



# This Week in State Tax (TWIST)

December 8, 2025



## Wyoming: Electricity used to move oil from wellhead to point of sale does not qualify for exemption

The Wyoming Supreme Court reversed a State Board of Equalization decision that had granted a taxpayer a sales tax refund for electricity used in certain oil field operations. The court held that the taxpayer was not “engaged in the transportation business” as required by law for the exemption.

The taxpayer operated oil fields in Wyoming, using electric submersible pumps and pumpjacks to extract a mixture of crude oil, water, and natural gas. After extraction, these fluids were moved to surface facilities for separation, and the crude oil was then conveyed to a Lease Automatic Custody Transfer (LACT) unit for custody transfer. The taxpayer sought a refund for sales tax paid on electricity used in these operations, arguing that the movement of the fluids constituted transportation. The Department of Revenue denied the request, prompting the taxpayer to appeal to the State Board, which ruled in its favor. The Department then sought review in the District Court, and the case was certified to the state high court.

On appeal, the substantive dispute centered on whether the taxpayer qualified for the sales tax exemption as a person “engaged in the transportation business” as set forth in state law. The taxpayer argued that its use of electricity to move fluids from the wellhead to the LACT unit qualified as transportation, and that its role as operator for working interest owners—moving oil it did not own—supported its status as being engaged in the transportation business. The taxpayer relied on utility studies showing the percentage of electricity used for post-wellhead movement.

However, the court found the phrase “engaged in the transportation business” to be unambiguous, requiring that an entity be uniquely employed in the commercial enterprise of moving goods or products from one place to another. In reaching this conclusion, the court rejected the State Board’s reliance on a broad federal tax definition of “engaged in a trade or business,” holding that this approach failed to give effect to the specific term “transportation.” The court determined that the taxpayer’s activities—moving fluids from the wellhead to the LACT and separating water from crude oil—were part of the oil production and gathering process, not transportation.

Finally, the Court concluded that the electricity in question was consumed largely for production purposes, with only a negligible amount used for moving marketable crude oil. Accordingly, the Court held that the taxpayer was not engaged in the transportation business for purposes of the sales tax exemption and denied the taxpayer’s request for a sales tax refund. The court also dismissed a collateral estoppel argument that the Department could

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not relitigate this issue because the State Board had approved an exemption for identical activities previously. The court noted the Department in the earlier matter had stipulated the taxpayer was in “the transportation business,” thus negating an estoppel argument. For more information on [Dep’t of Revenue v. PacifiCorp](#), contact [Steve Metz](#).

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