



Residential Energy Sources and Services

Introduction

Sales and uses of energy sources and services for *residential purposes* are exempt from state sales and use taxes and possibly local taxes. This bulletin explains:

- what types of energy sources and services qualify for the exemption;
- the applicability of the exemption to local sales and use taxes; and
- how the exemption applies when an energy source is used for both residential and nonresidential purposes (i.e., *mixed-use properties*).

State sales and use tax

Sales and uses of the following energy sources and services to be used for residential purposes are exempt from the 4% state sales and use taxes and the $\frac{3}{4}\%$ sales and use taxes imposed in the Metropolitan Commuter Transportation District (MCTD), if applicable:

- natural gas,
- propane sold in containers of 100 pounds or more,
- electricity,
- steam,
- fuel oil,
- non-highway diesel motor fuel¹,
- coal,
- wood (including wood pellets and other compressed wood products) used for heating purposes only²,
- gas, electric, and steam services.

Local sales and use taxes

Local tax rates may apply and vary depending on the locality. Some localities exempt residential energy sources and services from tax, while others impose tax at a full or reduced rate. Certain school districts may also impose sales tax on these energy sources and services. These school district taxes are in addition to taxes imposed by a county or city in which the school district is located.

See [Publication 718-R, Local Sales and Use Tax Rates on Residential Energy Sources and Services](#), for a listing of localities and school districts imposing tax on residential energy sales. See also the [Sales Tax on Utilities Jurisdiction and Rate Lookup](#) on our Web site.

¹ Purchases of *highway diesel motor fuel* used for residential heating purposes are subject to sales tax at the time of purchase but are eligible for a refund of any sales tax paid. See [Form FT-500, Application for Refund of Sales Tax Paid on Automotive Fuels](#).

² The exemption does not apply to other pellets or other compressed products that are made from non-wood material, or other non-wood products, such as corn or corn kernels.

Mixed-use properties

To claim an exemption from sales or use taxes for energy sources or services for a mixed-use property having a single meter or a single storage tank, you must determine the percentage of the property used for residential purposes.

Residential purposes means the use of any part of a structure by a person as a place to live. It does not matter whether the structure is owned by the person living there. *Residential purposes* do not include occupancy on a temporary or transient basis, except for hotel or motel rooms where the occupant qualifies as a permanent resident (see Tax Bulletin [Hotel and Motel Occupancy \(TB-ST-331\)](#)).

Nonresidential purposes means any use other than for residential purposes, including any use in the conduct of a trade, business, or profession. It does not matter whether the trade, business, or profession is carried on by the owner of the structure or by some other person.

Common areas are areas used for both residential and nonresidential purposes.

Use this formula to determine the percentage of a property used for residential purposes. Common areas are excluded from the calculation.

$$\frac{\text{Square footage of residential use (excluding common areas)}}{\text{Total square footage of structure (excluding common areas)}} = \% \text{ of residential use}$$

If the percentage of residential use is 75% or more, the exemption from state and MCTD taxes, and any exemption or reduced rate of local taxes, will apply to 100% of the energy sources or services purchased for the property.

If the percentage of residential use is less than 75%, the exemption is allowed only for the residential-use portion, rounded to the nearest 10%.

Use [Form TP-385, Certification of Residential Use of Energy Purchases](#), to claim an exemption for mixed-use properties. **Note:** A new certification must be filed if there is a change in the percentage of residential use.

Note: A Tax Bulletin is an informational document designed to provide general guidance in simplified language on a topic of interest to taxpayers. It is accurate as of the date issued. However, taxpayers should be aware that subsequent changes in the Tax Law or its interpretation may affect the accuracy of a Tax Bulletin. The information provided in this document does not cover every situation and is not intended to replace the law or change its meaning.

References and other useful information

Tax Law: Section 1105-A

Regulations: Section 527.13

Publications:

[Publication 718-R, Local Sales and Use Tax Rates on Residential Energy Sources and Services](#)

Memoranda:

[TSB-M-80\(1\)S, 1979 Legislation - Authorization for Reduction in Local Tax on Certain Energy Sources and Services](#)

[TSB-M-11\(6\)M, \(11\)S, Changes in the Taxation and Classification of Diesel Motor Fuel Beginning September 1, 2011](#)

Bulletins:

[Hotel and Motel Occupancy \(TB-ST-331\)](#)