢ nor more than \$1.25 per gallon.

The Secretary of Revenue determined that the average wholesale price of liquid fuels and fuels was \$2.147 for the 12-month period ending September 30, 2010. Since this exceeded the statutory maximum of \$1.25, the cap of \$1.25 is used to determine the 2011 tax rate.

The calculation of the tax for the 2011 Calendar Year was calculated as follows:

	Gasoline	Diesel
75 Pa.C.S. § 9502(a)(1)	60.0	60.0
75 Pa.C.S. § 9502(a)(2)	55.0	55.0
75 Pa.C.S. § 9502(a)(3)	38.5	38.5
75 Pa.C.S. § 9502(a)(4)	00.0	55.0
Total Mills per Gallon:	153.5	208.5
Decimal Equivalent:	.1535	.2085
Multiply by Average Wholesale Price:	× \$1.25	× \$1.25
Product:	19.188¢	26.063¢
Oil Company Franchise Tax per Gallon (Rounded Up to Next Highest Tenth):	19.2¢	26.1¢

Sections of State Law specifying applicable tax millage rates