

# Diesel Fuel Sales to State and Local Units of Government

**300****Petroleum Fact Sheet 300****Fact Sheet**

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

## Exempt and non-exempt status

State and local units of government are exempt from the federal excise tax, but are NOT exempt from the Minnesota motor fuel excise tax for fuel used in licensed vehicles. They may, however, purchase dyed diesel fuel for use in the vehicles.

## Minnesota motor fuel excise tax

The motor fuel excise tax must be charged on the total sale if undyed diesel fuel is delivered to a government unit, or if dyed diesel fuel is sold and the unit does not have a special fuel license.

## Off-road use

Off-road use of dyed diesel fuel is subject to the Minnesota sales tax at 6.5 percent payable on their sales tax return.

### Bulk delivery

Any off-road use of tax-paid diesel fuel may qualify for a refund. Use Form PDR-1, *Minnesota Motor Fuel Claim for Refund*. The Minnesota sales tax must be paid on any refunded gallons.

### Retail stations

Tax-paid purchases made at retail outlets may also qualify for a refund. Use Form PDR-1. (These gallons must also be reported and paid on the sales tax return.)

Whenever a refund is claimed, there must be sufficient supporting documentation available for verification of the claim. (See Form PDR-1).

**Note:** If the state or local unit of government have separate tanks for on-road and off-road usage, the Minnesota excise tax should be charged on the on-road tank and sales tax charged on the off-road tank.