

Gasoline and Diesel Fuel Sales to State and Local Units of Government

Petroleum Fact Sheet 300

What distributors should know about the sale of fuel to units of government.

Undyed Diesel Fuel and Gasoline

The Minnesota motor fuel excise tax must be charged on the total sale of undyed diesel fuel or gasoline delivered to a state or local unit of government. The Minnesota motor fuel excise tax is charged by the fuel distributor to both licensed and non-licensed state and local units of government.

Dyed Diesel Fuel

Licensed state and local units of government are not charged motor fuel excise tax on delivery of dyed diesel fuel by the fuel distributor, but must electronically file and pay the Minnesota motor fuel excise tax on dyed diesel fuel used on the road.

Non-licensed state and local units of government are charged the excise tax, by the fuel distributor, for dyed diesel fuel purchased and used for taxable purposes. If the unit of government has licensed motor vehicles using dyed diesel fuel and has only one storage tank for dyed diesel fuel, the entire load of dyed diesel fuel must have excise tax charged on the sale.

State and local units of government are exempt from federal excise tax. Distributors must charge the inspection fee and the clean-up fee, when in effect, on all gallons of fuel sold to state and local units of government.

If you are a:	Motor Fuel Excise Tax Charged by Fuel Distributor:	
Licensed State and Local Units of Government (Hold a valid petroleum special fuel license)	Undyed Diesel and Gasoline	Yes
	Dyed Diesel	No (delivered tax free)
Non-Licensed State and Local Units of Government (Do not hold a valid petroleum special fuel license)	Undyed Diesel and Gasoline	Yes
	Dyed Diesel	Yes* if using dyed diesel fuel for taxable purposes

*Non-Licensed State and Local Units of Government must pay motor fuel excise tax on the entire load of dyed diesel fuel purchased from a distributor **if only one tank is used for both on-road (licensed vehicle) and off-road (unlicensed equipment) fueling**. They may claim a refund of tax charged for gallons used in off-road unlicensed equipment if they are pulling dyed diesel fuel from a tax-paid storage tank. Claims must be filed within one year from date of purchase. Use Form PDR-1, *Minnesota Motor Fuel Claim for Refund*.

If the state or local unit of government has separate storage tanks for on-road and off-road usage, the Minnesota motor fuel excise tax must be charged on the on-road tank's fuel and sales tax must be charged on the off-road tank. Remember, there is no sales tax on dyed diesel fuel for off-road use if the agency is exempt, per Sales Tax - Local Governments Industry Guide.