

# First Licensed Distributors and Flash Title Transfers

## Petroleum Fact Sheet 110

This fact sheet explains the proper reporting methods used at the dispensing rack of a fuel terminal for the first licensed distributor or the transport driver who inputs the shipping information at the terminal.

### Who pays Minnesota petroleum taxes?

The first licensed distributor who receives petroleum products in Minnesota is the consignee and is responsible to pay state taxes due on the products.

Tax is imposed on the first licensed distributor when they receive title from a supplier. For tax purposes, a distributor “receives” petroleum products when the title passes to them from the supplier, even if that distributor never takes physical ownership. Petroleum products are not considered “received” until they are withdrawn from a refinery or terminal for sale or use in this state or for delivery or shipment to points within this state. Please see 296A.01 Subd. 44 for complete definition of “Received”.

Any later sale or title transfer must include Minnesota state excise tax on the sale.

### Manifest

A manifest or bill of lading (BOL) is issued whenever petroleum products are dispensed from a fuel terminal. It must include the following information:

- Manifest/BOL number (state tax number)
- Date shipped
- Name of carrier
- Origin (point of loading)
- Name of supplier
- Name and address of distributor who will report and pay the tax (consignee)
- Destination
- Type of petroleum product
- Number of gallons

### Terminal Reports

Fuel terminals send monthly reports to the Minnesota Department of Revenue. Terminal reports are supposed to indicate the supplier and first licensed distributor to receive the fuel (consignee).

The consignee may sell or transfer title without taking physical ownership of the fuel. When this occurs, the title is transferred immediately after the fuel is dispensed – known as a “flash title transfer.” (The flash title transfer is not shown on the terminal manifest.)

It’s crucial that anyone who enters tax and shipping information at the terminal correctly indicates the first licensed distributor to avoid confusion during petroleum tax audits.

### Flash Title Transfer

Flash Title Transfer (FTT) transactions are common and can cause confusion for transportation companies and distributors about who has to report and pay petroleum tax.

As a result, the wrong distributor is often listed as the consignee on the manifest when an FTT occurs. If the manifest lists the wrong distributor as consignee, the first licensed distributor is responsible to file a diversion to correct the BOL. They must also report and pay the excise tax for the load of fuel on their monthly gasoline or special fuel tax return.

### Example

A supplier sells gasoline to Distributor 1 at a fuel terminal. Before the fuel is physically transferred from the terminal, Distributor 1 sells the product to Distributor 2. Immediately after the fuel is dispensed, a flash title transfer occurs from Distributor 1 to Distributor 2.

Distributor 1 was the first licensed distributor to receive the petroleum product from the supplier, even without taking physical ownership of the fuel. Distributor 1 must be listed as the consignee on the manifest and must report and pay excise tax on the fuel.