

Gasoline and Special Fuels Pre-Blended with Additives

Petroleum Fact Sheet 125

This fact sheet explains the taxation of motor fuels pre-blended with additives and offered for sale as a blended product at retail. It also explains when refunds are allowed for taxes paid.

What are Additives?

Additives are chemicals that are pre-blended with gasoline or special fuels and offered for sale at retail locations. Because they are a blended with gasoline or special fuel, they are subject to the Minnesota Motor Fuel Excise Tax. When the additives are added to these fuels, it extends the volume of fuel offered for sale and what is burned in an internal combustion engine.

Examples of these types of additives and these pre-blended fuels offered for sale include:

- 40:1 2-cycle mix
- 50:1 2-cycle mix
- Anti-gel conditioner in diesel fuel
- Other types of fuel conditioner or product that would extend the volume of the product

Reporting Requirements

If you purchase these products and you are the first licensed distributor receiving these products in Minnesota, you must report the purchase of the product and pay tax on your monthly tax return. You need to report the schedule codes and product codes on these purchases as:

If you are reporting:	Then use...
Purchases from a Minnesota location	Schedule code 2A
Purchases imported into Minnesota	Schedule code 2C
Gasoline products	Product code 065
Undyed diesel fuel products	Product code 160
Dyed diesel fuel products	Product code 228

Note: If your company is not the first licensed distributor your supplier should be charging you tax on your invoices, and they would report the tax due on their monthly tax returns.

Do fuels used for off road purposes qualify for a refund?

Only qualifying business uses of motor fuels for off road purposes may qualify for a refund. (See Minnesota Statutes 296A.16.) There are no personal exemptions for fuel used off road.

Off road fuel is a taxable blended product, and motor fuel excise tax must be charged on all sales of it. If the fuel is a qualifying business purchase the product could be eligible for a refund on Form PDR-1, *Minnesota Motor Fuel Claim for Refund*. To claim a refund, file Form PDR-1 within one year from date of purchase.

Sales and Use Tax

If you receive a refund of petroleum taxes paid, you may be required to pay Minnesota use tax on those purchases. The fuel on which the motor fuel tax has been refunded is subject to Minnesota sales and use tax, unless specifically exempted by law.

Exempted Fuels

Some fuel is exempt from sales and use tax based on how it is used. Some examples of qualifying fuel include if it was used in:

- Agricultural production
- Industrial production
- Certain taxable services or ambulance services
- Certain fire trucks or emergency rescue vehicles
- Qualifying law enforcement vehicles operated by state and local governments using special fuels

What if I have questions?

For more information, see Sales Tax Fact Sheet 116, *Petroleum Products*, or contact us at SalesUse.Tax@state.mn.us, 651-296-6181, or 1-800-657-3777 (toll-free).