

Taxation of Motor Fuels Used in Motorboats

Petroleum Fact Sheet 800

This fact sheet explains the taxation of motor fuels used in motorboats and when refunds are allowed for taxes paid.

Fuels used in highway vehicles, aircraft, snowmobiles, all terrain vehicles — and boats — are subject to the Minnesota motor fuels excise taxes.

The motor fuels excise tax rate applies to all gasoline and undyed diesel fuel used to propel a boat. **At no time is dyed diesel fuel allowed to be used to propel a boat for personal use.** All marine gasoline received, sold, stored or withdrawn from storage in Minnesota is taxed at the same rate per gallon and in the same manner as the gasoline excise tax.

According to 296A.16, Subd. 2, gasoline used in motor boats is taxable and nonrefundable.

If undyed Diesel fuel is used to propel a boat for an *off-highway business use*, the person who purchased and used the fuel may be allowed to claim a refund of taxes paid. (“Off-highway business use” means any use off the public highway by a person in that person’s trade, business or activity for the production of income.)

However, at no time is there an exemption or an allowable refund for Minnesota motor fuel excise taxes paid on fuel used to propel a boat for personal use.

Claim for Refund

If you paid petroleum taxes on fuel used to propel a boat while it is being used for a qualifying business use, you may qualify for a refund of the taxes paid.

To claim a refund, complete and file Form PDR-1, *Minnesota Motor Fuel Claim for Refund*, within one year from the date of purchase.

Sales and Use Tax

Dyed diesel fuel used to propel a boat for a qualifying off-highway business use may be subject to Minnesota 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. Examples of fuel specifically exempted from sales and use tax include fuel used in a qualifying manner, such as: in agricultural or industrial production; in certain taxable services or ambulance services; or in certain fire trucks, emergency rescue vehicles and special fuels used in qualifying law enforcement vehicles operated by state and local governments.

For more information, see Sales Tax Fact Sheet #116, Petroleum Products, send an email to SalesUse.Tax@state.mn.us or call 651-296-6181 or 1-800-657-3777.