



Sales and Use Tax Exemption for Natural Gas that will be Converted to Compressed Natural Gas for Use or Consumption in Motor Vehicles

This memorandum explains recently enacted legislation that provides a sales and use tax exemption for the purchase and use of natural gas that will be converted to compressed natural gas (CNG) for use or consumption in motor vehicles.

Part K of Chapter 59 of the Laws of 2013 amended the Tax Law to exempt from sales and use tax (sales tax) natural gas that is purchased in an uncompressed state and that will be converted into CNG and used or sold for use or consumption directly and exclusively in the engine of a motor vehicle. This exemption applies to a sale and use of such natural gas that occurs on or after June 1, 2013, and expires on August 31, 2014.

How to make exempt purchases of natural gas or obtain a refund or credit of tax paid

To claim this new exemption, the purchaser must provide the vendor with a properly completed [Form ST-121](#), *Exempt Use Certificate*, using Part 3, Box U. If a portion of the natural gas purchased is used for a non-exempt purpose (*e.g.*, a portion of the natural gas is used for nonresidential heating purposes), the amount paid that is attributable to the portion of the natural gas used for the non-exempt purpose must be reported as a purchase subject to use tax on the purchaser's sales and use tax return (or, if applicable, on Schedule B, *Taxes on Utilities and Heating Fuels*).

If the purchaser does not give the vendor a properly completed Form ST-121 or other exemption certificate, the vendor should compute and collect the state and local sales from the purchaser on the selling price of the natural gas. However, if the purchaser ultimately converts all or a portion of the natural gas purchased into CNG for use or consumption directly and exclusively in the engine of a motor vehicle, the purchaser may file a claim for a refund or credit using [Form AU-11](#), *Application for Credit or Refund of Sales or Use Tax*, for the sales tax that was paid that is attributable to the portion of the natural gas used for this exempt purpose.

(Tax Law section 1115(a)(42))

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