

FUEL USERS

An Educational Guide to Taxes and Refunds in the State of Idaho

This brochure is intended to help fuel users understand the fuels tax, sales tax, and refund laws that apply to them. The information is based on the tax laws and rules in effect on July 1, 2008.

FUELS TAX

Types of motor fuels

Gasoline includes ethanol-blended fuels and any mixture of fuels that can be used in a gasoline engine.

Aircraft engine fuel includes aviation gasoline and jet fuel.

Special fuels include dyed and undyed diesel, biodiesel, biodiesel blends (e.g. B1-99), and any other fuels that can be used in a diesel engine. Special fuels also include propane and natural gas.

How is fuels tax paid?

Licensed fuel distributors pay fuels tax to Idaho. The cost of the fuels tax is included in the price paid for delivered fuel or fuel purchased at the retail pump. There are three exceptions to this general rule:

- **Dyed Diesel** — Diesel that has been dyed red isn't subject to the Idaho fuels tax when purchased. It's unlawful to use dyed diesel in a motor vehicle on a highway (except as noted below). If dyed diesel is improperly used, it's subject to fuels tax.

Note: There are two types of dyed diesel, ultra low sulfur (ULSD) and low sulfur (LSD). Both types may be used in unregistered equipment, stationary engines, combines, tractors, etc. The Internal Revenue Service allows both types of low sulfur dyed diesel to be used in vehicles operated exclusively by state or local government. If you have questions about the use of dyed diesel, contact the Idaho State Tax Commission.

- **Gaseous Fuels** — Propane and natural gas are subject to fuels tax only when placed into the supply tank of a licensed motor vehicle. The customer pays the fuels tax on gaseous fuels at the time of purchase, unless the vehicle displays a current gaseous fuels decal.
- **Fuel from an Indian-owned Retail Outlet** — Motor fuels purchased from an Indian-owned retail outlet may not include the Idaho motor fuels tax and may not qualify as Idaho tax-paid purchases. An Indian-owned outlet is located within the boundaries of a federally recognized Indian reservation and owned and operated by one of the following:

- The Coeur d' Alene, Kootenai, Nez Perce, Shoshone/Bannock, or Shoshone/Paiute tribe.
- An enterprise owned by one of the tribes listed above.
- An enrolled member of one of the listed tribes on whose reservation the retail outlet is located.

Visit the Tax Commission Web site for the tax-paid status of fuel purchased at a specific Indian-owned retail outlet (click on "Motor Fuels" and scroll down to "Fuel Consumers"), or contact us.

What qualifies for a fuels tax refund?

If you paid Idaho fuels tax on fuel that was used in any of the following nontaxable ways, you can apply for a refund:

GASOLINE

The gasoline tax is refundable if you bought at least 50 gallons of gasoline in a calendar year, and it was used in:

- Stationary engines
- Unregistered off-road equipment (snowmobiles and motorcycles don't qualify)
- Motor vehicle auxiliary engines (power take-off equipment doesn't qualify)
- Most motor vehicles that aren't registered (motor vehicles required to be registered don't qualify)
- Commercial motor boats (personal pleasure boats don't qualify)

SPECIAL FUELS

The special fuels tax is refundable for any use other than to propel or operate a motor vehicle on a public road, or idle a motor vehicle for more than 15 minutes. Special fuels are nontaxable if used in:

- Stationary engines
- Unregistered off-road equipment
- Refrigeration units
- Motor vehicles to operate power take-off equipment or auxiliary engines
- Motor vehicles owned and operated or leased and operated by the state of Idaho, or its political subdivisions or the federal government
- Motor vehicles operated on roads that aren't open to the public
- Heating devices (home furnaces, space heaters, etc.)

AIRCRAFT ENGINE FUEL

If you bought gasoline or undyed diesel with the 25-cent fuels tax included and used the fuel in an aircraft, you can apply for a refund of the difference between the gasoline or diesel fuels tax rate and the aircraft engine fuels tax rates (6 cents for jet fuel and 7 cents for aviation gasoline as of July 1, 2008).

How do I apply for a fuels tax refund?

You can file a Form 75 to claim a refund of Idaho fuels tax if:

- You paid Idaho fuels tax when you bought the fuel, and
- You used the fuel for a nontaxable purpose.

Your refund claim must cover a period of at least one month, but no more than 12 months.

You must file a worksheet with your Form 75 in the circumstances described below:

- If you use Idaho tax-paid fuel from a bulk-storage tank in Idaho for a nontaxable purpose, use a Form 75-BST worksheet to compute Idaho tax-paid and nontaxable gallons for the fuel you:
 - Withdraw from a bulk storage tank
 - Buy from a retail station, cardlock, or bulk plant

You don't need to use the worksheet if you only use Idaho tax-paid fuel purchased at retail locations (from a retail station, cardlock, and/or bulk plant) for a nontaxable purpose.

- If your vehicles are driven only in Idaho, use a Form 75-IMV worksheet to calculate your Idaho nontaxable gallons if:
 - The motor vehicle had nontaxable miles (special fuels only), or
 - Fuel from the motor vehicle's supply tank was used to operate the vehicle's power take-off equipment (special fuels only) and/or auxiliary engine (special fuels and gasoline)
- If you have an International Fuels Tax Agreement (IFTA) license, use a Form 75-IC worksheet to calculate Idaho nontaxable gallons if you use fuel from the motor vehicle's supply tank to operate the vehicle's:
 - Power take-off equipment (special fuels only), and/or
 - Auxiliary engine (special fuels and gasoline)

For more information on refunds for IFTA licensees, visit our Web site, or contact the Tax Commission to get a copy of the IFTA handbook.

What records do I need to keep?

You must keep records that support your fuels tax refund claim. These records include all motor fuels receipts showing the total gallons of tax-paid fuel purchased and withdrawal records that show the number of gallons of fuel withdrawn from a bulk storage tank, the equipment the fuel is put into, and whether the fuel use is taxable or nontaxable.

How long do I have to keep these records?

You must keep the refund records for three years from the Form 75 due date (April 15 following the close of the calendar year) or the date you file an amended claim.

SALES/USE TAX

Purchases of gasoline, aircraft engine fuel, and special fuels subject to Idaho fuels tax are exempt from Idaho sales tax. If fuel (such as dyed diesel) is sold *without* the fuels tax, the sale is subject to sales tax unless the purchase qualifies for an exemption under the Idaho Sales Tax Act.

If you receive a refund of the motor fuels tax on gasoline and special fuels, the fuel purchase is subject to Idaho use tax unless the use qualifies for an exemption under the Idaho Sales Tax Act. Typically, the sales tax exemptions for fuels also apply when the fuel purchase is subject to use tax.

Use tax is a tax on the use or storage of goods (including fuels) in Idaho. If you didn't pay sales tax when you bought these goods, you may owe use tax, unless an exemption applies. The use tax rate is the same as the sales tax rate.

When are my fuel purchases subject to use tax?

Some of the common fuel uses subject to use tax include:

- Fuel used in unregistered equipment for construction, landscaping, well-drilling, and golf courses
- Power take-off fuel refunds
- Refrigeration unit (reefer) fuel refunds
- Refund of tax on diesel fuel used in registered vehicles off-road, except logging trucks
- Fuel used in commercial motor boats

Use tax is due on the total purchase price of the fuel minus the federal and Idaho fuels tax. You can subtract the federal tax only if you're eligible to receive a refund of the federal tax. If you owe use tax, you must report it on a Form 75, your Idaho income tax return, or your Idaho sales/use tax return.

When are my fuel purchases exempt from sales tax?

The following sales tax exemptions most commonly apply to fuel users:

LOGGING

- Fuel used in unregistered equipment while performing exempt logging activities
- Fuel used off-highway in a registered logging truck (undyed diesel only)

FARMING

- Fuel used in unregistered equipment while performing exempt farming activities (fuel used in a vehicle required to be registered doesn't qualify for this exemption, even when the vehicle is used off-road)

MANUFACTURING

- Fuel used in tax-exempt equipment
- Fuel used in the production process

HEATING AND COOKING

- Fuel used to heat a home, building, or recreational vehicle
- Fuel used for cooking

PROPANE

- Purchased in quantities of 15 gallons or less

How do I document transactions that are exempt from sales tax?

You must fill out form ST-101, Sales Tax Resale or Exemption Certificate, and provide it to your fuel supplier.

A form ST-101 isn't required for heating fuel deliveries or for purchases of propane in quantities of 15 gallons or less. You must document the use of heating fuel on the sales invoice or receipt.

If you're not sure whether your fuel use qualifies for a sales/use tax exemption, contact the Tax Commission.

To get tax forms, visit our Web site. For more information, read the following sales tax brochures:

Brochure #30	Production Exemption
Brochure #31	Farming and Ranching
Brochure #32	Logging

For more information, contact:

- Idaho State Tax Commission: In the Boise area, 334-7660; Toll free, (800) 972-7660
- Hearing impaired: TDD (800) 377-3529
- **tax.idaho.gov**

This information was prepared by the Idaho State Tax Commission. It does not provide comprehensive explanations of Idaho tax laws or rules. Specific questions should be addressed to the Tax Commission or a qualified tax practitioner.