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# Petroleum Marketers Association of America/Arkansas Oil Marketers Association Memorandum: Oil Spill Liability Tax

## Arkansas Environmental, Energy, and Water Law Blog

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The December 30th Arkansas Oil Marketers Association Publication Update includes a memorandum from Petroleum Marketers Association of America Counsel Mark Morgan addressing a question associated with the increase in the federal Oil Spill Liability Tax ("OSLT").

Certain federal environmental taxes (per barrel) are imposed on crude and petroleum products to finance cleanup operations and assess natural resource damages after a spill pursuant to the OSLT.

The tax is also imposed on refiners and terminal operators that import finished product into the United States.

Mr. Morgan's memorandum addresses certain questions that have been raised about the increase in the OSLT.

The OSLT per barrel tax increased from eight cents to nine cents on January 1, 2017.

The memorandum states that:

The OSLT has absolutely no tax consequences for petroleum marketers below the terminal rack. The OSLT is a tax imposed on crude oil and paid by refiners. Refiners fold the tax in as a cost of refining finished product. The OSLT is not imposed, remitted, or refunded downstream. There are no OSLT floor stock taxes or OSLT tax exempt parties downstream. There is no immediate impact on prices downstream, including existing inventory.

Mr. Morgan characterizes the price impact on the retail pump by noting:

The price impact of the OSLT increase will reach the retail pump as the crude on which it is imposed goes through the refining process and passes down the distribution chain as finished product.

The memorandum expresses concern about how some terminal operators break out the OSLT as a separate item on invoices (along with state and federal motor fuel excise taxes), noting:

This practice is misleading for petroleum marketers because the OSLT is not a tax at this point but only a cost imposed on refiners to produce finished product which in turn is passed downstream. Also, many terminal operators have sent out notice to customers of the OSLT increase prompting many marketers to wonder what action they must take.

As a result, Mr. Morgan notes that there are no affirmative duties imposed upon petroleum marketers due to the increase in the OSLT.